Political Economy of the Spanish Miracle

In the 1950s and 1960s, Spain underwent one of the most rapid processes of economic development the world had ever seen. Most existing analyses of this process explain the "Spanish Miracle" as a product of the unleashing of market forces and of changes in economic policy made by the Franco regime in the 1950s. *Political Economy of the Spanish Miracle* provides an alternative explanation of Spanish economic development, analyzing the Miracle from an interdisciplinary political economy perspective that treats capitalist growth as a complex and dynamic interaction between capitalists, workers and the state. The Spanish Miracle is linked to changes in Spanish society produced by the Spanish Civil War, to the class structure of the regime brought to power by that Civil War and to the interaction between domestic social struggles under the Franco regime and Spain's insertion into the international political economy of the Cold War capitalist world. Ambitious in scope, *Political Economy of the Spanish Miracle* both revises conventional understandings of Spanish economic growth and situates Spain within comparative discussions of development in the twentieth century. This book will be of great interest to readers in political economy, economic sociology, historical sociology and Spanish and European history more broadly.

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State, Labor and Capital, 1931–1973

Diego C. Ayala

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A Note on Spanish Names and Terms

Many of the names of the principal "characters" in this book as well as of the authors cited use the Hispanic tradition of a given name followed by two surnames—a paternal surname followed by a maternal surname (the mother's paternal surname). The usual custom is to use either the paternal (or "first") surname alone or both surnames together, but not the maternal surname alone (except in certain cases where the paternal surname is more common than the maternal surname, as with Pablo Ruiz Picasso and Federico García Lorca). This can confuse English-speaking readers who might mistake the first surname for a second given name. Thus, Juan Rodríguez García might go by Juan Rodríguez, but typically not by Juan García, and in a bibliography he would be found under the "Rs," not the "Gs."

Italics have been used to indicate Spanish-language terms. In the case of certain terms (e.g., *jornalero*, *latifundio*) that are used frequently throughout, italics are used only on first mention.

Abbreviations

Abbreviation	*Spanish*	*English*
BCI	Banco de Crédito Industrial	Industrial Credit Bank
CAMPSA	Compañía Arrendataria del Monopolio de Petróleos	Leasing Company of the Petroleum Monopoly
CC.OO.	Comisiones Obreras	Workers' Commissions
CEDA	Confederación Española de Derechas Autónomas	Spanish Confederation of Autonomous Rights
CEN	Consejo de Economía Nacional	National Economic Council
CEPAL	Comisión Económica para América Latina	Economic Commission for Latin America and the Caribbean
CEPSA	Compañía Española de Petróleos	Spanish Petroleum Company
CNCA	Confederación Nacional Católico-Agraria	National Catholic-Agrarian Confederation
CNT	Confederación Nacional del Trabajo	National Confederation of Labor
CNT-FAI	Confederación Nacional del Trabajo-Federación Anarquista Ibérica	National Confederation of Labor-Iberian Anarchist Federation
CONS	Central Obrera Nacional Sindicalista	National Syndicalist Workers' Confederation
CSB	Consejo Superior Bancario	Superior Banking Council
ENASA	Empresa Nacional de Autocamiones	Spanish Motor Truck Company
ENCASO	Empresa Nacional Calvo Sotelo	Calvo Sotelo Petrochemical Company
ENDASA	Empresa Nacional de Aluminio	National Aluminum Company
ENDESA	Empresa Nacional de Electricidad	National Electricity Company
ENSIDESA	Empresa Nacional Siderúrgica	National Steel Company
FET-JONS	Falange Española Tradicionalista-Juntas de Ofensiva Nacionalsindicalista	Traditionalist Spanish Phalanx-Councils of the National Syndicalist Offensive
FNTT	Federación Nacional de Trabajadores de la Tierra	National Federation of Agricultural Workers
HOAC	Hermandad Obrera de Acción Católica	Workers' Brotherhood of Catholic Action
IEAS	Instituto de Estudios Agro-Sociales	Institute of Agro-Social Studies
IEME	Instituto Español de Moneda Extranjera	Spanish Foreign Exchange Institute
INC	Instituto Nacional de Colonización	National Colonization Institute
INE	Instituto Nacional de Estadística	National Institute of Statistics
INI	Instituto Nacional de Industria	National Institute of Industry

IRA	Instituto de Reforma Agraria	Agrarian Reform Institute
IRI	Istituto per la Ricostruzione Industriale	Institute for Industrial Reconstruction (Italy)
ITT		International Telephone and Telegraph
OEEC		Organization for European Economic Cooperation
PCE	Partido Comunista Español	Spanish Communist Party
PNV	Partido Nacionalista Vasco	Basque Nationalist Party
PSOE	Partido Socialista Obrero Español	Spanish Socialist Workers' Party
RENFE	Red Nacional de Ferrocarriles Españoles	National Spanish Railroad Network
REPESA	Refinería de Petróleos de Escombreras	Escombreras Oil Refinery
SEAT	Sociedad Española de Automóviles de Turismo	Spanish Passenger Car Corporation
SECN	Sociedad Española de Construcción Naval	Spanish Shipbuilding Corporation
SEFANITRO	Sociedad Española de Fabricaciones Nitrogenadas	Spanish Nitrogenous Manufactures Corporation
SIN	Sociedad Ibérica del Nitrógeno	Iberian Nitrogen Corporation
SNCP	Servicio Nacional de Concentración Parcelaria	National Land Consolidation Service
SNT	Servicio Nacional del Trigo	National Wheat Service
SV	Sindicato Vertical (formally, Organización Sindical)	The "Vertical Syndicate" (formally, the Spanish Syndical Organization)
UGT	Unión General de Trabajadores	General Union of Workers
UNCC	Unión Nacional de Cooperativas del Campo	National Union of Rural Cooperatives

1 Perspectives on the Spanish Miracle

In his biography of Pablo Picasso, originally published in 1965, British art critic John Berger began not with the topic of art but with economic development. He presented a rather scathing picture of the society in which his subject was born. "Spain," Berger wrote, "is historically behind the rest of Europe. Spain is separate… Because Spain is still a feudal country." For Berger, this lingering feudal nature had concrete effects on artistic production; "Spain has contributed little to European architecture, music, philosophy, medicine, physics or engineering. Even, I would suggest, Spanish painting and literature have had less effect in Spain than outside Spain."[1]

Berger's area of academic expertise was, of course, art criticism, not economic development. Yet there is something to be said of his claim that, at least in the early to mid-twentieth century, Spain was relatively backward when compared with its Western European neighbors. A look at Spain's literacy rates, for example, gives an eerie meaning to Berger's claim that Spanish literature was more widely appreciated outside of Spain than inside of it. In 1930, Spain's literacy rate was about 70 percent; nearly one in three Spanish adults could not make head or tail of *Don Quixote* or Lorca's tragedies if they tried. In the southern region of Andalusia that year, the literacy rate was even lower, at 53 percent. For some perspective, France, Germany and Britain had all reached or surpassed literacy rates of 70 percent by 1870—a year in which only 28 percent of Spanish adults could read or write.[2]

More than half a century later, in 2019, another British observer—the liberal magazine *The Economist*—struck quite a different tone in an article comparing Spain to Italy. Spain was still different, but now in a good way: "The difference between slow-metabolism Italy and fast-metabolism Spain goes beyond economic statistics," the magazine declared.

> The difference between the two countries is that between Spain's urban spaces, which gleam with futuristic architecture and public works, and Italy's peeling cities; between Spaniards' openness to social change and Italians' conservatism; between the existential melancholy of Paolo Sorrentino's films and the freneticism of Pedro Almodóvar.

Perhaps too harsh on Spain's Mediterranean neighbor, the article was accompanied by a cartoon of a slick, sunglasses-clad Spaniard waving as he sped in a sports car past a humble Italian on a sputtering Vespa.[3]

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Although both of these accounts are exaggerated, their juxtaposition suggests a profound transformation of Spain's place in the world. What accounts for this change? The same *Economist* article frames it as a product of the "time of prosperity and freedom after the drab Franco years." Although the post-Franco years certainly saw an exhilarating expansion of democratic freedoms and cultural expression, they do not tell the entire story on the prosperity side of the equation. In fact, uncomfortable as it may be to admit for those of us committed to democracy, there is an argument to be made that much of Spain's economic convergence with its Western European neighbors occurred precisely during the "drab Franco years."

As shown in Figure 1.1, which illustrates the evolution of Spanish GDP per capita as a percentage of the Western European average between 1930 and 2000, Spain's economic position relative to its neighbors worsened during and immediately after the Spanish Civil War before embarking on a remarkable process of convergence around 1950 that continued almost exactly until the end of the Franco regime, around 1975. By that time, Spain's per capita GDP had reached 80 percent of the Western European average, as opposed to a trough of 45 percent in the mid-1940s and 54 percent before the Civil War. This convergence occurred, moreover, during a period in which the rest of Western Europe was also growing rapidly, which makes the *relative* progress all the more remarkable.

This impressive convergence in living standards has come to be called the "Spanish Miracle." On the one hand, the phenomenon is well known enough to have its own dedicated Wikipedia page.[4] Yet relatively few studies approach the phenomenon of the Spanish Miracle from the interdisciplinary perspective of political economy, treating the "economy" and economic development as products of a complex interaction between states, markets, capitalists and workers.[5] This despite the existence of a wide literature approaching the issue of economic development in the twentieth century from an interdisciplinary perspective straddling history, sociology, political science and economics.[6]

This book aims to make two overarching scholarly interventions. The first concerns existing literature specific to Spain, both in English and Spanish. In general, studies of the Spanish Miracle have tended to attribute it to the abstract workings of the (increasingly) "free" market. Almost all studies in this line of argument converge on a particular historical chronology: the beginning of the Spanish Miracle is traced to sometime in the 1950s. According to the free-market approach, these years saw liberalizing reforms that unleashed market forces in a perfect mix for economic development. In a sense, the rooting of the Miracle in the 1950s reflects an understandable desire to take credit away from the Franco regime; the Miracle was, in other words, only a result of the Franco regime reducing its interventionist role in the economy, of the regime reforming itself and becoming less of an "arbitrary," or "traditional" dictatorship. Yet scholars have had no problem analyzing rapid economic growth in South Korea and Taiwan under regimes that were just as brutal as the Franco regime: they emerged from Civil Wars, ruthlessly repressed labor, suppressed political dissent and were virulently anti-communist.[7]

The fact that such rapid capitalist development coexisted with brutal dictatorships should not prevent us from studying such development in all its ugliness but

Spain GDP pc, % EU-15 average	
1930	52.95
1935	53.87
1940	46.44
1945	44.18
1950	46.9
1955	51.32
1960	59.2
1965	69.12
1970	73.03
1975	79.82
1980	72.88
1985	71.6
1990	79.52
1995	80.18
2000	85.84
Alcaide, p. 70	

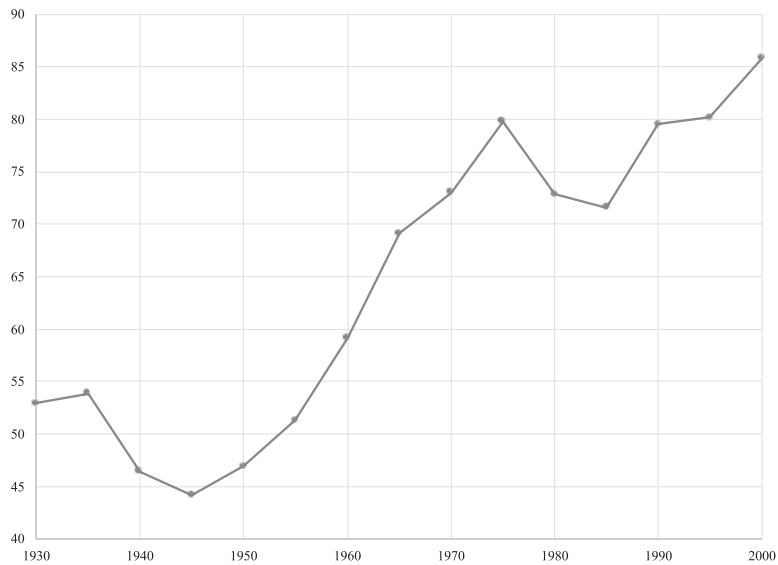

Figure 1.1 Spanish Real GDP Per Capita, Percent Western European Average, 1930–2000.

Alcaide Inchausti, *Evolución económica*, 70. Here the "Western European average" refers to the EU-15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK—see Alcaide Inchausti, 38. Alcaide's estimates of Spanish national income in the twentieth century are considered to be among the more reliable ones—see Catalan, "Franquismo y autarquía," 266–268.

rather, if anything, should serve as an indictment of capitalism itself. Indeed, I argue that the roots of the Spanish Miracle go all the way back to the Spanish Civil War, which paved the way for rapid industrial development. The changes to the Spanish state and society brought about by the Civil War, along with the Cold War geopolitical order into which Spain was inserted in the early 1950s, were central factors behind the economic "miracle."

This study also aims to bring the Spanish case into broader comparative and theoretical discussions on the nature of industrialization and economic development, particularly the so-called "late late" development processes of the twentieth century. A robust interdisciplinary literature has emerged in the last half century attempting to explain, in particular, why East Asian countries (Japan, South Korea and Taiwan) experienced more rapid economic development than other parts of the non-European world in the decades following the end of the Second World War.[8] Spain, as a country of the "European periphery," straddling the imperial metropoles of Europe and the Global South in many ways, deserves to be inserted into this literature as an instructive comparative case. Yet the social science literature on "late late" development, crystallized particularly in the numerous studies of the "developmental state" in East Asia, has largely passed the Spanish case over. To take just one example, a seminal edited volume on the "developmental state" contains entries in its index on dozens of countries, but none on Spain.[9] This despite the fact that the Spanish Miracle outpaced economic development in most of these countries in the third quarter of the twentieth century.

The rest of this introductory chapter addresses the first task, laying the groundwork for a revision of existing explanations of economic development in Spain. The dominant explanation in the literature on Spain attributes economic growth to the operation of the free market. Unlike East Asia with the literature on the "developmental state,"[10] there has been relatively little effort to systematically challenge free-market explanations in the Spanish case. Thus, I begin with a discussion of the origins and dominance of the free-market explanation of the "Spanish Miracle." I then review existing alternative explanations, which largely predate the dominance of the free-market approach and hold key insights to understanding economic development in Spain. Finally, I bring in the literature on the social origins and political sociology of the Franco regime itself, which, when combined with these earlier insights, can help shape a holistic understanding of Spanish political economy during a crucial historical period.

Origins and Dominance of the Free-Market Approach

The dominant literature on the political economy of the Spanish Miracle employs neoclassical assumptions about free markets and rational choices to explain economic development in Spain. The causal factors invoked by this literature are hardly unique to Spain. In summarizing the free-market approach to explaining economic development in Japan, Chalmers Johnson quotes the economist Hugh Patrick's claim that the Japanese "miracle" was "due primarily to the actions and efforts of private individuals and enterprises responding to the opportunities provided in

quite free markets for commodities and labor."[11] Of an almost identical tenor are the words of Joseph Harrison on economic growth in Spain during the 1960s:

> most economists now agree that, had Spain persevered with the policies of economic liberalisation and exposure to market forces, the country would have secured not only faster growth but also lower inflation and greater economic efficiency. If we bear in mind the favorable international circumstances before 1973, it seems likely that the country's economy would have prospered come what may.[12]

According to this free-market framework, it is almost as if there is nothing to explain: economic development is the natural result of rational individuals allocating resources in free markets. It is therefore hardly surprising that Chalmers Johnson dubbed the free-market explanation of economic development in Japan the "no miracle occurred" approach.[13] Government policy cannot play much of a role—with the exception perhaps of very general macroeconomic policies—other than to constitute an *obstacle* to economic growth. This is precisely what the dominant stream of literature on Spanish economic history argues the state did for the better part of the Franco regime.

The state-as-obstacle thesis is clearly proven in the Spanish case, in the eyes of many authors, by the decade of the 1940s, which was characterized by both a range of interventionist economic policies and economic stagnation and widespread material deprivation. The major cause of this decade of disaster was the regime's foolish pursuit of "autarky" through interference in the operation of the free market. Harrison argues that

> there is little dispute that the fundamental cause of the undistinguished economic record of the New Order [i.e. Franco regime], 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.[14]

According to Prados, Rosés and Sanz-Villaroya, "the dictatorship did not reassure economic agents of the New State's commitment to private property and the free market."[15] For Jordi Catalan, rationing and price controls in the 1940s, elements of a pursuit of economic autarky inspired by Fascist Italy and Nazi Germany, created "distortions" that decreased investment and produced production bottlenecks that crippled the Spanish economy, resulting in a much longer economic recovery from the destruction of the Civil War than most Western European countries faced in the wake of the Second World War.[16]

The overarching emphasis of the free-market argument is on the noxious effects of state intervention in the realm of international trade and the allocation of resources and investment decisions by private capital, whether through tariffs, price controls, industrial policies or public enterprise. At times these arguments veer into the patently absurd, as when Antonio Gómez Mendoza and colleagues portray foreign mining companies as victims of Francoist repression: "the Peñarroya and

Rio Tinto companies suffered constant harassment… authorities hoped to force the companies out of business in order to purchase their property for a trifle."[17] Yet the British mining firm Rio Tinto was if anything a predator in Spanish history, infamous not least for a massacre of protesting workers in 1888.[18]

In fact, as Pablo Martín-Aceña and Francisco Comín demonstrate in their seminal study of the *Instituto Nacional de Industria* (INI), Spain's holding company for state-owned enterprises, during the Franco dictatorship the state's decisions to establish a direct presence in sectors it deemed key to economic development were often a response to a dearth of private investment.[19] State enterprise in Spain was used to advance a particular strategy of industrialization when private investment was not forthcoming or was seen as insufficient, not to systematically strangle investment. Here we concur with Francisco Comín, who, in a defense of his and Martín-Aceña's findings, emphasizes that the true victims of Francoist repression were not private enterprises but rather political dissidents and working-class Spaniards.[20]

If one avoids its logical conclusion of portraying a ruthless, polluting mining firm as a victim of repression, however, the free-market reading of Spanish economic history is also ideologically convenient: it portrays economic liberalization as parallel to political liberalization, in line with a typical assumption of neoclassical economics that capitalism and democracy go hand in hand. What was good for growth was also good for political freedom. This may help explain two particularities of the literature on Spanish economic history: first, that apparent faith in certain tenets of free-market economics seems to be shared across the political spectrum; and second, that the prominence of free-market explanations of Spanish economic development predates a general turn to neoclassical hegemony in academic economics after the end of the Cold War.

Indeed, the general tenets of the free-market interpretation outlined above were already evident in the late 1970s and 1980s, in the midst of the Spanish transition to democracy. In his 1982 dissertation, economic historian Carlos Velasco made the case for the parallel relationship between democracy and free markets, arguing that "in a regime based on the reduction and drastic elimination of any vestige of freedom in politics, organized labor, culture, etc., it should also appear unacceptable that there exist 'free enterprise,' or 'free trade,' or 'free allocation of resources.'"[21] In a seminal article on the history of Spanish industrial production published in 1984, Albert Carreras argued that there was "no parallel between Francoism and industrialization" and dubbed the period from the Civil War to 1950 as "the night of Spanish industrialization" (*la noche de la industrialización española*).[22] In a paper presented that same year in a conference at the University of Valencia co-sponsored by the Spanish Communist Party (PCE)'s *Fundación de Investigaciones Marxistas* and the Socialist Party (PSOE)'s *Fundación Pablo Iglesias*, José Luis García Delgado suggested that

> if any relationship can be established unequivocally in contemplating the evolution of the Spanish economy during the whole Franco regime it is the parallel between industrial growth and economic liberalization, both in the field of international trade and in the regulation of production and domestic commerce.[23]

In fact, broad acceptance of free-market dictums on the Spanish left may even predate the transition to democracy. Historian José Gómez Herráez's research on the intellectual production of Spanish Republicans in exile in Mexico suggests that denunciation of state intervention in the economy was common already by the early 1950s. Articles in *España Popular*, the PCE-affiliated newspaper for Spanish exiles in Mexico City, put forth articles arguing that price controls in Spain were distorting market incentives and that import licensing requirements and foreign exchange controls were decreasing the availability of production inputs, which in turn decreased production and exports and reinforced balance of payments problems. This was the standard line of argument in what came to be the free-market interpretation of economic development in Spain. Article headlines during this period are quite revealing and rather surprising coming from a communist-affiliated newspaper: "Let's end intervention in the harvest" and "Spanish capitalists speak out against the Francoist system and in favor of freedom of industry and commerce" are a few notable examples.[24]

An important point of emphasis in the free-market literature is that the economic woes of the 1940s were self-imposed in the form of misguided policy and ideology that signified the triumph of "politics" over "economics," *rather than* a product of any particular international environment. According to Ángel Viñas, Spain's leaders were *a priori* committed to a policy of autarky during the whole period 1939–1959, a policy which was only cosmetically altered as necessary for opportunistic reasons. This policy was characterized by a "profound disregard for rationality" and "opportunity costs"; the notion that it was a response to international conditions, Viñas argues, is a position of pro-Franco apologetics.[25] Jordi Catalan similarly emphasizes that the economic policies of the 1940s were "freely chosen,"[26] and Antonio Gómez Mendoza argues that the regime's "importunate insistence" (*insistencia machacona*) on autarkic economic policy meant "self-exclusion" from international cooperative economic programs like the Marshall Plan.[27] Mercedes Cabrera and Fernando del Rey argue that the scarcity and stagnation of the 1940s were products "of the enormous fiasco of interventionist policy and autarky," with the latter's "erratic and often irrational policy of substituting imports" and its "policy of fanatical protectionism."[28]

In fact, as we shall see and as some scholars have explicitly or implicitly pointed out,[29] in the 1940s the Franco regime operated under severe economic constraints—in the first half of the decade because of a general collapse of international trade caused by the Second World War and in the second half of the decade because of an embargo by the victorious Allies, who associated the regime with the defeated Axis powers. As a result, as Thomas Christiansen has shown[30] and as I argue later in the book, the Spanish economy faced shortages of key agricultural inputs in the 1940s that it was unable to replace with imports, resulting in decreased agricultural production. In this context, price controls were more a rational response than an irrational cause of scarcity.

A key corollary of the causal emphasis on "bad" policies is the typical explanation of economic *change* over the course of the Franco regime. If bad economic performance was more or less an epistemological problem—the product of

ideological, "half-baked" policies—then good economic performance must conversely have been the product of enlightenment, as policymakers "realized" the wonders of proper market-oriented policies. In these explanations, there is some disagreement over whether the enlightenment came first in the early or late 1950s,[31] but the emphasis on simple policy changes over structural or more broadly "political" factors is shared. As Michael Richards puts it in an analysis of the Barcelona general strike of 1951—ironically a very "political" catalyst of policy changes, as we will argue later—policy and cabinet-level changes that year "marked a liberalizing turn that *recognized* the need to trade in order to satisfy the basic needs of the population" (emphasis added).[32] Carlos Barciela and colleagues similarly suggest that "by the end of the forties, this [autarkic] model of accumulation could no longer work. Ten years of hunger, privations and misery were sufficient arguments for something to change in the postulates of Francoist economic policy."[33] After a certain number of years of disastrous results, in other words, regime officials were sufficiently convinced of the folly of their *dirigiste* ways to take at least initial steps toward the free market.

Alternative Approaches to Spanish Economic Development

The literature on the developmental state has provided overwhelming evidence of the flaws of a free-market approach to explaining economic development in East Asia. Insights from history, sociology, political science and heterodox economics in the late twentieth and early twenty-first centuries demonstrated that all of the economic policies invoked by the free-market literature to explain economic stagnation in Spain in the 1940s—foreign exchange controls and overvaluation, domestic price controls, tariff protections and other interventions in international trade, and extensive presence of state-enterprises in the economy, to name just a few—all coincided with very *rapid* economic growth in East Asia.[34] Yet there have been few attempts to problematize free-market explanations of economic development in Spain in a holistic manner analogous to the critiques of neoclassical explanations provided by the literature on the East Asian "developmental state."[35]

If there has not been a clear theoretical response to the dominance of free-market explanations in the Spanish case, there are major alternative theoretical traditions that *precede* this dominance. Perhaps the most prominent, at least in English-language literature, is the "rationalization" school, which blended modernization theory's juxtaposition of "modernity" and "tradition" with Weberian notions of rationalization and bureaucratization to explain Spanish development. José Casanova, for example, argued that the ascent to Franco's cabinet in the late 1950s of the so-called "technocrats" associated with Opus Dei, led by the maneuvering bureaucrat Laureano López Rodó, allowed for a "rationalization" of the Spanish state, which in turn proceeded to "rationalize" the economy. Arriving at the highest levels of state power in the late 1950s, at a time of both economic trouble (a balance of payments crisis) and renewed politicization, the Opus Dei technocrats offered a de-politicized, "modern," Europeanist and technocratic program of bureaucratic and economic reform. In fact, Casanova framed the "Opus

Dei ethic" as something analogous to what Weber saw in the so-called "Protestant ethic": an ideological motor of social and economic change.[36] For Eric Baklanoff, whereas the "corporatist" and "traditionalist" ideology of the 1940s and 1950s had been inimical to development, the arrival of the technocrats to power inaugurated a "post-ideological era" where economics triumphed over politics in the form of policies that maximized growth.[37] According to Charles Anderson, the technocrats were the most successful at "problem recognition" in the midst of the currency crisis of the late 1950s, and they brought Spain in line with "the modern capitalist, Keynesian position then dominant in economic policy-making in most of Europe," leading to accelerated economic growth.[38]

It is easy to see that the "rationalization" approach shares key elements of the free-market explanation: in particular, it frames economic change in the epistemological terms of finding the "correct" policies, although adding the more long-term variable of "ideology." Nevertheless, what makes the rationalization approach distinct from the free-market approach is its recognition of the importance of the state in economic development: rationalization theorists suggest that economic development was a product not so much of *less* state intervention in the economy as of *better* intervention. Indeed, Casanova's notion of a state "rationalization" of capitalism and Anderson's invocation of Keynesian policies imply a significantly greater role for the state than the idealized free-market conditions of neoclassical economists.

A second non-free-market approach to Spanish economic development is a variety of Marxist structuralism that might be called the "monopoly capitalism" approach. This approach was linked to the traditional popular-front politics of the communist parties of Western Europe, including the PCE: it assumed that capitalism everywhere proceeded in "stages," one of which was monopoly capitalism, a stage at which Spain was judged to have reached at least by the 1960s. Theoretically, it was informed by Marxist conceptions of "monopoly capitalism," works of postwar American sociology on the "power elite" and the American economics of monopoly and anti-trust.[39] This approach concorded with the free-market explanation in assigning private capital a protagonist role in capitalist development, but it differed in seeing the state as an agent for the advance of private capital rather than as an obstructionist adversary; it also emphasized the supremacy of finance capital within the Spanish political economy.

Thus, Spanish economist and then-PCE member Ramón Tamames, in a 1967 article analyzing the Franco regime's first Economic and Social Development Plan—published in French in the revealingly titled journal *Revue Tiers Monde*—emphasized that economic decisions in Spain were made "fully influenced by the interests of the bourgeoisie," along with "other traditional forces" and "an army of technocrats." Yet he also highlighted what he saw as Spain's backwardness: unlike the rest of Western Europe, Spain was weighed down by an "absurd distribution of land" that was "inherited from the Middle Ages," and the French model of indicative development planning that had just been adopted by the Franco regime was inappropriate for a country like Spain where capitalism was not yet as advanced or "stable" as in France. Tamames finished with an outline of an alternative economic

plan: bank nationalizations, fiscal reforms to make taxation more progressive, a greater role for public enterprises and a proper land reform.[40]

Similarly, Juan Muñoz, in an analysis of the power of the banking sector in Spain, argued in 1969 that during the period 1940-1959, the Spanish banking system "was the principal protagonist of the industrialization of the country," and that the concentration of the banking sector was facilitated by state policies which encouraged consolidation.[41] Tamames, in a study of the "financial oligarchy in Spain," argued in 1977 with respect to the relationship between the banks and the state that the former tried "to convert what are nominally public entities into instruments in the service of state Monopoly capitalism."[42] In a 1982 study of the relationship between the state and the banking sector in Spain, Antonio González and colleagues argued, citing the work of American Marxist economist Paul Sweezy, that Spain was in the phase of "monopoly" capitalism and that the banking sector controlled the commanding heights of the Spanish economy.[43]

In a 1975 analysis of "economic power" in Spain, Carlos Moya expanded the "monopoly capitalism" line of argument but provided a more nuanced account of the role of the state. Moya approximated the "rationalization" school when he argued, citing Weber explicitly, that the Spanish state and Spanish capitalism went through a process of "bureaucratic self-rationalization" in the 1960s. However, Moya's take was somewhat distinct from that of Tamames and others, who argued that high finance *used* the state as a tool for its own needs. For Moya, the state had a conscious agency and unique power and in a sense did for high finance what the latter could not do for itself: accelerate industrialization in the wake of Spanish Civil War destruction, which had resulted in a continued guarantee for private property but had severely weakened the capitalist class in the process. According to Moya, after the Civil War the Spanish financial elite was too preoccupied with its own reconstruction as a class to lead Spanish economic development, such that only the new state could "give a new impulse to reconstruction and industrial development."[44] Moya argued—although more in passing than in detail—that INI and the "state capitalism" it represented replaced insufficient national capital and foreign investment, and that "the state impulse of INI as a challenge to the financial aristocracy was one of the decisive impulses for the development of its [i.e. the financial aristocracy's] active intervention in the industrialization of the country."[45] This insight led Moya to argue that the 1940s in Spain constituted an essential part, rather than a retarding obstacle, to the development of industrial capitalism in Spain. He thus labeled the years 1939–1951 as a process of "primitive accumulation" (*acumulación originaria*) for a "self-sustained" process of "national capitalist development"—as opposed, presumably, to an externally stimulated or dependent process of development.[46]

A second strand of structuralist analysis in the late Francoist and early post-transition period rejected the notions of economic development in a standard set of stages, of "monopoly capitalism" dominated by a "financial aristocracy" and of a backward agrarian economy hampered by "feudal" remnants. This strand of analysis could be dubbed, citing Trotsky's famous term, the "uneven and combined development" school. Authors of this school rejected the notion that Spain's

economic "backwardness" was a product of insufficiently advanced capitalist development: instead, they argued that it was capitalism itself—the particular *kind* of capitalist development that had occurred in Spain—that was responsible for such backwardness.

One set of scholars of uneven and combined development focused on agrarian change. Addressing a renewal of demands for agrarian reform in Spain beginning in the 1960s, Marxist economists José Manuel Naredo and Juan Martínez Alier critiqued the "monopoly capitalism" interpretation of Spanish development. Naredo, for example, challenged the notion of an intertwined financial and landholding elite at the commanding heights of the Spanish economy: instead, he argued, the financial "oligarchy" and the agrarian elite were mostly separate and often politically in tension. He also critiqued denunciations of "absentee" landlords as insufficiently capitalist social actors. In fact, Naredo argued, landlords in Spain had historically shifted between directly managing and leasing out their lands in response to changes in labor costs, just like a rational capitalist would be expected to do.[47] Similarly, Martínez Alier criticized the notion, enshrined in the PCE political platform in the 1970s, that agrarian reform would advance proper capitalist development on the road to socialism by widening the domestic market. Pointing out that current costs in agriculture had doubled as a percentage of manufacturing value-added between 1954 and 1970, he argued that agriculture had indeed already fulfilled this function. Critiquing scholars like Tamames for playing into the productivity-centered logic of capitalism in their advocacy of the "productive" benefits of land reform—as opposed to a focus on social or ecological issues—Martínez Alier argued that the "monopoly capitalism" analysis was "antifeudal" but not in essence anti-capitalist.[48]

José Luis Leal and colleagues took a similar approach in their comprehensive work on the role of agriculture in Spanish development, published in 1975, the year of Franco's death. Agriculture, they argued, had played different roles in the development of industrial capitalism in different places and at different times. In nineteenth-century France, the rural sector's role had been primarily as a consumer of manufactured products; in nineteenth-century Prussia, it had been primarily as a purveyor of financial surpluses to fuel industrial investment. In accordance with varying patterns of historical and political change, states had historically used different strategies to force transfers of agricultural surplus into the industrial sector: land value taxes in Meiji Japan; the state price system and forced procurements in the Soviet Union; taxes on agricultural exports like cocoa in postcolonial West Africa; and multiple exchange rates in Latin America. Incorporating these historical insights, Leal and colleagues argued that the agricultural sector had played diverse roles in Spain's industrial development under the Franco regime, according to region and time period: in the 1940s, the large farms of Andalusia (and Western Andalusia in particular) had generated financial surpluses that were transferred into heavy-industrial investments; in the 1950s, the Spanish agricultural sector had primarily fed proletarians into the expanding manufacturing sector; and beginning in the 1960s, it had served as a major domestic market for manufactures.[49]

If one group of scholars theorized the uneven and combined capitalist development of Spain from the perspective of agriculture, another did so from the perspective of the world market. Also writing in the early post-transition period and heavily influenced by Latin American dependency theory,[50] structuralist economists Javier Braña, Mikel Buesa and José Molero were the first to comprehensively articulate that Spanish growth in the 1950s and 1960s was intimately connected to, rather than retarded by, developments in the 1940s. They noted that not only the key sectors but even the particular firms that led economic growth in the 1950s were, for the most part, those that had been prioritized by the industrial policies of the Franco regime in the 1940s.[51] It was this kind of empirical finding that led Buesa to argue in his doctoral dissertation that "autarky" was "in practice nothing more than the verbal cover for a policy of import substitution of the classic type."[52] Yet Braña, Buesa and Molero also emphasized relations of economic dependency. The insufficiency of technological innovation in Spain, they argued, made the country dependent on technology imported from abroad, either through foreign investment or purchases of technology licenses. This dependency was not a mark of the insufficiently capitalist nature of the Spanish political economy but rather a product of Spain's insertion into the world market as a "late" industrializer in the context of northwest European and particularly North American international economic hegemony.[53]

In addition to emphasizing the articulation between industrial policy in the 1940s and industrial growth in the 1950s and 1960s as well as the relations of technological dependency through which Spain was inserted into world markets, Braña, Buesa and Molero also put forth a theory of political and economic change over the course of the Franco regime. Incorporating the theories of Argentine political scientist Guillermo O'Donnell, they analyzed what they saw as critical changes over the course of the 1950s through the lens of the concept of "bureaucratic authoritarianism." The early 1950s in Spain, they argued, saw an acceleration both of social struggles from below— in the form of labor unrest— and tensions between different factions of the ruling coalition. This resulted in the consolidation of a new political-economic program that excluded the "popular classes" from politics, "deepened" the process of industrialization and brought to the fore state officials with experience managing "complex and highly bureaucratized organizations." Rather than dividing policy shifts in the early 1950s from those in the late 1950s, as is common in many analyses, Braña, Buesa and Molero argued that these major trends characterized the whole decade.[54]

Social Origins and Political Sociology of the Franco Regime

All of the non-free-market explanations of Spanish economic development discussed above have merits as against the prevailing free-market explanations. The "rationalization" approach at least recognized the important role of the state in generating economic development. Its major weakness lay in its teleological perception of "rationalization" and under-recognition of the contingencies involved in the development process, as well as its emphasis on ideology and "policy," as

opposed to changing social structures and political forces, in explaining economic change. It shared this emphasis with the free-market approach: growth could happen if only the right individuals with the proper "rational" ideas and policies came to the fore. The "monopoly capitalism" literature, on the other hand, recognized the importance of class interests and social structures as constraints which any bearer of "correct" or "rational" policies had to face in implementing a development strategy. Yet in its focus on abstract concepts like "monopoly capitalism" it sometimes obscured historical change and geographic variation. It assumed, for example, that economic development consisted of a procession through a uniform set of stages. It also overemphasized the degree to which the Francoist state was captured by a "financial oligarchy."

If the analysis here approaches that of any of the tendencies described above more than the others, it is that of the "combined and uneven development" scholars. Taken as a whole, the works of economists like Naredo, Martínez Alier and Braña, Buesa and Molero provide a range of insights: that the 1940s constituted a decisive if brutal period in a broader process of industrialization, that appealing to feudal remnants or financial oligarchies is insufficient in explaining Spain's relative economic "backwardness" or later economic development and that attention instead must be paid to regionally varied patterns of agrarian change and shifting relations with the world market. What these analyses generally lack is a more detailed inquiry into the political sociology of the Franco regime which requires, in turn, an investigation into the nature of the Spanish Civil War and its effect on Spanish social, political and economic structure. After all, the processes of social and economic change analyzed by all these scholars occurred under the Franco regime. But who brought the Franco regime to power? What was its base of support? Who could it not afford to alienate? To whose interests was it inextricably tied? What were its relations with the outside world? And how, and to what extent, did these factors interact with each other and change over time? An answer to all of these questions is required if we are to understand the limits to and changes in the economic development strategy adopted by the Franco regime. And such an understanding is essential, in turn, to explaining the "Spanish Miracle."

Fortunately, there is ample and expanding literature on the political sociology of the Franco regime and the class interests at stake in the Spanish Civil War. The debate which anchors this study's analysis of the Franco regime itself is that on the agrarian origins of the Spanish Civil War. As we shall see, one common take on the Civil War sees it essentially as the backlash of agrarian and industrial elites against popular mobilization in the Republic. That is, the main protagonists in the movement that brought the Franco regime to power are thought to be, in many analyses, some combination of the industrial bourgeoisie, the financial "aristocracy" and perhaps most importantly the landlord class. However, another interpretation of the Nationalist cause sees the most important protagonist behind it to be some iteration of the Spanish middle class, an analysis whose corollary would be a different understanding of the social content of the Franco regime itself.

In 1970, American historian Edward Malefakis contributed what would become one of the most important works in the debate on the agrarian origins of

the Spanish Civil War, *Agrarian Reform and Peasant Revolution in Spain*. In this study he argued that the particular nature of the attempted agrarian reform under the Republican-Socialist government of 1931–1933 alienated large swathes of the smallholding Spanish peasantry and was at least in part responsible for sowing the class divisions that broke out into the Civil War. In addition to presenting a narrative account of the political ramifications of the agrarian reform, Malefakis also began his book with a detailed analysis of land tenure and agrarian social structure in Spain at the time of the Second Republic, which emphasized regional divisions between a smallholding peasantry in the north and a stratified world of large agricultural estates in the South.[55]

More recently, economic historians James Simpson and Juan Carmona have extended this analysis of the agrarian origins of the Spanish Civil War and put it into comparative perspective. They emphasize the fact that independent family farmers were a relatively smaller component of the Spanish agricultural population than in neighboring Western European countries, but still large enough to be a major political constituency. Yet the Reformation period preceding the Republic, Simpson and Carmona argue, was characterized by the inability of these small farmers to express their interests organizationally and politically in a coherent manner within the framework of electoral democracy. Moreover, left-wing parties for the most part failed to harness smallholding peasants into their political coalitions. These factors manifested themselves under the Second Republic in a lack of attention to issues concerning small farmers, such that the latter in large part became ripe for right-wing, anti-Republican mobilization. Simpson and Carmona also emphasize the complexity of agrarian class divisions and politicization leading up to the Civil War; a division between wage laborers and tenant or proprietor smallholders is too simple, since many rural workers occupied both positions. Although both smallholders and right-wing politicization were more predominant in the northern half of Spain, they therefore emphasize that "the real divisions were *within* villages, in areas of both latifundios and small farms across the country."[56]

In a recent overview of the Republican agrarian reform in Spain, one which takes detailed account of the historical background of the reform effort, historian Ricardo Robledo makes a spirited defense of the Second Republic and the Republican-Socialist coalition. In Robledo's view, Malefakis exaggerated the extent to which the agrarian reform itself endangered the smallholding peasantry—the reform was aimed at expropriating large landowners, not small farmers. Moreover, the Spanish right was hostile to the Republic from its genesis; there was no need for an agrarian reform to alienate reactionaries from the Republican cause. Malefakis's argument, Robledo contends, was consciously or unconsciously a seminal work in a conservative line of literature that placed Republicans and Nationalists on equal moral footing in terms of responsibility for the Civil War. Robledo also suggests that Simpson and Carmona paint too optimistic a picture of progress in the reduction of agrarian inequalities in the decades leading up to the Civil War and too pessimistic a view of the prospects of redistributive agrarian reform by the time of the Republic.[57]

By shedding a comparative light on the agrarian origins of the Spanish Civil War, I hope to come somewhat closer to an understanding of the class content of the Franco regime in this book. I wholly agree with Robledo on the importance and prospects of redistributive agrarian reform at the time of the Spanish Republic and even after. A great irony that will be explored, and which has perhaps been somewhat under-emphasized, is that the Franco regime conducted more of such reforms than the Republic ever was able to, a fact which indeed speaks to the viability of land redistribution. Yet, conversely, Malefakis, Simpson and Carmona's arguments on the particular nature of agrarian politics have an important element of truth: for the most part, and especially compared with neighboring Western European countries, the Spanish left was relatively uninterested in issues facing small farmers and concerned itself instead (although the two were not mutually exclusive) with organizing rural proletarians. Just as we must consider the right's hostility to the Republic as a phenomenon preceding the agrarian reform, so we must also consider that a lack of attention to small farmers on the left in Spain also preceded the Republic itself.

In this insight I borrow from Juan Linz's comparative observation on agrarian politics in Western Europe during the interwar period: in places like France and the Scandinavian countries, where agrarian society was almost wholly composed of smallholders of one type or another—whether proprietors, tenants or sharecroppers—both communist and social-democratic parties gained significant political support in this sector. But where small farmers coexisted on a national scale—if regionally uneven—with large agricultural estates employing wage laborers, as was the case in Germany (east vs. west) and Italy and Spain (north vs. south), left-wing parties tended to focus on wage laborers as their rural base of support to the exclusion of smallholders, and the latter tended much more heavily toward the right.[58] Indeed, it is precisely the *mixed* nature of Spanish agrarian social structure which seems to be key in explaining the Civil War. For if on the one hand Spain was distinct from the rest of Western Europe—and from East Asia, for that matter—in the economic, social and political prominence of the large agricultural estate, the latter was in turn relatively less important within agrarian society in Spain than in most of Latin America. In the latter region, the large agricultural estate, or *latifundio*, was hegemonic and rural middle classes barely existed. In Spain, there was *both* a prominent rural middle class *and* a large rural proletariat. Although the line between the two was blurry, as Simpson and Carmona point out, their coexistence led to a particular pattern of class conflict in which both the left and the right could count on mass bases of support in the countryside.

The operation of these lines of politicization and class conflict has been well-documented in numerous studies that also specify regional variation. In a study published in the year of Franco's death, Martin Blinkhorn, contemporary of Edward Malefakis, explored the development and radicalization in the smallholding region of Navarre of a particular brand of agrarian and Catholic traditionalism which stretched back to the nineteenth century and was a major component of the Nationalist coalition, the Carlist movement.[59] In monographs published

during the subsequent decade, Juan José Castillo detailed the social articulation within Spain's Catholic agrarian movement of an elite of large proprietors and a mass base of smallholders in the period leading up to the Civil War, while Luis Germán examined the relationship between agrarian social structure and politicization during the Second Republic in the largely smallholding northern region of Aragon.[60] More recently, Francisco Cobo and Teresa María Ortega have examined the complex lines of political division and class conflict among non-elites in Andalusia during the Second Republic and demonstrated the wide reach into the rural and small-town middle classes in that region of right-wing organizations like the Falange during and before the Civil War.[61] Simpson and Carmona have conducted similar analyses of the fine lines of class and political division in the region of Extremadura.[62]

The key conclusion to be drawn from existing literature on the agrarian origins of the Spanish Civil War, in other words, is that the main social constituency that brought the Franco regime to power was the rural middle class. This rural middle class was politicized on the right through a variety of organizational channels, a pattern which was in turn reflected in the structure of the Franco regime itself. As sociologist Amando de Miguel insightfully demonstrated around the time of the democratic transition, the regime was comprised of distinct factions, or "families," most of which (with the notable exception of the Opus Dei) corresponded to political movements that had constituted the Nationalist side during the Civil War—the political Catholics, Falangists, Carlists and so forth. Franco's political power as "caudillo" derived from his ability to keep a delicate balance between these factions.[63] If each of these had largely based its power on a mass base of the rural and small-town middle classes during the Civil War, numerous analyses of the backgrounds of officials at various levels of the Francoist state suggest that those brought to power by the mobilization of these middle classes were themselves middle-class professionals and bureaucrats; agrarian and industrial elites played a relatively minor role even at the highest levels of the state.[64]

If the social origins of the Franco regime shaped the composition of the Francoist state, they also profoundly shaped patterns of social and economic change after the Civil War. The Nationalist victory in the Civil War certainly preserved private property. Yet contrary to a view of the regime as a representative of the interests of an economic oligarchy, not all sections of the Spanish elite fared as well after the Civil War as they had before it. Here it is key to incorporate regional variation, and a key tool of analysis in this study will be the within-nation comparison: indeed, Juan Linz and Amando de Miguel argued in a study of Spanish class structure that there existed not one but *eight* "Spains."[65] In part because of this regional diversity, it is also useful to speak, as did sociologist Richard Lachmann,[66] not of one economic "elite" but of *several* elites with distinct interests and distinct apparatuses of accumulation.

As several Catalan historians—including Albert Ribas, Carles Viver, Teresa Climent and Borja de Riquer, among others—documented around the time of the transition to democracy, the Catalan industrial bourgeoisie, arguably the most powerful in Spain during the Restoration period, was not particularly involved

in organizing or executing the Nationalist revolt. It emerged from the Civil War severely weakened, was viewed with suspicion by the Franco regime and lost a tremendous amount of political power.[67] Although the relationship of Spain's other major prewar industrial elite, the Basque industrialists, with the regime was arguably friendlier, the latter also emerged from the war in a weakened state, increasingly dependent on state demand for their heavy-industrial products.[68] And, as historian Miguel Artola has more recently documented, Madrid's prewar elite of agrarian rentiers and coupon-clippers intimately linked to the aristocracy, the banks, and foreign corporate capital—the closest thing to the "financial aristocracy" described by the monopoly capitalism literature—was also much more an observer than a protagonist of the Nationalist cause and was largely unable to maintain its power and resources in the changing economy of the 1940s.[69]

The social origins of the Nationalist movement in the rural middle class, as well as the dubious trajectory of several of the most important Restoration economic elites, combine to indicate a crucial factor: the relative autonomy of the Franco regime. The regime was not, as some interpretations hold, primarily beholden to the immediate interests of large landlords or industrial capitalists. Yet this "autonomy" rested, precisely, on a diffuse class base, that of the rural middle class. A key element of the argument of this book, then, will be that the Civil War transformed Spanish social and economic structure and the relationship between state and capital to facilitate a particular pattern of economic development.

Putting It All Together

As we have seen, the dominant explanation of Spanish economic growth under the Franco regime since the transition to democracy has been the "free-market" approach. This approach paints economic growth as parallel to liberalization: state interventions constituted obstacles to growth, and as they were removed over the course of the 1950s and 1960s, growth accelerated. The free-market explanation of economic development is not unique to Spain: in fact, what is remarkable about free-market explanations is that they do not vary much from one society to another, as exemplified by Chalmers Johnson's quote, cited earlier in this chapter, of a similar explanation of Japanese growth. A prolific literature on the "developmental state" has thrown doubts on the viability of free-market explanations with respect to East Asia. At the heart of the argument of this book is that these explanations do not work well in the Spanish case either.

Unlike in the literature on economic development in East Asia, at least in English, where alternative explanations emerged in response to the predominance of free-market ideas, in the Spanish case the reverse is the case. Alternative explanations of Spanish economic growth largely date from the beginning of the 1980s and earlier. Nevertheless, these explanations are not only more empirically viable but also hold hints for any re-evaluation of the causes of the Spanish Miracle. The "rationalization" approach recognized the importance of the state in Spanish economic development, but in explaining economic change it shared with the free-market approach an emphasis on shifts in policy, personnel and ideology at the

highest levels of the Franco regime without examination of the social changes underlying these shifts. The "monopoly capitalism" approach, in turn, acknowledged underlying social structures but overstated the extent to which the state was captured by a "financial oligarchy," the former "rationalizing" capitalism in the latter's service.

The heterodox "uneven and combined development" approaches come closest to accounting for the balance of chronological and geographical change and continuity that characterized the Spanish Miracle. Both the agrarian economists and the dependency theorists recognized the 1940s as part and parcel of the overall economic development process: the former saw the period as one of (unequal and brutal) capital accumulation originating in the countryside, while the latter saw the 1940s as the formative period of an industrial policy that would determine the shape of economic growth in later decades. The agrarian economists—Naredo, Martínez Alier and colleagues—recognized the changing and regionally varied role of Spanish agriculture in economic development, while the dependency theorists—Braña, Buesa and Molero—emphasized the need to examine the interaction between changes in the international relations of the Franco regime and internal social struggles and factional tensions within the regime itself to explain changes in economic policy.

This book combines these insights with others from the literature on the social origins and political sociology of the Franco regime in order to get a comprehensive understanding of the effects of the Spanish Civil War and the Franco regime on Spanish political economy. It therefore necessarily begins with an examination of the pre-Civil War Spanish political economy, the focus of Chapter 2. Here I emphasize Spain's semi-peripheral insertion into the world economy during the late nineteenth and early twentieth centuries, when Spain was primarily an agricultural exporter with an industrial sector whose highest levels were dominated by foreign capital. I also analyze divisions in Spain's agricultural economy between producers oriented toward exports and those oriented toward the domestic market, and in the country's agrarian social structure between a world of *latifundios* and a world of smallholders. Finally, I examine the position in the Spanish political economy of the so-called "traditional middle classes" which became the social base of the Franco regime.

The two subsequent chapters turn to the Spanish Civil War itself. In Chapter 3, I contest existing explanations of the origins of the Franco regime that frame the latter primarily as a "revolution from above," a reaction of landlords and capitalists. Instead, I argue that the primary social force behind the Nationalist insurrection was the rural middle classes. In essence, the Civil War was a class war between these middle classes and urban and rural proletarians. In Chapter 4, I discuss the implications of this base of support. While the Franco regime was naturally committed to the principle of private property, it was not beholden to the dependent landed and industrial elites that dominated Spain's pre-Civil War economy. The Civil War significantly reconstituted the relationship between state and capital in Spain and therefore had the effect of paving the way for later industrial development on the basis of domestic capital accumulation.

The chapters that follow examine Spanish economic development after the Civil War. In Chapters 5 and 6, I examine the Spanish economy in the 1940s. Chapter 5 focuses on Spain's insertion into the world economy in the decade following the Nationalist victory. Most existing analyses of the Spanish economy in the 1940s attribute economic policy during the decade to a dogmatic isolationist pursuit of autarky. I find, instead, that the economic policies of the 1940s cannot be analytically separated from patterns in international political economy. Chapter 6, meanwhile, frames Spanish development in the 1940s through the concept of "primitive accumulation," examining both the transfer of agricultural surplus into capital-intensive industrial investment and the formation of a particular development model through which the Franco regime was able to impose its strategy of industrialization. Finally, Chapters 7 and 8 examine the interaction between international and domestic change in producing a unique pattern of development in the 1950s and 1960s. They focus, in particular, on Spain's insertion into the US-led anti-communist Cold War order and the project of European integration, the re-emergence of a labor movement and an organized opposition to the Franco regime and shifting patterns of agrarian change. All of these factors interacted to produce the years of particularly rapid growth and industrialization in the 1960s that have been more widely acknowledged to constitute the "Spanish Miracle."

Notes

1 Berger, *The Success and Failure of Picasso*, 16–18.
2 Simpson and Carmona, *Why Democracy Failed*, 26, 170.
3 "The Difference Between Italy and Spain," *The Economist*, March 21, 2019.
4 https://en.wikipedia.org/wiki/Spanish_miracle. I owe this fact to Centeno and Ferraro, "Authoritarianism, Democracy and Development," 3.
5 Most studies of the Spanish "miracle," at least in English, focus on macroeconomic factors and policy reforms: see, in order of publication, Anderson, *The Political Economy of Modern Spain*; Roman, *The Limits of Economic Growth in Spain*; Harrison, *The Spanish Economy*; Calvo-Gonzalez, *Unexpected Prosperity*.
6 This literature, spanning much of the world, is obviously too large to summarize here even in its English-language iteration. But a few classic single-country studies that this one resembles in its methodological and theoretical approach include Evans, *Dependent Development*; Gold, *State and Society in the Taiwan Miracle*; Silva, *The State and Capital in Chile*; Lie, *Han Unbound*; Chibber, *Locked in Place*.
7 John Lie is one of relatively few scholars to highlight the tremendous social, political and environmental costs of East Asian development, with a focus on South Korea—see Lie, *Han Unbound*.
8 A few representative works include Johnson, *MITI and the Japanese Miracle*; Amsden, *Asia's Next Giant*; Wade, *Governing the Market*; Evans, *Embedded Autonomy*; Kohli, *State-Directed Development*; Studwell, *How Asia Works*.
9 See the index in Woo-Cumings, *The Developmental State*. Entries include Argentina, Austria, Brazil, Chile, China, Colombia, Costa Rica, Egypt, England, Finland, France, Germany, Ghana, India, Indonesia, Japan, Kenya, Korea, Malaysia, Mexico, Nicaragua, Nigeria, Pakistan, Paraguay, Peru, Russia, Singapore, Sri Lanka, Sweden, Taiwan, Thailand, Vietnam and Zaire, among others.
10 For a review of the "developmental state" literature see Woo-Cummings, "Introduction: Chalmers Johnson and the Politics of Nationalism and Development"; Haggard, *Developmental States*.

11 Johnson, *MITI and the Japanese Miracle*, 9.
12 Harrison, *The Spanish Economy*, 15–16.
13 Johnson, *MITI and the Japanese Miracle*, 7, 9.
14 Harrison, *The Spanish Economy*, 8.
15 Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 49.
16 Catalan, "Francoist Spain under Nazi Economic Hegemony," 258–260.
17 Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 702.
18 Lola Galán, "Los muertos sin nombre de Riotinto: la primera protesta ecologista de la historia costó más de cien vidas en 1888," *El País*, March 24, 2007. https://elpais.com/diario/2007/03/25/domingo/1174798359_850215.html.
19 Martín-Aceña and Comín Comín, *INI: 50 años*.
20 Comín, "Los mitos y los milagros de Suanzes," 221n. This article is a critique of an edited collection of works arguing that state owned enterprise systematically harassed domestic and foreign capital in Spain and depressed investment: see Gómez Mendoza, *De mitos y milagros*.
21 "*En un régimen basado en la reducción y eliminación drástica de cualquier vestigio de libre opinión política, sindical, cultural, etc., debía también parecer inaceptable que pudiera existir 'libre empresa', o 'libre comercio', o 'libre asignación de recursos*'"—Velasco Murviedro, "El pensamiento autárquico español," 930. Note that Velasco's dissertation is a qualitative work of economic history and the history of economic ideas, yet it was nevertheless a dissertation in economics—a testament to the fact that the rise to prominence of free-market explanations of economic development in Spain preceded the quantitative, model-oriented turn typical of neoclassical economics.
22 Carreras, "La producción industrial española," 147.
23 García Delgado, "Notas sobre el intervencionismo económico del primer franquismo," 142.
24 Gómez Herráez, "La economía del franquismo desde el exilio," 119, 117n, 118n.
25 Viñas, "Autarquía y política exterior," 64–68, 70, 73.
26 Catalan, "Economía e industria," 136; Catalan, "Franquismo y autarquía," 274–275.
27 Gómez Mendoza, "El fracaso de la autarquía," 298.
28 Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 71, 75.
29 For example, Brundu, "L'Espagne franquiste et la politique étrangère de la France"; Guirao, *Spain and the Reconstruction of Western Europe*; Carrasco-Gallego, "The Marshall Plan and the Spanish Postwar Economy."
30 Christiansen, *The Reason Why*.
31 Viñas sees the whole period between 1939 and 1959 as fundamentally "autarkic," whereas Prados and colleagues warn against seeing the 1940s and 1950s as one long "homogenous autarchic era," and García Delgado sees the 1950s as a "hinge decade" (*década bisagra*) between autarky and liberalization— see Viñas, "Autarquía y política exterior"; Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 75; García Delgado, "Crecimiento industrial y cambio."
32 Richards, "Falange, Autarky and Crisis," 572.
33 Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 86.
34 Amsden, *Asia's Next Giant*; Wade, *Governing the Market*; Chang, "The Political Economy of Industrial Policy in Korea."
35 One major exception to this is the work of sociologist Mauro Guillén, which critiques narratives of a uniform process of globalization and takes Spain as a case of industrial export development to be compared with East Asian and Latin American cases: see Guillén, *The Limits of Convergence*. My analysis follows in the footsteps of Guillén's in emphasizing the importance of comparisons with East Asia and Latin America but differs significantly in its chronology: while Guillén sees a "nationalist populist model of

growth" throughout the 1940s and 1950s shared with both South Korea and Argentina, followed by divergences in international integration beginning in the 1960s—see pp. 31–34, 51–52—I see the 1940s and 1950s as a formative period of a distinct model of economic development in Spain.

36 Casanova, "The Opus Dei Ethic," 28–31.
37 Baklanoff, "The Economic Transformation of Spain," 750, 757.
38 Anderson, *The Political Economy of Modern Spain*, 87, 104.
39 For example, in his work *La oligarquía financiera en España*, Ramón Tamames cites the work of G. C. Means, coauthor with Adolf Berle of *The Modern Corporation and Private Property* (1932), and John Kenneth Galbraith—see pp. 144–145; in their work *La banca y el Estado en la España contemporánea*, Antonio González and colleagues cite the work of American Marxist economist Paul Sweezy—see pp. 24–25. On notions of the "power elite," see Pérez, *Banking on Privilege*, 78.
40 Tamames, "L'Espagne face à un second plan de développement," 1055, 1059, 1063, 1066.
41 Muñoz, *El poder de la banca en España*, 68, 60–69.
42 Tamames, *La oligarquía financiera en España*, 176.
43 González Temprano, Sánchez Robayna, and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 24–25. González et al. suggested that their argument contradicted Sweezy's theory that control by high finance of the economy was typical of a transitional period between competitive and monopoly capitalism—ibid.
44 Moya Valgañón, *El poder económico en España*, 122, 212–213.
45 Ibid., 208, 197–198.
46 Ibid., 119.
47 Naredo, "Ideología y realidad en el campo de la Reforma Agraria," 204, 207–209. On the point that the landowning and financial elites of Spain were largely not interconnected, Naredo cites Leal Maldonado and Martín Arancibia, *Quiénes son los propietarios de la tierra*.
48 Martínez Alier, "La actualidad de la Reforma Agraria," 227–228, 231, 233.
49 Leal et al., *La agricultura en el desarrollo capitalista español*, 25–27, 28, 46, 56–59.
50 See Love, "Structuralism and Dependency in Peripheral Europe," 127–130.
51 Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada," 102–107.
52 *"El recubrimiento verbal de una política de sustitución de importaciones de corte clásico"*—Buesa Blanco, "El estado en el proceso de industrialización," 46.
53 Braña, Buesa, and Molero, "Materiales para el análisis de la dependencia"; Braña, Buesa and Molero, "Los años 60–70"; Buesa and Molero, *Innovación industrial y dependencia tecnológica*.
54 Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 197–198, 203.
55 Malefakis, *Agrarian Reform and Peasant Revolution*.
56 Simpson and Carmona, *Why Democracy Failed*, 7.
57 Robledo Hernández, *La tierra es vuestra*. See in particular chapter 10, "Sobre la historiografía crítica de la reforma agraria republicana," pp. 371–402.
58 Linz, "Patterns of Land Tenure."
59 Blinkhorn, *Carlism and Crisis in Spain*. The social context and ideological content of the Carlist movement is somewhat analogous to that of the counter-revolutionary Vendée rebellion as analyzed by Charles Tilly in *The Vendée: A Sociological Analysis*.
60 Castillo, *Propietarios muy pobres*; Germán Zubero, *Aragón en la II república*.
61 Cobo Romero, *De campesinos a electores*; Cobo Romero and Ortega López, "No sólo Franco."
62 Carmona and Simpson, "¿Campesinos unidos o divididos?"; Simpson and Carmona, "Too Many Workers or Not Enough Land?"
63 de Miguel, *Sociología del franquismo*.

64 See, for example, Viver Pi-Sunyer, *El personal político de Franco*; Álvarez Álvarez, *Burocracia y poder político*; Sánchez Recio, *Los cuadros políticos intermedios del régimen franquista*; Moreno Fonseret and Sevillano Calero, "Los orígenes sociales del franquismo."
65 Linz and de Miguel, "The Eight Spains."
66 See Lachmann, *Capitalists in Spite of Themselves*.
67 See, for example, Ribas i Massana, *L'economia catalana sota el franquisme*; Climent and Viver Pi-Sunyer, "El personal polític de la Província de Barcelona"; de Riquer, "Dossier: el franquisme i la burguesia catalana."
68 Lorenzo Espinosa, *Dictadura y dividendo*; Garmendia and González Portilla, "Crecimiento económico y actitudes políticas."
69 Artola Blanco, *El fin de la clase ociosa*.

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2 Economy and Society in Restoration Spain, 1874–1936

The Nationalist regime that took power in Spain in 1936 overthrew the Second Spanish Republic. The Second Republic, in turn, had in 1931 put an end to Spain's long "Restoration" period, which had begun when Spanish conservatives overthrew the short-lived First Republic in 1874 and reinstated a constitutional monarchy. The Restoration inaugurated a long period of relative political and economic stability. In the political realm, universal male suffrage coexisted with a good deal of corruption, which ensured continued elite control and peaceful alternation between Liberals and Conservatives. In the economic realm, the Restoration saw both rapid growth in agricultural exports and the development of a nascent industrial sector oriented toward the domestic market.

Spain was not the only country to experience relative political stability and economic growth in the final decades of the nineteenth century and the beginning of the twentieth. Indeed, this period was one of global economic expansion and relatively free trade, underpinned by a gold standard anchored by the powerful British Empire. A "Second Industrial Revolution" saw industrialization spread beyond Britain into the United States, continental Western Europe and Japan as a series of technological innovations drove new industrial techniques. Germany, in the wake of its unification in 1871, industrialized rapidly under a conservative coalition of Prussian Junkers and industrialists, the so-called "Marriage of Iron and Rye." The United States embarked on its own Gilded Age of industrialization after its Civil War saw the defeat of southern planters and gave northern industrialists political hegemony. France also saw political stability and industrial growth after the defeat of the Paris Commune, and a Prussian invasion inaugurated the Third Republic and a "Belle Époque" of economic growth, political stability and imperialist expansion. And in Japan, the Meiji Restoration expanded the industrialized "core" of the world economy beyond the north Atlantic.[1]

Along with industrialization in what would later come to be called the "Global North" came imperialist expansion in the rest of the world, manifested clearly in the consolidation of European imperialism in Southeast Asia and, infamously, the so-called "Scramble for Africa," which divided almost the entire continent among European imperialist powers.[2] In between the industrialized imperialist powers and their colonies, however, lay a number of countries—we will refer to them here as "semi-peripheries"—that retained political independence and saw some degree of economic growth but remained *economically* dependent on the major metropoles.

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The semi-peripheral world of the classical imperialist era encompassed the republics of Latin America and several early-modern territorial empires and their descendants. Mexico, for example, after expelling French imperialists from its territory, entered a period of dependent capitalist development under the dictatorship of Porfirio Díaz in the final decades of the nineteenth century and the first decade of the twentieth. In the wake of the abolition of serfdom, Russia embarked on a process of rapid industrialization heavily dependent on foreign capital. Qing Dynasty China, Qajar Persia and the Ottoman Empire, meanwhile, fumbled their ways through the "Belle Époque" as they struggled to implement "modernizing" reforms and keep the new imperialism at bay.[3]

In its relations with the countries of the industrialized "core," particularly those of Western Europe, Restoration Spain much more closely resembled a "semi-peripheral" country than a metropole. Like its Ottoman counterpart across the Mediterranean, for example, Spain was the descendant of a powerful early-modern empire; yet, again like its Ottoman counterpart, this empire was waning by the nineteenth century. And, most importantly, as we shall see, the economy of Restoration Spain was heavily dependent on foreign capital, a mark of semi-colonial relations of dependency.

The long period of Belle Époque prosperity came crashing down among the industrialized imperialist powers during the First World War. Yet its end was marked just as profoundly among the semi-peripheries as among the metropoles—and if anything more permanently. The Mexican Revolution of 1910, which overthrew the *Porfiriato*, was in a sense the starting gun of a long global collapse. The Qing Dynasty fell in China the following year, inaugurating a long period of instability in the world's most populous country, and the First World War led to a socialist revolution in Russia and a nationalist one in Turkey that overthrew defeated and disgraced monarchies.

In Spain, the collapse of the Restoration order took somewhat longer. This may have been because, ever since the Napoleonic Wars, Spain had been somewhat out of sync with European (and, by imperialist extension, global) history.[4] Revealingly, it saw neither a revolution in 1848 nor involvement in the First World War. Nevertheless, the growth of agricultural exports and incipient industrialization masked a slow dissolution in the social basis underpinning the Restoration order. Spain lost most of what remained of its empire—Cuba, Guam, the Philippines and Puerto Rico—to the United States in 1898. As sociologist Dylan Riley has argued, the first three decades of the twentieth century in Spain saw a series of failed attempts by the country's elites to reestablish "hegemony." Although the 1910s saw an economic boom fueled by Spain's neutrality in the First World War, they also witnessed accelerating class struggles and resistance to the fiasco of imperialist adventures in North Africa that sought in vain to rehabilitate past imperial glory. The military dictatorship of Miguel Ángel Primo de Rivera, in essence a last attempt to save the Restoration order, finally lost elite support and succumbed to the Second Republic in 1930–1931.[5]

In a sense, it was the Spanish Civil War that put an end to the social and economic order that characterized the Restoration. In order to understand the meaning

of the Spanish Civil War for Spanish economic development, then, we first have to understand precisely this Restoration order. This is the task of the current chapter, which is divided into three sections. The first addresses agrarian class structure in a period of regionally uneven commercialization and internationalization of Spanish agriculture. The second analyzes Spain's industrial economy in a context where incipient industrialization was coupled with dependence on foreign finance capital. In both sections, emphasis is placed on Spain's semi-peripheral position in the global economy. Finally, a third section examines the place within the Restoration political economy of Spain's "traditional" middle class, a social actor which would play a key role in the Civil War that overthrew the Restoration order.

Agrarian Class Structure

During the Restoration period, Spain witnessed a boom in export-oriented intensive agriculture. Between 1890 and 1930, exports of oranges exploded, from about 100,000 tons to over 900,000 tons, while exports of olive oil increased fourfold, from 17,000 tons to 74,000; by 1930, these two products alone constituted about a fifth of Spain's exports by value. Yet this boom in export agriculture was very uneven in geographical terms. Ninety-five percent of orange production in the country was concentrated in the southeastern Mediterranean coastal regions of Valencia, Castellón, Murcia, Alicante and Málaga, while olive production was similarly concentrated in Andalusia and parts of the northeast. Spain's interior, meanwhile, was a region of extensive agriculture and low yields, dedicated mainly to cultivation of the country's principal staple—wheat. In 1930, the interior provinces of Spain produced 64 percent of the country's wheat; agricultural yields, at 216 pesetas per hectare, were significantly lower than the 809 pesetas per hectare in the north (dedicated mainly to livestock and dairy agriculture), 650 in the Mediterranean coastal regions and 288 in Andalusia.[6]

In light of these regional divisions, in 1936, on the eve of the Civil War, Spanish structuralist economist Román Perpiñá divided Spain into two regions. An inward-looking "interior," composed of the regions of Castile, Navarre, Aragon, Extremadura and the northern portions of Andalusia, covered most of the country's territory. Meanwhile, an outward-facing "periphery," including the regions of Galicia, the Basque provinces of Vizcaya and Guipúzcoa, Catalonia, Valencia, Murcia and southern Andalusia, occupied the country's northern, eastern and southern coasts. The interior was characterized by extensive, low-productivity cereal production and limited industrialization, while the periphery held Spain's few clusters of industrial production and specialized in intensive and export-oriented agriculture. The Spanish interior was sparsely populated, with a population density of 35 people per square kilometer as compared to 84 in the periphery. It was also a land of small towns and villages: as late as the mid-1940s, the interior regions contained the vast majority of the almost 40 percent of Spain's population that lived in towns of fewer than 5,000 people.[7]

Spanish agriculture on the eve of the Civil War was diverse not only in terms of what it produced but also in terms of how it produced. Intersecting with Peripñá's

division between "interior" and "periphery," which separated coastal from inland areas, was a distinction in agrarian social structure that roughly divided the north from the south. Southern Spain was the most stratified in terms of land tenure. Here and particularly in Andalusia, the rural landscape was dominated by *latifundios*, large farms of several hundred and sometimes even thousands of hectares, worked by wage laborers. In northern Spain, on the other hand, small farms were the norm, and land fragmentation—the ownership of numerous small plots by one owner—was common. At the opposite extreme from Andalusia in terms of land concentration was the northeastern region of Galicia, where, as late as 1959, there were 6 farm plots for every member of the population, 26 for every person employed in agriculture, and 40 for every farm owner. Medium-sized farms were the least important in Spain in terms of the percentage of total farmland they occupied, but they were most predominant in Catalonia and parts of the Basque Country.[8]

Precise information on land distribution and agrarian social structure in Spain on the eve of the Civil War is hard to come by, especially for northern provinces; as of 1930, the Spanish Cadastre, tasked with measuring land tenure, was complete only in the country's southern provinces, and these were the areas where land concentration was most acute. In 1930, of the roughly 10 million farms cadastred, covering around 20 million hectares in total, farms of over 250 hectares occupied a third of the land in farms. In the areas of Andalusia covered, the figure was over 40 percent.[9] Data collected by the Francoist state-sponsored farmer's organization, the Hermandad de Labradores, in 1956—data which, as we shall see in Chapter 6, cannot be projected back to 1930 with full confidence—suggested that small peasant proprietors were over 50 percent of the rural male labor force in 14 northern provinces. Based on these data, historian Edward Malefakis concluded that in 1956, in southern Spain, hired laborers—most of whom were employed on a casual basis—constituted about 57 percent of the male agricultural labor force, while "family operators," both proprietors and tenants, constituted only 26 percent. In the rest of Spain, hired laborers constituted only 23 percent of the male agricultural labor force, while family operators made up 57 percent.[10] Yet even southern Spain had a considerable number of smallholders, most of whom owned very small amounts of land. The 1930 land cadastre, for example, registered over 1.4 million proprietors in the roughly 20 million hectares it surveyed, of whom over 1.2 million owned less than 10 hectares in total.[11]

Placing prewar Spain's agrarian social structure in comparative perspective yields a mixed picture. On the one hand, it would seem quite unequal if compared to neighboring Western European countries. Table 2.1 would yield such a conclusion, at least based on later data from 1960. Around that time, farms of 10–50 hectares occupied less than 19 percent of all land in farms in Spain; the figures were over 25 percent in Italy, 40 percent in Ireland, and over 50 percent in France. Conversely, farms of over 50 hectares occupied over 60 percent of all land in farms in Spain and only 30 percent in France. We must not make the mistake of assuming that land tenure structures in Spain in 1960 were identical to those in 1930—as we shall see in Chapter 6, some scholars have made such an assumption without sufficient empirical grounding—but it nevertheless remains safe to assume that in 1930,

Table 2.1 Distribution of Land by Farm Size in Western Europe, 1960

Country	*<10 Hectares*	*10–50 Hectares*	*50+ Hectares*
Spain	19%	19%	62%
Italy	32%	26%	42%
France	16%	54%	30%
Ireland	20%	40%	40%

Note: García-Badell, "La distribución de la propiedad agrícola en España," tables 7 and 8. This article summarizes the results of Spain's next cadastre, in 1959, which registered roughly double the number of hectares, this time in the whole country.

Spain was the Western European country in which the large agricultural estate was the most predominant in social, economic and spatial terms and the family farm the least. Indeed, historians James Simpson and Juan Carmona suggest that if we define family farms as those capable of fully absorbing the labor of four people, including those tenant farms that "do not make the tenant cultivator socially and economically dependent on the landowner," then something like 22 percent of the Spanish farm population could be considered family farmers in the 1930s, as opposed to 27 percent in Italy, 45 percent in France, 54 percent in Germany and 58 percent in Ireland.[12]

However, although land tenure was more stratified in Spain than in its Western European neighbors, it was conversely considerably better distributed than in its ex-colonies across the Atlantic. One could take the example of agrarian Chile, whose wheatlands and vineyards occupied a similar agroecological niche as Spain's. In Spain the 1930 cadastre found that in the areas it covered, which were the most stratified regions of the country in terms of agrarian social structure, farms of over 250 hectares occupied a third of the land in farms. In Chile in 1955, by contrast, farms of over 1000 hectares accounted for 73.2 percent of all land in farms. In 1965, when about 30 percent of Chile's population was employed in agriculture, about 9 percent of that population could be considered "middle peasants," defined as those "employing on average 2 to 4 people (of which one may be a hired laborer) and commercializing over half of their production."[13] This figure is substantially lower than the 22 percent of Spanish rural households that fit under Simpson and Carmona's similar definition of the "family farmer" in 1930.

There has been substantial disagreement on exactly how to characterize Spanish rural society in the first several decades of the twentieth century. With regard to the importance of the family farm, for example, Edward Malefakis, in his classic study of rural political struggles during the Second Republic (1931–1936), concludes that Spain was "not a nation of prosperous family-size farm units."[14] In contrast, Simpson and Carmona, in their recent study on the same subject, argue that

> by 1931 Spain had become a country of family farmers who accounted for around a third of the country's electorate, and the latifundios contributed

> little more than 3 per cent of Spain's GDP and employed only 5 per cent of the nation's workforce.[15]

Similarly, insofar as the latifundios were a powerful economic and social force in rural Spain, at least in the south, substantial disagreement exists as to how to characterize them as social institutions. For Víctor Martín, the system of latifundios in southern Spain during the 1930s was "semifeudal" because a large amount of agricultural surplus went to rents, which were higher, and farmworker salaries lower than would be the case under "real" capitalism, and because extra-economic coercion of the rural labor force was common. According to Martín, usury, debt peonage, punitive fines and restrictions on the movement of labor were just a few of the feudal residues enveloping the system. To illustrate the semifeudal nature of the southern latifundios, Martín cites the example of a pre-Civil War town in Andalusia where power was monopolized by three landowning families; each family fully funded one of the three churches in the town, and one family even sponsored a convent whose nuns provided teaching and charity during the agricultural dead season exclusively for the family's workers.[16] On the other hand, José Manuel Naredo rejects the "feudal" characterization of the southern latifundios. For him, the latter represented a "Prussian road to capitalism." The latifundio system was certainly based on an exploitative regime of wage labor, but it was driven fundamentally by the maximization of profits, as evidenced by flexible shifts between the leasing-out of land on the one hand and "direct cultivation"[17] using hired labor on the other, in response to variations in profitability.[18]

In a sense, these differing conclusions reflect the difficulty involved in making generalizations about class structure in Spain, an incredibly heterogeneous country. Indeed, sociologists Juan Linz and Amando de Miguel argued in the 1960s that there existed no fewer than eight "Spains" with distinct social structures;[19] patterns of agrarian class structure also varied significantly within regions. Nevertheless, a few regional generalizations can be made. In the north, land tenure was relatively equal, with large numbers of small and medium farmers, both tenants and proprietors, coexisting with a few large landlords, most of them absentee rentiers.[20] In the south—both its "interior" and "peripheral" regions—land tenure was much more stratified, and large numbers of landless laborers employed on vast latifundios coexisted with significant numbers of small farmers.[21] In his family memoir *Lord of All the Dead*, Spanish novelist Javier Cercas describes the development of this stratified pattern of agrarian social structure in the southwestern region of Extremadura. His analysis of late nineteenth-century agrarian change in his family's hometown of Ibahernando is worth quoting at length:

> By that time… some enterprising agricultural labourers were inspired to rent the lands of the absent aristocrats. The arrangement supposed a fragile and unequal alliance between aristocrats and labourers or, to be specific, between some aristocrats and some labourers; it also supposed a small mutation that had various entwined consequences. The first is that the enterprising labourers began to prosper, first thanks to the profits from their exploitation of the

> rented lands and later thanks to the profits from the exploitation of the small farms they began to acquire thanks to the profits from the exploitation of the rented lands. The second consequence is that those labourers with land turned into foremen or delegates of the interests of the aristocrats and began to relegate their own interests and to confuse them with those of the aristocrats… The third consequence is that the labourers with land began to give work to the landless labourers and the landless labourers began to depend on the labourers with land and to consider them rich or as patricians of the village.[22]

The southern regions of Andalusia and Extremadura thus exhibited to some extent the "triad" of classic agrarian capitalism that developed in England in the seventeenth and eighteenth centuries: absentee landlords with huge agricultural estates; a prosperous middle layer of capitalist farmers, many of them tenants with expansive holdings, responsive to market pressures; and large numbers of landless laborers.[23] This pattern, along with the relative importance in the southern regions of a class of large landowners of non-aristocratic origin,[24] led Linz and de Miguel to brand the southern regions as "gentry Spain."[25]

In short, then, Spanish antebellum agrarian social structure could be summarized as follows. Land tenure in the north consisted of large numbers of small and medium farmers, both owners and tenants, as well as a significant group of absentee landowners, many of them with noble titles. In contrast, in the south, large numbers of landless laborers and a market-oriented gentry or "agrarian bourgeoisie," largely not connected to the nobility, coexisted with a significant layer of small farmers, both owners and tenants.

Industrial and Finance Capital

In addition to agricultural exports, the Restoration period also saw the consolidation of a nascent manufacturing sector that, like export-oriented agriculture, was confined to what Perpiñá called the "periphery" of Spain, and in particular to two regions: Catalonia and the Basque Country. Catalonia, on the country's northeast Mediterranean coast, was "a little England in the heart of Spain,"[26] with a modern textile industry oriented toward the domestic market. Catalan textile production expanded rapidly in the middle decades of the nineteenth century, strengthened by tariff protection and the monopolization of the colonial markets of Cuba and Puerto Rico, which by the 1880s consumed almost a fifth of Catalan production. Between the 1830s and the 1850s, Catalan cotton textile production grew at an average rate of 8 percent per year as it displaced imports and went from supplying 20 percent of the Spanish domestic market to 80 percent.[27]

As a result of this growth, Catalonia, and in particular Barcelona, became the site of the first real factory working class in Spain. The Spanish Census of 1860, for example, found that factory wage earners constituted 17 percent of the workforce in Barcelona as opposed to only 0.9 percent in Madrid.[28] Moreover, something of a financial sector grew around the manufacturing complex in Catalonia in the second

half of the nineteenth century, strengthened by the prominence of Catalan merchants in the American colonies and their repatriated capital—fittingly, the largest Catalan bank was the *Banco Hispano Colonial*.[29] Generally, however, the lower capital requirements of Catalonia's main industry, textiles, resulted in a political economy dominated by smaller family firms and a weaker banking sector.[30]

Spain's second modern industrial cluster lay on its northern Atlantic coast in the Basque Country, where in the final decades of the nineteenth century a steel industry began to develop around the region's iron ore deposits. In 1902, the industry saw its first major conglomerate, *Altos Hornos de Vizcaya*, established, and the industry grew significantly during the first several decades of the twentieth century. Yet, despite the fact that Spanish steel production in 1930, at almost a million tons, was almost five times what it had been at the beginning of the century, production relative to population put the country at about the same level as Poland and slightly behind Hungary.[31] Unlike its Catalan counterpart, the Basque industrial complex did develop a powerful financial sector around it, given the high capital requirements of the steel and metallurgical industries at its center. Thus, the two major Basque banks, Bilbao and Vizcaya, founded in 1857 and 1901, respectively, took their place among the largest banks in the country.

Spanish industry experienced something of a boom between 1910 and 1930. Focused especially in consumer and intermediate goods manufacturing, Spanish industrialization during this period benefited from import substitution, increased government investment, increased domestic demand as a result of worker mobilization and wage gains, and export demand created by the First World War, in which Spain remained neutral. The number of factory workers increased rapidly, by 60 percent between 1910 and 1918; this increase was heavily concentrated in the industrial complex around Barcelona. By 1930, manufacturing employed 17 percent of the male labor force in Spain—not quite the level of advanced industrial countries at the time, but still considerable.[32]

However, the Catalan and Basque industrialists were still weak in that their importance within the Spanish economy as a whole, as well as the average size of their firms, was small compared to the manufacturing bourgeoisies of the industrial powers. This is clearly evident in Table 2.2, which shows that none of the ten largest firms in Spain by assets in 1930, except for the Central Bank, were Spanish in origin. The largest firm, *Compañía de los Ferrocarriles de Madrid a Zaragoza y Alicante* (MZA), was a railroad linked to the French Rothschild banking dynasty. The second largest, *Caminos de Hierro del Norte de España*, was another railroad linked to the French Péreire brothers through *Crédito Mobiliaro Español*, the Spanish outgrowth of *Crédit Mobilier*.[33] The *Compañía Telefónica Nacional de España*, at ninth place, dominated the Spanish telecommunications sector and was linked to the American International Telephone and Telegraph (ITT).[34]

Indeed, foreign firms were virtually the only true "large" corporations in the modern sense in Spain. They tended to operate in mining and banking as well as monopolistic sectors like railroads and utilities; in contrast, Spanish firms tended to be small and operate in more competitive sectors like manufacturing.[35] Even with the presence of large foreign firms in these highly capitalized sectors, however,

Table 2.2 Top Ten Firms in Spain by Assets, 1930

Rank	*Enterprise Name*	*Industry*	*Founding Capital*
1	Compañía de los Ferrocarriles de Madrid a Zaragoza y Alicante	Railroads	French
2	Caminos de Hierro del Norte de España	Railroads	French
3	Compañía Hispano Americana de Electricidad	Electricity	Belgian
4	Barcelona Traction, Light and Power	Utilities	Belgian
5	Banco de España	Banking	Central Bank
6	Riegos y Fuerzas del Ebro	Electricity	Belgian
7	Real Compañía Asturiana de Minas	Mining	Belgian
8	Sociedad Minera y Metalúrgica de Peñarroya	Mining	French
9	Compañía Telefónica Nacional de España	Telecom	American
10	Compañía Franco-Española del Ferrocarril de Tánger a Fez	Railroads	French

Note: Carreras and Tafunell, "National Enterprise," 20.

as well as the concentration of the domestic metallurgical sector—in which three firms controlled 70 percent of the capital[36]—the structure of firms in the Spanish economy was remarkably dispersed. In 1930, the combined assets of the top 20 firms constituted only about 6 percent of Spain's national wealth, and the top 200 firms accounted for 10 percent. Among these 200 firms, those specialized in manufacturing constituted only 20 percent of total assets, whereas 59 percent of assets were held in the transport and utilities sectors. For some comparative perspective, the 50th largest industrial firm in the United Kingdom in 1930 would have taken 4th place in the ranking of Spanish industrial firms by assets.[37] In short, the Spanish industrial sector on the eve of the Civil War was one in which the largest corporations were linked to foreign capital and in which local manufacturing capital was regionally concentrated and characterized by a dispersed structure of small firms.

In addition to the two industrial clusters in Catalonia and the Basque Country, a third "modern" domestic capitalist elite developed in the late nineteenth and early twentieth centuries around Madrid. This was not a manufacturing bourgeoisie, but a financial one. More than the Basque and Catalan bourgeoisies, its business was politically constituted, growing out of the central state's financial needs.[38] This sector was dominated by a small number of large banks that concentrated the bulk of the country's banking activities; by 1923, the "big six" banks—Hispano Americano, Urquijo, Bilbao, Banesto, Central and Vizcaya—held more than half of total deposits in the banking system,[39] and of these all but Bilbao and Vizcaya, the two main Basque banks, were headquartered in Madrid.

In the twentieth century, the class interests that dominated Madrid's financial sector were closely linked to the nexus of foreign companies, monopolies and utilities discussed above, including the railroads and mining companies.[40] The finance elite was also tied to the traditional aristocracy. The *Banco Central*, for example, was created in 1919 through the initiative of nine bankers, notably including the

Marquess of Aldama and the Count of Los Gaitanes, with the aim of consolidating regional banks.[41] The *Banco Urquijo*, another one of the prewar "big six," was tied to another aristocratic lineage, that of the Marquess of Urquijo,[42] and of the 17 members of the founding board of the *Banco de Crédito Industrial*, an industrial development bank founded in 1920 on government initiative, there were two counts and two marquesses.[43]

The origins of the financial system that the Francoist regime took over in 1939 can be traced back to the late 1910s. These years were characterized by the *regeneracionista* nationalism that followed the national "disaster" of 1898, one of whose features was anxiety about economic development and the need to advance national industry. Of particular concern at the time was that the national banking system did not seem to be providing the kind of medium- and long-term credit necessary to finance industrial development. Two institutions emerged as a result of these concerns. The first was the *Banco de Crédito Industrial* (BCI), or Industrial Credit Bank, legislated into existence in 1917 and established in 1920 in order to extend longer-term credit for industrial investment. As stipulated in its founding law, the bank was initially funded by state bonds and the central government was to designate a delegate on the board with no vote but veto power. Otherwise, the bank was to be the province of private finance. By statute, at least 60 percent of its capital should come from banks or bankers; a group of representatives of the largest private banks at the time—Vizcaya, Bilbao, Urquijo, Hispano Americano, Santander, Banesto and others—quickly materialized to form the first board of the institution.[44]

The second institution that arose during this period to address the problem of long-term credit was *pignoración*—literally "pledging" or "pawning." Under this new system, "private banks could automatically obtain credit from the Bank of Spain for up to 90 percent of the public debt that they subscribed."[45] The effect was, as Tortella explains, that,

> knowing that they were backed by the Bank of Spain, private banks could dedicate assets that previously had to remain liquid in their coffers in anticipation of withdrawal requests, to the acquisition of public debt securities or stocks of industrial enterprises with the confidence that in case of need they could respond to withdrawal requests by pawning [*pignorando*] those [public debt] securities in the Bank of Spain.[46]

Moreover, as Leal and colleagues point out, the *pignoración* system, in addition to freeing the banks from any minimum liquidity requirements, virtually handed over control of the money supply to the private sector.[47]

The state thus shouldered the risk that kept private finance so shy in the realm of industrial investment, without imposing any conditions or much regulation on the banks. The industrial structure that thus emerged from this system, once the banks were guaranteed the security to embark on industrial investment, resembled somewhat the German system of "universal banks" or the Japanese *zaibatsu*.[48] Banks became industrial holding companies, in which constituent industrial enterprises

received mostly short-term credits, but the latter could finance investment because firms could count on them being renewed indefinitely by "their" bank. In this new system, the BCI's role came to be to finance industrial development outside of the bank holdings structure, among firms not linked to banks.[49]

Another institutional addition to the Spanish banking system came in 1921 with the creation, again on government initiative, of the *Consejo Superior Bancario* (CSB), or Higher Banking Council, essentially a board of bankers designated with the task of "regulating" the financial sector. The CSB was created within a "liberal" framework in which banks could voluntarily participate; it had some functions that applied to all banks, such as publishing statistics for the sector and establishing rules for financial reporting, and others that were limited only to member banks, including the establishment of maximum interest rates.[50]

In concert, the BCI, the system of *pignoración* and the creation of the CSB all pointed toward the class power of the banking sector in the Restoration political system. The system of industrial finance instituted in the pre-Civil War period allowed a small number of powerful banks to effectively regulate themselves on a number of important matters, and it also saw the state give banks the kind of security required for them to embark on riskier and longer-term industrial investments without extracting much by way of concessions from them in return.

Spain's pre-Civil War financial status quo points toward a broader conclusion: although the Spanish industrial structure on the eve of the Civil War was weak and dispersed by the standards of Western Europe at the time, and despite the fact that foreign capital controlled the largest industrial firms, Spain's three "modern" capitalist elites—the Catalan and Basque industrial bourgeoisies and Madrid's "financial aristocracy"—were nevertheless strong enough *domestically* to exert a powerful influence on state policy. At the turn of the century, Catalan and Basque industrialists jointly pressured the state for protection, culminating successfully in a generous tariff reform in 1906.[51] As a result of the reform, by 1913 the average tariff rate on manufactured goods in Spain was 41 percent, rivaling the highly protectionist United States (44 percent) and higher than France (20 percent), Germany (13 percent), Italy (18 percent) and Japan (30 percent).[52] Similarly, both the Catalan industrialists and Madrid's financial elite propped up the Primo de Rivera dictatorship in the 1920s, and their withdrawal of political support played a crucial role in the dictatorship's collapse in 1930.[53] If we were to summarize Spain's prewar "modern" capitalist elites, then, we could argue that although they paled in comparison to those of the country's Western European neighbors, internally they were able to exert a considerable degree of power and influence on the state. This state of affairs would change significantly after the Civil War.

The "Traditional" Middle Class

So far, our discussion of economy and society in Restoration Spain has dealt mostly with industrial and agrarian elites, and our analysis of class divisions among non-elites has been confined to the countryside. This latter focus is in part a reflection of concrete reality: Spain's limited industrial sector meant that outside

of Barcelona, Spanish proletarians were mostly rural proletarians, even on the eve of the Civil War and after decades of incipient industrialization. There is, however, one class formation that bears mention in an overview of Restoration society aimed at explaining the social basis of the Civil War and the Franco regime: the so-called "traditional" middle class. For our purposes, the "traditional" middle class is a group that owed its status to preindustrial institutions—such as the state, church, military or professions—and which maintained strong links to rural economy and society. Its statistical and social importance was greatest in areas outside the centers of industrialization like Barcelona, in provincial cities and small towns. As we shall see, the "traditional" middle classes played, along with the smallholding peasantry, a crucial role in the emergence of the Franco regime.

Linz and de Miguel define the "traditional" Spanish middle class as made up of the clergy, military, liberal professions, teachers, secondary and university students and white-collar employees (*empleados*).[54] Xoxé Núñez Seixas defines the Spanish middle classes, or "petty bourgeoisie," as composed of artisans, small-scale producers and merchants, bureaucrats and white-collar workers. Núñez emphasizes that the systematic economic insecurity faced by the middle classes in countries like Germany and France during the late nineteenth and early twentieth centuries was less salient in Spain, where the petty bourgeoisie was less threatened due to the country's slower industrial development, the later disintegration of the guild system and a lack of the same degree of competition from large-scale enterprises.[55]

In addition to the usual suspects—the liberal professions, small business owners and artisans—we should also add the bureaucracy, the clergy and the military as political institutions that were cornerstones of the Spanish traditional middle classes. The late nineteenth and early twentieth centuries saw the consolidation of a centralized and meritocratically recruited bureaucracy in Spain organized around the institution of the civil service corps or *cuerpos*, whose primary goal was to gain economic security and employment stability for its members. Indeed, some scholars have described the struggle for permanence in the civil service, which successfully culminated in the 1918 *Ley de Funcionarios*, as a class conquest of the Spanish petty bourgeoisie.[56]

The military and the clergy formed additional bastions of the "traditional" middle class. Although the former gained importance and the latter lost importance over the course of the nineteenth century, both were still central institutions by the early twentieth century and both served as primary mechanisms for upward mobility in Spanish society. Moreover, the relative size of both institutions was greater than in other Western European countries. The Spanish military's overstaffed officer corps helped fill the ranks of the middle class. On the eve of the First World War, the Spanish military and militarized police (including especially the *Guardia Civil*, or rural police) had 14,000 officers, or six times as many relative to total size as the French military. Similarly, in the late nineteenth century Spain had twice as much clergy relative to its population as France.[57]

Table 2.3 gives a cursory illustration of class composition in the Spanish workforce during the late nineteenth century, based on data from the census of 1860. As is evident from the data, despite the existence of a nascent industrial working

Table 2.3 Spanish Workforce (Both Sexes) in 1860

Census Employment Category	*Population*
Indigent (*pobres de solemnidad*)	262,000
Rural laborers (*jornaleros del campo*)	2,354,000
Factory laborers (*jornaleros de las fábricas*)	178,000
Servants	818,000
Total lower/working classes	**3,612,000**
Small owners (mostly rural)	1,466,000
Liberal professions and students	100,000
Clergy	62,000
Merchants and white-collar employees (*empleados*)	140,000
Small manufacturers	13,000
Artisans	665,000
Small traders/shop owners	333,000
Total middle classes	**2,779,000**
Total population, 1860	**15,500,000**

Note: Giner, "Continuity and Change," 6.

class in Barcelona, in Spain overall the number of factory laborers (*jornaleros de las fábricas*), 178,000, paled in comparison to the number of agricultural laborers (*jornaleros del campo*), at over 2.3 million.[58] Still, in addition to a large number of small farmer-proprietors (1.5 million), there also existed significant numbers of people in typical "traditional middle-class" occupations, including the liberal professions (140,000), small traders and shop owners (333,000) and artisans (665,000).

The Spanish Census of 1930 provides some details on the persistence of the "traditional" middle class up to the eve of the Civil War, although the 1930 data is not as complete as our information for 1860.[59] Those employed in the state administration, clergy, the liberal professions, the military/police, students, owners and employees of small businesses (*comercios*) such as pharmacies, bookstores and restaurants, and rentiers and pensioners together constituted about 34 percent of the Spanish male population aged 16–60 resident in the country's provincial capitals in 1930.[60]

These figures, both for 1860 and 1930, hide considerable regional heterogeneity. For example, the "traditional" middle class—clergy, military, liberal professions, teachers, students and white-collar employees (empleados)—constituted 18.2 percent of the workforce of Madrid in 1860 but only 10.9 percent in Barcelona, whereas factory wage workers were 17 percent of the workforce in Barcelona and only 0.9 percent in Madrid. In 1950, 47 percent of the workforce in Granada was estimated to be employed in middle-class professions (mostly "traditional" ones), whereas in the city of Oviedo in the industrialized Basque Country, the figure was only 34 percent. Thus, as Linz and de Miguel point out, industrialization in Spain—limited in the late nineteenth and early twentieth centuries principally to Catalonia and the Basque Country—was correlated with a lesser, not a greater, weight of the middle classes in the overall population.[61]

Given its roots in preindustrial Spain, another hallmark of membership in the "traditional" middle classes was continued links to the land. Research by Francisco Murillo Ferrol as late as the early 1960s, for example, found that among law students in Granada whose fathers were not employed in agriculture, 59 percent reported landownership in their families, while among children of professionals the figure ascended to 73 percent.[62] Edward Malefakis notes a similar pattern in northern Spain and even in the industrialized areas, suggesting that "the urban middle classes of Madrid, Bilbao, and Barcelona were composed largely of descendants of small holders who retained ownership of family plots in their native villages which they rented to peasants who had not emigrated."[63]

The "traditional" middle class, in short, was probably more prominent within Spanish class structure as a whole than it was in neighboring Western European countries, and its basis of reproduction lay in the state, the military, the clergy and the liberal professions as well as in small business. The reason this chapter has dedicated an entire section to the "traditional" middle class is that as a social actor the latter is key to understanding the origins and structure of the Franco regime. It was this constituency, as Chapter 4 will discuss in more detail, that controlled the organizational apparatus of the Nationalist revolt as well as the highest levels of the Francoist state. Just as Spanish agrarian social structure was distinct from that of the rest of Western Europe on the one hand and that of Latin America on the other, so the prominence of the traditional middle class should distinguish the Franco regime from the fascist regimes of Germany and Italy on the one hand and the reactionary military dictatorships of Latin America on the other. The implications of the traditional middle class's control of the Francoist state, as well as the way it was brought to power, will be more thoroughly discussed in the following two chapters.

Conclusion

This chapter has sought to present a general picture of economy and society in Restoration Spain. During the late nineteenth century and the first several decades of the twentieth, Spain was a semi-periphery of the world system. Foreign capital played a dominant role in the country's capital-intensive economic sectors, and exports were primarily agricultural in origin. Broadly speaking, Spain's agricultural economy could be divided along the lines originally drawn by Román Perpiñá, the "interior" and "periphery." The coastal areas of Spain, from Catalonia through Valencia to coastal Andalusia, specialized in intensive cultivation of the cash crops that constituted the majority of Spain's exports: olive oil, wine, citrus and other fruits were produced for the world market. The Spanish "interior," meanwhile, from northern Castile and Aragon to La Mancha, Extremadura and northern Andalusia, were engaged largely in extensive grain production for the domestic market.

Variations in social structure, in turn, did not completely overlap with this divide in agricultural production. Broadly speaking, northern Spain—from Galicia through the Basque Country, northern Castile, Aragon and Catalonia—was the land of small and medium farmers, from proprietors to cash tenants and sharecroppers.

In the south—La Mancha, Extremadura and Andalusia—a significant smallholding minority coexisted with large latifundios employing a mass of wage laborers. At a national level, the Spanish peasantry was divided between a majority of tenants, sharecroppers and small-scale proprietors and a large minority of rural proletarians. The agrarian elite, meanwhile, was divided between a rentier class whose upper echelons were interconnected with foreign capital, and a southern "agrarian bourgeoisie" that operated its market-oriented estates as typical capitalist enterprises employing wage labor.

Spain's industrial sector, though nascent, was also complex. Two domestic industrial bourgeoises, the Basque and the Catalan, produced mostly for the domestic market. Catalan industrialists were anchored in a textile sector with origins in the mid-nineteenth century, and they had grown in part by exploiting Spain's colonial markets in the Caribbean. The Basque industrial complex, on the other hand, focused on heavy industries like steel and shipbuilding and had emerged in the late nineteenth and early twentieth centuries, although Basque merchants had also had a strong historical presence in Spain's colonies. Nevertheless, by the early twentieth century, with Spain's empire reduced to all but a rump, these two industrial elites were oriented inward toward the domestic market, with the exception of a major export boom during the First World War. Although they exerted a considerable amount of political power at the national level, they were economically weak by Western European standards.

Meanwhile, the infrastructure at the heart of Spanish industry—transport, telecommunications, mining and electricity—was dominated by foreign capital. Intimately connected with monopolistic French, Belgian, British, American and Canadian interests was the elite of agrarian and urban rentiers with links to the old aristocracy, whose members were major shareholders and served on many of the corporate boards of foreign interests in Madrid.

The Spanish Civil War eventuated a set of conditions in Spain in which this social and economic panorama was completely transformed. The ways in which the Civil War itself constituted a basis of this transformation form the focus of the following two chapters. The Franco regime was a "traditional" middle-class formation of functionaries, lawyers, professionals and military officers that came to power on the basis of a mass mobilization of the smallholding peasantry. In the countryside, it proved devastating to rural proletarians but also ultimately spelled bad news for rentier elites. On the other hand, it provided propitious conditions for both smallholders and the agrarian bourgeoisie.

The Civil War also provided the groundwork for the industrial transformation of Spain. The Catalan industrial bourgeoisie was marginalized, its Basque counterpart subsumed in a dependent position; nationalizations took much of the interests of foreign capital into the state's hands, and conditions eventuated by the Civil War severely weakened the rentiers connected to foreign capital. In other words, the three main pillars of the industrial sector of Spain's dependent prewar economy were largely swept aside. In its place, the state itself entered the fray to promote a program of rapid industrialization on the basis of domestic capital formation.

Notes

1 For some classic takes on industrialization in the "core" of the world economy during the *Belle Époque* period, see Norman, *Japan's Emergence as a Modern State*; Polanyi, *The Great Transformation*; Gerschenkron, *Economic Backwardness in Historical Perspective*, 5–30; Bensel, *The Political Economy of American Industrialization*.
2 Lenin, *Imperialism, the Highest Stage of Capitalism*.
3 On Mexico, see Tutino, *The Mexican Heartland*, 203–210. On the "nineteenth-century crises" in Qing China and the Ottoman Empire, see Goldstone, *Revolution and Rebellion*, 390–402.
4 Spain's "nineteenth century," as periodized by Andrés de la Oliva and Alberto Gutiérrez, began in 1833 with the final overthrow of the absolutist monarchy and ended in 1936 with the onset of the Civil War; Europe's "long nineteenth century," according to Eric Hobsbawm, stretched from the French Revolution in 1789 to the onset of the First World War in 1914—see de la Oliva de Castro and Gutiérrez Reñón, "Los cuerpos de funcionarios," 102n; and Hobsbawm, *The Age of Extremes*, 6–7.
5 See the chapter on Spain in Riley, *The Civic Foundations of Fascism in Europe*, 75–112.
6 Simpson, *Spanish Agriculture*, 46, 51, 122, 215–217.
7 Perpiñá y Grau, *De economía hispana*, 39n, 42–43, 62–63. The 1972 edition cited here is the second reprint of the original 1936 version, which I have been unable to locate, and most of its statistics are based on the 1940 census and other data from the 1940s; while the data are changed, the narrative is not. On Perpiñá's economic thought, which was heavily influenced by the German Historical School of economics, see Love, "Structuralism and Dependency in Peripheral Europe," 117–118.
8 Malefakis, *Agrarian Reform and Peasant Revolution*, 15–19. Malefakis defines medium-sized farms as those of between 10 and 100 hectares. That Catalonia and the Basque country were also the most industrialized regions of Spain in 1930 was probably not a coincidence.
9 Carrión, *Los latifundios en España*, table 2, between pp. 54 and 55.
10 Malefakis, *Agrarian Reform and Peasant Revolution*, 94. The rest of the male labor force in both regions was made up of "labor-employing entrepreneurs," who constituted the same percentage of the rural labor force in both regions but, considering the data above, clearly operated within completely different agrarian social structures.
11 García-Badell, "Estudio sobre la distribución de la extensión superficial," tables 2 and 4, pp. 188–189, 192–193.
12 Simpson and Carmona, *Why Democracy Failed*, 49–50.
13 Bellisario, "The Chilean Agrarian Transformation... (1955–1965)," 182, 168; Kay, "Agrarian Reform and the Class Struggle in Chile," 120–121.
14 Malefakis, *Agrarian Reform and Peasant Revolution*, 16.
15 Simpson and Carmona, *Why Democracy Failed*, 198.
16 Martín, "Sobre las causas del subdesarrollo del sur de España," 81–83, 87, 93, 96.
17 The term "direct cultivation" (*cultivo directo*) is used throughout this book because it is used frequently in the literature on Spanish agricultural history and in the discourse of the Francoist period. Land that was cultivated "directly" was managed by the same person that owned it. This could of course refer to a small family farm that was owned by its occupants, but it could also refer to a large agricultural estate which was managed as a large-scale enterprise and cultivated with hired wage labor rather than rented out in smaller plots to tenant farmers. In reality, "direct cultivation" is a fictive term; the large landowner in the latter case did not actually cultivate his land "directly," and in this sense he had nothing in common with the family farmer who owned and worked a small plot of land. Nevertheless, the prevalence of the term is revealing because it surreptitiously identifies the large landowner with the small one and revindicates the former's managerial labor as "productive" as against that of the "rentier"—see Chapters 3 and 4

on the distinction between rentiers and managerial farmers who "cultivated" their land "directly."

18 Naredo, "Ideología y realidad en el campo de la Reforma Agraria," 200–201, 207.
19 Linz and de Miguel, "The Eight Spains."
20 Linz, "Patterns of Land Tenure," 386. See also Linz and de Miguel, "The Eight Spains," 290–291; Germán Zubero, *Aragón en la II república*, 48–71; Pérez Díaz, *Structure and Change of Castilian Peasant Communities*.
21 Cobo Romero, *De campesinos a electores*; Simpson and Carmona, "Too Many Workers or Not Enough Land?"
22 Cercas, *Lord of All the Dead*, 21–23. Originally published as *El monarca de las sombras* in 2017. I thank Marguerite McCormick for pointing me to this source.
23 On the classic triad of agrarian capitalism in England, see Wood, *The Origin of Capitalism*, 99–105.
24 A 1977 study found that in Aragon, only 8 percent of the land in the largest farms (based on property value) was held by the non-aristocratic "agrarian bourgeoisie," as opposed to municipal governments or aristocrats; in New Castile the figure was 19 percent, while in Western Andalusia, the region known historically for the most stratified land tenure, it was 44 percent. See Leal Maldonado and Martín Arancibia, *Quiénes son los propietarios de la tierra*, 49.
25 Linz and de Miguel, "The Eight Spains," 292–294.
26 Moreno Zacarés, "The Transition to Capitalism in Catalonia," 139. Moreno Zacarés situates the development of the Catalan textile industry in the context of the unique historical development of Catalan capitalism.
27 Tortella, *The Development of Modern Spain*, 75–80.
28 Linz and de Miguel, "The Eight Spains," 291n.
29 Muñoz, *El poder de la banca en España*, 118; Ribas i Massana, *L'economia catalana sota el franquisme*, 219.
30 On the small scale and familism prominent in the Catalan industrial economy, see Moya Valgañón, *El poder económico en España*, 204.
31 Tuñón de Lara et al., *Historia de España*, 505–507; Tortella, *The Development of Modern Spain*, 356–357, 307.
32 Catalan, "Economía e industria," 115–119; Giner, "Continuity and Change," 15–16.
33 Tortella Casares, *Los orígenes del capitalismo en España*, 68–75.
34 On ITT in Spain, see Calvo, "State, Firms and Technology." See also Sampson, *The Sovereign State of ITT*.
35 Comín and Martín Aceña, "Rasgos históricos de las empresas en España," 98–101. On the small scale of domestic firms, see 79–83.
36 Ibid., 82.
37 Carreras and Tafunell, "National Enterprise," 16–17, 19, 32.
38 According to Sofía Pérez, before the First World War the Spanish financial sector was defined by "activities centered overwhelmingly on challenging resources into public rather industrial finance"—Pérez, *Banking on Privilege*, 47. The political constitution of this financial sector stretched back to the eighteenth and nineteenth centuries—see Pérez Sarrión, *The Emergence of a National Market in Spain*, 19, 99.
39 Pérez, *Banking on Privilege*, 49.
40 See Artola Blanco, *El fin de la clase ociosa*, 32–40. See also Pérez, *Banking on Privilege,* 49.
41 García Ruiz and Tortella, "How Strategy Determines Structure," 36.
42 On the origins of the Banco Urquijo, which played a major role in industrial finance in twentieth-century Spain, including under Francoism, see Díaz Hernández, *Los marqueses de Urquijo*. Note that the Urquijo dynasty itself was actually titled by the King in the nineteenth century as a *reward* for banking activities—the relationship between banking and aristocracy went in both directions.

43 Tortella Casares, *Historia del Banco de Crédito Industrial*, 38.
44 Ibid., 15–22, 32–33, 41.
45 Pérez, *Banking on Privilege*, 48.
46 Tortella Casares, *Historia del Banco de Crédito Industrial*, 29.
47 Leal et al., *La agricultura en el desarrollo capitalista español*, 88.
48 On the parallels between the German and Japanese models see Dore, *Stock Market Capitalism, Welfare Capitalism*.
49 Tortella Casares, *Historia del Banco de Crédito Industrial*, 29–30.
50 Muñoz, *El poder de la banca en España*, 169–70. See also Pérez, *Banking on Privilege*, 53–54.
51 González Portilla, *La siderurgia vasca, 1880–1901*, 273–77.
52 Chang, *Kicking Away the Ladder*, 17.
53 On the Catalan bourgeoisie and the Primo de Rivera dictatorship, see Riley, *The Civic Foundations of Fascism in Europe*, 87–93. On the financial bourgeoisie and the dictatorship, see Pérez, *Banking on Privilege*, 54.
54 Linz and de Miguel, "The Eight Spains," 291n.
55 Núñez Seixas, "¿Una clase inexistente?," 29, 30–34, 37–38.
56 de la Oliva de Castro and Gutiérrez Reñón, "Los cuerpos de funcionarios," 135.
57 Giner, "Continuity and Change," 10, 12. On the military and clergy's role in upward mobility, see Núñez, "¿Una clase inexistente?," 43 and Giner, "Continuity and Change," 10.
58 As mentioned above in the discussion of agrarian class structure, the term *jornalero* may include those who owned or rented small plots of land but whose primary source of livelihood came from selling their labor.
59 For example, since the 1930 census largely categorized workers by sector rather than by their position within the production process, it is difficult to garner information on social class from census data (for example, by distinguishing factory owners or artisans from factory laborers).
60 Ministerio de Trabajo, *Censo de población de 1930: resúmenes generales de la Nación*, 32–33. Out of a total population of about 1.5 million males aged 16–60 who resided in the country's provincial capitals, 2.26 percent were in the state administration, 0.79 percent in the clergy, 11.24 percent were owners or employees of small businesses (*comercios*), 6.93 percent were in the liberal professions, 1.74 percent were rentiers or pensioners, 4.06 percent were students and 7.12 percent were military or police.
61 Linz and de Miguel, "The Eight Spains," 289–294, including notes. By 1950, these differences between Madrid and Barcelona had decreased significantly but still existed. Professionals and white-collar employees were 25.5 percent of the workforce in Madrid vs. 23 percent in Barcelona, while industrial wage workers were 44 percent of the workforce in Madrid vs. 56 percent in Barcelona. See Linz and de Miguel, 291–292n.
62 Ibid., 292n, 285n, 293n.
63 Malefakis, *Agrarian Reform and Peasant Revolution*, 213.

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3 Peasant War and the Social Origins of the Franco Regime, 1931–1939

Beginning in 1971, one year after the election of the left-wing Popular Unity government headed by Salvador Allende, a small group of Chilean elites began to meet weekly to coordinate activities against Chile's government. Dubbed the "Monday Club" for its tendency to meet on the first day of the week, the group included the head of the vast Edwards conglomerate, the head of the Chilean national association of manufacturers (SOFOFA), and the owners and editors of several important right-wing newspapers, most notably the country's main daily, *El Mercurio*. This small group channeled funds from the CIA aimed at destabilizing the Allende government and had tight connections to the military, especially through the Edwards conglomerate executive Hernán Cubillos, himself a former navy officer. Not only were the Monday Club members actively aware, by mid-1973, of the military plans for a coup in the coming months, they had already drafted an economic plan for the coming military dictatorship which would later become an outline for the regime's neoliberal policies of trade liberalization and privatization. The Monday Club members, as well as key members of Chile's industrial and landholding elite, would ultimately become actively involved in economic policymaking during the Pinochet dictatorship, which was brought to power by a coup on September 11, 1973, and lasted 17 years.[1]

Spain's Franco regime, which lasted almost 40 years, also had its origins in a coup—on July 18, 1936; yet this one, unlike Chile's 37 years later, precipitated a civil war. What was the role of Spain's industrial and landholding elites in the planning of the coup? Catalan historian Borja de Riquer provides an interesting and illustrative anecdote that contrasts neatly with the Chilean case embodied in the Monday Club. On July 12, six days before the *Pronunciamiento* that announced the military uprising that precipitated the Civil War, a coronel appeared at the Barcelona house of Francesc Cambó, a Catalan industrialist and leader at the time of the conservative Catalan regionalist party, the *Lliga Regionalista*, to inform him that there would soon be a military coup against the Republic and the autonomous Catalan regional government (*Generalitat*). De Riquer's conclusion is interesting: if the rebels "did not trust the men of the Lliga enough to include them in the insurrection, they [at least] felt obliged to inform the principal political force of the Catalan bourgeoisie of their intentions."[2]

Miguel Artola Blanco, in a detailed study of Spain's wealthy and aristocratic absentee landlords in Madrid in the first half of the twentieth century, arrives at a

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similar conclusion about the highest echelons of the landed elite. Relying on the personal archives of landlords themselves, he concludes that most of the aristocrats in Madrid were even less in the know on the eve of the coup than Cambó:

> "in the summer of 1936 Spain was living through great political tension, but, despite the conflicts in the streets, very few well-to-do families were aware of the preparations for the coup and even fewer could have imagined that the country was on the verge of war."

This is despite the fact that once the Civil War started, Madrid's landed elites certainly overwhelmingly supported the Nationalists both by volunteering and, most importantly, with money, which leads Artola to emphasize that the Civil War was still a "class war."[3]

Despite the fact that Spanish landowning and industrial elites ultimately threw their support behind Franco's Nationalists, the contrast with Chilean elites' much more active involvement in the planning of the 1973 coup is illustrative of a broader difference in the social bases of support for the two military uprisings. In both cases, military maneuvers were preceded by months, if not years, of mass mobilizations, demonstrations and strikes. These mobilizations, in both cases, were not confined to the political left. In fact, Phil O'Brien and Jackie Roddick have argued that responsibility for Chile's 1973 coup

> lies not with any small set of conspirators, but with the half of the Chilean population who joined opposition demonstrations over a period of three years and played their part in supporting the web of reaction and counter-reaction which enmeshed Allende's government.[4]

However, the two coups rapidly took very different turns. In Chile, by September 11, the coup had decisive support in the military; the "Constitutionalist" generals within its ranks had already accepted defeat.[5] Following the Spanish coup of July 18, by contrast, the military very quickly "divided almost equally for and against," and behind the Constitutionalist generals coalesced left-wing uprisings in key cities like Madrid and Barcelona, where Socialists, Communists and Anarchists stocked up with weapons.[6] The result was a bloody civil war in which, by conservative estimates and in addition to battle deaths, 75,000 were executed by the Nationalists and 38,000 by the Republicans.[7] In Chile, a more or less unified military installed a regime in collaboration with a tight-knit and well-organized industrial and landholding elite with which it had been conspiring for months.[8] In Spain, right-wing generals clashed with Republican ones, and in the maelstrom that ensued landholding and industrial elites mostly supported the Nationalists in the interest of their private property.[9]

Despite these key differences between the Chilean and Spanish coups, much of the existing literature on the origins of Francoism describes the class basis of the regime in terms more reminiscent of the Chilean case, arguing that the Francoist uprising was primarily *caused* by reactionary landowners, industrialists or some

combination of both. For example, one prominent Spanish economic historian, in an otherwise excellent analysis of the history of land reform in Spain, argues that Spain's "fascism" was rooted in its southern "agrarian bourgeoisie," wagering that "almost all bourgeois become fascist when the ownership of the means of production is in play, but the agrarian bourgeoisie become fascist earlier and with greater enthusiasm because land ownership lacks the social legitimacy given to factory ownership."[10] Another prominent historian argues that the early Francoist regime saw a "counterrevolution" in which "landowners" avenged themselves against the "peasant" beneficiaries of the land reform of the Second Republic.[11] According to this view, the Francoist regime was fundamentally a product of landlord reaction.

Instead, I argue here that we must understand the Francoist regime as *primarily* a product of peasant mass mobilization. In Chile, right-wing mass mobilizations undermined the legitimacy of the Popular Unity government, but it was the military, in conjunction with economic elites, that carried out the overthrow of the government. In Spain, such military action was not nearly sufficient; it was mass mobilization itself that proved decisive in overthrowing the Republic. I argue further that this mobilization was essentially rural, based on certain sectors of the Spanish peasantry. The roots of the mass mobilization that brought the Francoist regime to power were laid in the years leading up to the Civil War, particularly during the Second Spanish Republic of 1931–1936, in right-wing mass organizations and political parties that gained support among key sectors of the Spanish peasantry. Making this case requires correlating the right-wing political activity that occurred among the peasantry during the Second Republic with mobilization during the Civil War.

Indeed, the results of Spain's second-to-last election under the Second Republic, which brought to power a coalition of centrist and right-wing parties, make a solid case for such a correlation. There was a close relationship between the regions of Spain where smallholding peasants dominated the rural landscape and those where the moderate and extreme right won a majority or plurality of support in the elections of 1933—Old and New Castile, Navarre, Aragon and Galicia in particular.[12] Similarly, a comparison of the geographic distribution of small farmers within Spain and the areas of initial triumph of the Nationalist insurrection reveals a remarkable overlap. The areas of initial triumph of the Nationalists, besides small pockets in the south of the country, were not the areas of large agricultural estates but rather those where small peasants were the majority of the rural population: Navarre, Aragon, Old Castile and parts of Galicia.[13] These were also the regions where the right had won most resoundingly in the elections of 1933.

In what follows, I analyze the ways in which the Spanish peasantry was politicized to support the right and then the Nationalists in the period leading up to the Civil War and examine the correlations between particular kinds of agrarian social structure and particular kinds of politicization. I detail how left-wing organizations, most notably the Spanish Socialist Workers Party (PSOE) and the anarchist National Confederation of Workers (CNT), organized landless laborers and influenced efforts to conduct agrarian reform under left-republican governments during the Second Republic, alienating small farmers in the process. I then analyze three

distinct patterns of agrarian social structure and peasant politicization favorable to the Nationalist cause during the Civil War. Here I follow in the footsteps of Spanish sociologist Juan Linz and his work on patterns of land tenure and peasant politics in twentieth-century Europe. I argue that mass peasant support for the Nationalist cause during the Civil War centered around three distinct types of agrarian social structure. The first covered regions of small subsistence peasant proprietors organized around the defense of traditional feudal social institutions and was embodied by the cause of Carlism in the region of Navarre. The second was characterized by market-sensitive grain farmers in Spain's sparsely populated interior, particularly Castile and Aragon, which served as a base of support for Catholic agrarianism. Third, in the market-oriented and highly stratified south of Spain, significant numbers of small farmers coexisted with a mass of farm laborers, leading to the most contentious rural politics before and during the Civil War.

Before we proceed, a note on terminology. Here I use the terms *jornalero*, "laborer" and "proletarian" interchangeably to describe wage workers whose livelihoods proceeded *primarily* from wage labor in agriculture; many, though not all of them, were completely landless. On the other hand, I use the terms "small peasants" and "small farmers" to describe those whose living proceeded *primarily* from cultivation of land to which they had direct access, either through ownership or tenancy; some of these peasants also hired out their labor to supplement their livelihoods.

Proletarian Maximalism and the Spanish Left During the Second Republic

The Spanish left was a major force in the politics of rural Spain. However, the two main organizations of the left—the socialists and the anarchists—focused their politics on a particular sector of rural Spanish workers: the wage laborers of the large latifundios, concentrated in the south of the country. This focus led to a politics of "proletarian maximalism," which excluded and often antagonized Spain's numerous small peasant proprietors and tenant farmers. This exclusion was manifested most clearly in the anticlerical politics of the left as well as its attempt, under a joint socialist-left-republican government during the first two years of the Republic (1931–1933), to institute a land reform which benefited the interests of rural wage laborers, in the form of labor regulations and a planned program of collective farms while largely ignoring the demands of small farmers for land redistribution and price supports.

As discussed in Chapter 2, the Second Republic, established in 1931, put to an end Spain's long Restoration period, which began with the overthrow of the First Republic in 1874. The Restoration combined constitutional monarchy with elite-led semi-pluralistic and semi-representational government. Often dubbed *Canovismo* after its mastermind, Alberto Cánovas del Castillo, the Restoration political system combined the *turno pacífico*, a peaceful rotation in power between liberal and conservative forces, with universal male suffrage through *caciquismo*, a series of patronage systems coopting social elites through local big men or *caciques*.[14]

The Second Republic's immediate predecessor was the military dictatorship of Miguel Primo de Rivera, which lasted throughout the 1920s and, although it did not remove the monarchy, sought to finally dismantle the remnants of the Canovist system and install a corporatist political system in its stead. Although the Primo de Rivera regime was undoubtedly dictatorial, it accommodated independent working-class organizations as long as they did not directly challenge the regime. While it repressed the anarchist *Confederación Nacional del Trabajo* (CNT), it negotiated with the socialist *Unión General de Trabajadores* (UGT). The UGT benefited tremendously from this collaboration, such that by the beginning of the Republic in 1930 it was well-positioned to become the largest organization of the Spanish working class. Between 1930 and 1931, the union's membership almost quadrupled, to about a million members.[15]

In the Spanish countryside, left-wing organizations came to be dominated by two unions under the Second Republic: the UGT-affiliated *Federación Nacional de Trabajadores de la Tierra* (FNTT) and the CNT. Founded in 1930, by 1932 the FNTT had reached almost 400,000 members; in fact, over half of the overall expansion of UGT membership in the first year of the Republic's existence could be attributed to the creation of the FNTT. Although rural CNT membership is unknown, since it did not distinguish between urban and rural membership, the entire union probably had some 800,000 to 1 million members during the Republican period. In parallel with their positions toward the preceding dictatorship, the PSOE-affiliated FNTT and UGT worked within the confines of the Republic, while the CNT rejected it.[16]

Despite their differing positions vis-à-vis the Primo de Rivera dictatorship and the Republic, in terms of their social bases of support in the countryside the CNT and UGT were very similar. They both focused on organizing landless workers, not smallholders, and the CNT in particular did well in areas where rural proletarians predominated and there were few realistic opportunities for them to acquire their own land. Because of this reliance on a base of wage laborers, the socialists and the anarchists envisioned a land reform premised on the creation of collective farms, not land redistribution. For the tenant farmer who wanted title to their land or the smallholder who wanted to expand their holdings to more adequately secure a livelihood, the CNT and FNTT had less to offer. Revealing the socialists' attitude toward state-sponsored land redistribution, for example, the PSOE newspaper *El Socialista* would argue in 1896 that "socialism must relieve the intense pains that small farmers suffer from land concentration, but in no way should this concentration be interrupted." Theirs was an orthodox Marxist interpretation whereby "capitalist" concentration, including in the countryside, was an inevitable step on the road to socialism, and there was no use halting it.[17]

Juan Linz, in a comparative study of agrarian social structure and electoral politics in twentieth-century Europe, observed similar patterns in other parts of the continent. Linz argued that in places where small farmers were the overwhelming majority of the rural population, like the Scandinavian countries and France, left-wing parties had to absorb them into their programs in order to have any base of support in the countryside. But where

> the Socialist parties had become clearly identified with a rigid Marxist program, essentially hostile to the farmer-owner… had taken a strong antireligious position, and were overwhelmingly concerned with the welfare of the urban working class, the farmers could not turn to them.[18]

Linz argues that this "rigid" program was typical of the Socialist and Communist parties of Italy and Germany, as opposed to the French Communists and Socialists or Scandinavian Social Democrats. In Italy and Germany, the existence of a significant constituency of landless rural proletarians led left-wing parties to rely on the former as a base of support, to the exclusion of small farmers—even though the interests of the two groups were by no means inherently at cross-purposes.[19]

The main representatives of the Spanish left during the Republican period, the PSOE and the CNT, espoused a similar line to the German Communists and Social Democrats in focusing their organization efforts on urban and rural proletarians and largely ignoring the demands of small farmers. An infamous manifestation of this policy occurred in Catalonia during the Civil War, in an event dubbed the *Fets de Fatarella*. In Catalonia, unlike most of the rest of Spain, small farmers were organized primarily around the causes of left republicanism and regional autonomy. Here, the wine-growing tenants' cooperative, the *Unió de Rabassaires*, promoted republican ideology and land-to-the-tiller agrarian reform and was closely linked to the left-republican and Catalan nationalist *Esquerra Republicana*. The Civil War led to conflict between the CNT, which triumphed in Barcelona and attempted to carry out a program of collectivization in the countryside, and the *Unió de Rabassaires*, whose members, especially sharecroppers, hoped for an opportunity for "land to the tiller" reform. In January 1937 this conflict culminated brutally when anarchists massacred 34 villagers resisting collectivization in the village of Fatarella.[20]

Another manifestation of the proletarian maximalist politics of the Spanish left was anticlericalism. This anticlericalism became most acute during the Civil War, in which the Church became a target of Republican violence. Abdón Mateos, for example, in his research on the Civil War and postwar Francoist repression in the northern province of Cantabria, finds that the republican Popular Front period saw political imprisonments and displays of symbolic violence—especially anticlerical violence such as the looting of churches—and that the war saw the open practice of Catholicism banned in certain areas.[21]

Here again, the intransigent policies of the left had origins in an attachment to a particular rural constituency—the wage laborers of latifundio Spain, concentrated in the South. While in the South the clergy tended to be closely tied to landowning elites, in the smallholding north radical ideology and dissent from the mainstream views of the Church hierarchy were much more common among the lower clergy. This, combined with the fact that the clergy were more numerous and more closely linked to smallholders, helped turn the north, and in particular Old Castile and Navarre, into the centers of two central social movements that would come to underpin Franco's rise to power: Catholic agrarianism and Carlism.[22]

The particular brand of rural politics espoused by the Spanish left during the Republic came to a head during the years 1931–1932, which saw constrained efforts to implement a land reform reconciling the interests of left republicans and the PSOE. The Republic's early agrarian reform efforts, under the premiership of left-republican Manuel Azaña, centered on three interventions in the agrarian labor market aimed at improving the relative conditions of farm laborers: the *Términos Municipales*, the *Laboreo Forzoso* and the *Jurados Mixtos*. The first restricted the ability of employers to hire labor from outside their municipality; the second required the cultivation of unused lands to guarantee as full employment as possible and the third established mixed commissions of employers and workers to govern labor relations.[23] These early efforts also changed tenancy laws and gave workers' organizations legal priority in obtaining leases, thus antagonizing tenants who were not members of such organizations. In alienating certain key agrarian sectors—namely, smallholding peasants—the left-republican-PSOE government saw its efforts to redistribute land effectively stymied and therefore failed, as sociologist Dylan Riley puts it, to "alter the agrarian social structure, while at the same time severely threatening agrarian profit margins."[24]

In addition to these provisions, this first attempt at agrarian reform also drew up a program of expropriation which, although not implemented in significant measure, had important political effects. First of all, in a concession to landed interests, it attempted to protect from expropriation lands under "direct cultivation"—that is, cultivated with the use of wage labor—and targeted lands that were leased out to tenant farmers. As a result, "directly cultivated" lands as large as 750 hectares in a given municipality could be exempted from expropriation.[25]

Second, the agrarian reform law particularly targeted lands that were either continuously leased out or were located in *ruedos*—lands in the immediate vicinity of villages. The former provision allowed lands leased out for at least 12 continuous years to be expropriated in their entirety by the state, regardless of their size. The latter provision was largely a product of the PSOE's hope that *ruedo* lands, particularly in the South, could be reserved for the settlement of smallholders—rather ironically, given that those expropriated could themselves have been smallholders—and larger farms further from towns could be collectivized. The *ruedo* provision was particularly important, as it slated for expropriation farms of as few as 20 hectares in grain cultivation as long as they were within 2 kilometers of a village. It also had a particular effect on the north, where villages were smaller and closer together than in the south, and thus where *ruedos* occupied a greater spatial prominence.[26]

Left Republicans backing the law, supporting the technicians who had drawn up the original drafts, wished to focus land reform on the South, where the latifundios were most prominent, rather than the north and center of the country, where land was more evenly distributed. The Socialists, however, desired a more nationally uniform enforcement. The bizarre compromise that was agreed upon as a result was that lands in the north and center would be placed on the national inventory of lands qualifying for expropriation while actual expropriation was postponed indefinitely in all areas except the latifundio provinces of the south.[27]

All of these provisions led to often absurd outcomes as far as expropriation was concerned. Economic historian José Manuel Naredo points out, for example, that in Vegas de Guadiana, in the Extremaduran province of Badajoz, "58 percent of the owners affected by the reform only owned 7.1 percent of the lands subject to expropriation… while the Count of Elba kept almost 1,000 hectares in the municipality of Badajoz due to good cultivation [*buen cultivo*]."[28] Meanwhile, over 70 percent of the national expropriation inventory consisted of proprietors in the northern and central provinces. Overall, as Malefakis explains, the "lease and ruedo clauses, together with the extension of the law to northern and central Spain, ended by creating eighty thousand victims of the reform in a nation where perhaps ten or twelve thousand large agricultural proprietors existed." Even if small proprietors, especially in the north and central regions, were not really going to see their lands seized, their inclusion in the expropriation inventory undoubtedly lowered their property values and their ability to obtain credit.[29]

Ricardo Robledo, in his defense of the Republican land reform effort, rejects Malefakis's argument that the inclusion of "small" proprietors in the north on the expropriation registers of the land reform program drove many smallholding peasants toward the right. His rejection is based on three principal points. First, even in the north of Spain, likely no more than two percent of all proprietors were included on the expropriation registers. Second, Malefakis confuses farms with proprietors, ignoring the fact that many large landowners, particularly in the north, held land in numerous small parcels, and therefore should have rightly been included on the registers. And finally, it was actually in Catalonia that the highest percentage of proprietors were included in the register—in fact, Catalonia alone accounted for 40 percent of all proprietors on the register—and yet the region remained firmly loyal to the Republic.[30]

Certainly, even the 80,000 "victims" of agrarian reform mentioned by Malefakis would have been a small minority of proprietors in a country of roughly 25 million where 50 percent of the labor force was employed in agriculture. Yet the point here is precisely that the contradictions of the land reform were only one part, and indeed a *reflection*, of a broader neglect of the interests of smallholding peasants, as reflected in the quote above from *El Socialista*. The bureaucratic and convoluted nature of the reform no doubt made its mission less clear and its intent more easily distorted to smallholders, many of whom may even have been potential beneficiaries. As we have seen, unlike in other parts of Western Europe, left-wing parties in Spain did not attempt systematically to incorporate smallholders into their base precisely because, with the existence of large numbers of rural proletarians whose relationship to the means of production was directly analogous to that of urban proletarians, it was not immediately evident that they needed to.

As a result, the Republican attempt at agrarian reform did not rest on a mass peasant base, as other more successful ones did. Unlike in postwar Japan and Taiwan, for example, where the most successful agrarian reforms in East Asia were conducted on the basis of local village committees,[31] in Spain the Republican land reform as planned was to be conducted in a much more bureaucratic manner. As a result, the land distribution that did occur—by December 1933, the state had

distributed only about 45,000 hectares to 6-7,000 peasants[32]—often did not resemble the kind of land-to-the-tiller reform that many smallholding proprietors, tenants and sharecroppers would have preferred. The institution tasked with carrying out the reform, the *Instituto de Reforma Agraria* (IRA), promoted maintaining large-scale operations in expropriated lands and turning them into collectives, but most land recipients wanted to establish small family farms.[33] Moreover, the land reform did not grant ownership titles to its recipients, even those small owners and tenants who already had ample experience in the management of a small farm. Instead, ownership of land remained in the hands of the state through the IRA, to which settled peasants had to pay rent.[34] As Simpson and Carmona point out,

> the fact that the foreman kept daily accounts of the work carried out by each settler, reinforced the idea that they were wage labourers rather than independent farmers and in one case, in the province of Cádiz, workers actually went on strike for more pay.[35]

The bureaucratic and contradictory nature of the Republican land reform effort and the rightward turn of large swathes of the smallholding peasantry were therefore likely both *products* of a left that lacked a sufficient organized mass base among the smallholding peasantry. Indeed, the Catalonian example provided by Robledo confirms this point. Here, a disproportionate share of proprietors was placed on the expropriation registers. Yet it was precisely in Catalonia, as we have seen, that there existed a broad *left-wing* mobilization in the countryside that *included* smallholding sharecroppers and proprietors. As Robledo notes, the main difference between the Catalan *Unió de Rabassaires*, the sharecropper's union founded in 1922 and affiliated with the Republican left, and the left-wing agrarian mobilizations of the latifundio south was the former's "relative inter-class nature—*rabassaires* that were like 'second-order' proprietors coexisted with others that felt themselves closer to laborers."[36] As a result, the strength of peasant unity was such that by the time of the agrarian reform, landlords, to avoid being denounced by sharecroppers and having to pay fines for non-compliance, quickly inscribed themselves in the expropriation registers "by way of precaution" (*para curarse en salud*).[37] Such were the results when landlords, unlike in other parts of Spain, *could not* count on the support of smallholding proprietors because the latter were organized in common cause with laborers and sharecroppers.

Yet large proprietors could count on common political cause with small proprietors in other parts of Spain. In what follows I analyze the right-wing politicization of small farmers in three regions: Navarre, Román Perpiñá's "interior" and the southern latifundio regions of Andalusia and Extremadura. This analysis suggests that the rural middle class, far from mere allies, were the principal *protagonists* of the Nationalist cause.

Carlism and the "Peasant Consumptive Enterprise"

In an analysis of land tenure and rural voting patterns in twentieth-century Europe, Spanish sociologist Juan Linz defined various "ideal types" of agrarian politics,

one of which he called the "peasant consumptive enterprise." This type of enterprise, Linz argued, was likely to be located in small, isolated villages among other similarly positioned peasants, to be governed more by the motive of subsistence (or "consumption") than of profit and to be relatively independent from fluctuations in the market for agricultural products. The lack of market dependence of this stratum led to a particular kind of politics:

> the greater independence from market situations probably contributes to this more traditional and ideological politics. The lesser sensitivity to market situations may also make members of this stratum less concerned with specific government policies, thereby leaving room for more generalized attitudes toward the 'government.'[38]

Also typical of this stratum was an attachment to the institutions of a traditional, precapitalist order—most notably, the church and the commons.

As an example of this type of "peasant consumptive" politics, Linz describes the *fermiers*—small tenant farmers on long-term cash leases—in Anjou, France, where dispersed population in small concentrations led to a slower transmission of information and to greater influence of "traditional authorities" like the clergy and/or former nobility.[39] Yet this politics—particularly as embodied in clericalism and an attachment to the corporate institutions of a precapitalist order—also existed on the other side of the Pyrenees in the form Carlism.

Carlism was most prominent in the northern Spanish region of Navarre, a region of small and medium farms and comparatively few rural proletarians.[40] The origins of Carlism as a political movement can be traced back to the post-Napoleonic era and the reign of Fernando VII (1813–1833). During Fernando's late reign, there emerged a conflict over whether his heir would be his brother Carlos or his daughter Isabel II; the former was supported by conservatives due especially to his devout Catholicism, the latter by liberals. The choice of Isabel resulted in civil war. Initially, the Carlist rebellion against the "liberal" monarchy was based in Catalonia, Aragon, the Basque Country and Navarre. Its social basis was an alliance of poor northern smallholders and nobles targeted by liberal plans to dismantle aristocratic privileges. Carlism's aim was not absolute monarchy but the "'tempered' monarchy of the medieval kingdoms and the early sixteenth century, wherein the king's power was limited by Cortes, Royal Council, *fueros*—and the Church."[41]

Toward the end of the nineteenth century, Carlism—whose appeal to the *fueros* had resonated as a call for regional autonomy—declined in Catalonia and the Basque Country in favor of new regional nationalist parties.

As a result, Navarre and Álava became the real remaining strongholds of the Carlist movement.[42] In the period leading up to the Civil War, however, Carlism experienced something of a resurgence. By 1934 the Carlist political organization, the *Comunión Tradicionalista*, had reached 700,000 members, based mostly in its historical stronghold of Navarre.[43] Although thoroughly conservative, the Carlist movement rejected fascism as a reflection of a lack of sufficient "national

tradition," and it disdained Nazism and its racist ideology as pagan and anti-Catholic. Its social base still reflected its nineteenth-century origins; "most juntas and delegations were still dominated by professional men and modest landowners, most of the mass membership coming from the households of peasant proprietors, tenant farmers, artisans and a minority of the Catholic middle class."[44]

Carlism certainly had its origins in a concrete program against economic and political liberalization and in defense of feudal social institutions. However, Linz's emphasis on "generalized attitudes toward the 'government'" rather than a deep sensitivity to policy, as typical of traditionalist politics, also holds true for the Carlist movement during the Republic. Carlist political discourse was heavily symbolic and identity-based. It spun theories about "Masonic" and "Marxist" conspiracies and was also strongly hostile to regional nationalism, despite (or perhaps in part because) of a shared historical constituency with Basque and Catalan nationalism. The primary pillars of Carlism's political platform were "anti-laicism, anti-separatism and anti-marxism"—certainly a "generalized" program.[45]

Carlist preparation for some sort of organized insurrection against the Republic began in earnest with the leftist revolt in Asturias in 1934. Under a new Secretary-General, Fal Conde, the *Comunión* was reorganized, its hierarchy was reinforced and a special emphasis put on the *Requeté*, the Carlist militia. Unlike the street-fighting orientation of other right-wing organizations like the Falange before the war, "the Requeté, by virtue of its traditions, present-day roots, distribution and whole ethos, was a rurally based, genuine citizen army, well trained in the conduct of war in difficult terrain." The Carlists developed a system of weapons smuggling over the Pyrenees, and by early 1936 the *Requeté* was a force of perhaps 30,000 troops, including reserves. On July 19, 1936, immediately after the military *Pronunciamiento* that announced the uprising against the Republic, 6,000 *Requeté* troops were mobilized in Pamplona, the capital of Navarre, and the city was quickly taken by the Nationalists. At the height of the war, as many as 70,000 *Requetés* were mobilized, making the Carlists one of the most important fighting forces on the Nationalist side during the Civil War, second only to the insurgent sections of the military itself.[46]

Catholic Agrarianism and the Market-Sensitive Farmers of the Spanish "Interior"

Along with the Carlist small proprietors of Navarre, another type of right-wing politics emerged in other parts of Spain among peasants more attuned to the fluctuations of the market. Linz describes, in addition to farm laborers and "peasant consumptive" subsistence proprietors, a group of "farmer-capitalist agricultural enterprises" highly sensitive to agricultural prices and the costs of production inputs. This class was therefore "likely to be politically responsive to economic cycles and actual or expected government policies," especially those related to agricultural prices.[47]

In Spain, a large sector of small farmers, both proprietors and tenants and principally wheat producers for the domestic market, formed a political constituency

much like the one Linz describes in the vast and sparsely populated Spanish interior. Sensitivity to the fluctuations of the market was particularly acute in regions like Castile, where the agrarian reform (*desamortización*) of the nineteenth century—consisting mainly of the expropriation of church properties and communal lands—had typically led to short-term leases as the prevailing form of land tenure.[48] The politics of these market-sensitive grain producers in the Spanish interior were channeled in the form of Catholic agrarianism. Like Carlism, Catholic agrarianism had an important religious component that was deeply offended by the anticlerical politics of the Spanish left. However, the agrarian component was as, if not more, important as the Catholic component. As Linz suggests, sensitivity to the market led these farmers to be concerned with particular government policies and to form political organizations that advocated for a specific economic program. Of special concern were the politics of wheat prices and land distribution.

The origins of Catholic agrarianism can be traced back to the late nineteenth century, when Catholic agrarian organizations sponsored by agrarian elites provided credit to peasants, promoted mutual aid and tried to reinforce Catholic ideology and social mores while combating anticlericalism and rural class consciousness.[49] Cooperativism in Spain was weaker than in other Western European countries, and cooperatives themselves often served a limited number of functions.[50] Yet Catholic cooperatives still came to constitute a mass movement. By 1929 Spain's national Catholic agrarian organization, the *Confederación Nacional Católico-Agraria* (CNCA), included over 2,200 affiliated cooperatives with a total of over 200,000 members.[51]

Wheat production was a major agricultural activity in Spain, concentrated in the interior of the country and oriented principally toward the domestic market. In the late 1920s, Spanish wheat production accounted for 97 percent of national consumption, as compared to 86 percent in France, 74 percent in Italy and only 21 percent in the United Kingdom. Wheat prices were buoyed by relatively high tariff protection which, at an average of 19 percent in Spain vs. no more than 9 percent in the other three countries, translated into relatively high bread prices. Nevertheless, Spain did feel the decline in international wheat prices experienced during the general crisis of the 1930s; Spanish wheat prices in the mid-1930s were about 12 percent lower on average than they had been in the early 1920s.[52]

However, the republican-socialist government's agrarian policy largely ignored the issues of low prices and lack of credit, both of crucial importance to small farmers, and focused instead on issues directly pertaining to landless agricultural workers. The years 1931–1933 did not see efforts to address the overproduction problem through, for example, a program of guaranteed minimum prices, which was implemented in the United States and several other European countries. This lack of action further galvanized support among small farmers against the Republican government, even if the root problem itself was international economic conditions and the Republic's inability to solve it was partly a result of chronically weak state capacity.[53]

The Catholic agrarian movement came to have political expression in the *Confederación Española de Derechas Autonómas* (CEDA), formed as a party of

the Catholic right in 1933.[54] The party quickly became a major electoral force, with around 800,000 members by 1933.[55] In fact, sociologist Víctor Pérez Díaz describes the politics of the CEDA in terms remarkably reminiscent of Linz's description of the small "farmer capitalist" or market-dependent farmer politics: as oriented around "the necessity to establish some form of control over the wheat market (through guaranteed prices, tariffs, etc.), overcoming, if necessary, the resistance of coastal regions and urban communities interested in the importation of cereals at a better price."[56]

The Catholic agrarian movement also played an important organizational role in the Nationalist camp during the Civil War, although not militarily in the way the Carlist movement did. Its advocacy of a minimum price policy galvanized support for the Nationalists, who indeed implemented such a policy in the form of the *Servicio Nacional del Trigo* (SNT, or National Wheat Service). In 1936, shortly after the Nationalist uprising, the CNCA reconvened in Burgos, the capital of the insurrection, and began distributing nitrogenous fertilizers. It continued its economic activities in the Nationalist camp, with cooperative sales increasing from 40.2 million pesetas in the first half of 1938 to almost 80 million in the second half of the year. Ultimately, the CNCA maintained some degree of organizational autonomy in the postwar period, avoiding complete absorption by the national syndicalist organization as the rebranded *Unión Nacional de Cooperativas del Campo* (UNCC, the National Union of Rural Cooperatives).[57]

Some scholars argue that the CEDA, as well as the CNCA, with which it was closely linked, were vehicles through which large landowners sought to coopt the votes of smaller farmers to pursue their own interests. Juan José Castillo, in the authoritative history of the CNCA, argues the organization was fundamentally one of large landlords supported by a mass base of small proprietors and tenant farmers "always at the edge of ruin." Indeed, the CNCA's first director, Antonio Monedero, was a large landowner in the Castilian province of Palencia. José María Lamamié de Clairac, the director of the CNCA during the Republic—also, incidentally, a "prominent member" of the *Comunión Tradicionalista*—opposed the Republican land reform and was also a large Castilian landowner.[58]

Yet, as Spanish historians Ricardo Chueca and José Montero point out, the CEDA also had a "strong populist component linked to the revindication of smallholders and rural tenants."[59] This became evident after the elections of 1933, which brought to power a coalition government headed by the centrist Radical Party in which the CEDA played an important part. CEDA's base of support among both large and small landowners made it unambiguously opposed to the land reform law as it had been put forward by the socialist-republican coalition. The CEDA was not monolithically opposed to land reforms, however. Rather, those land reforms that were debated in the party tended to focus on small farmers. The party wanted to address the problem of falling prices with a program of state-supported credit funded through the (mostly Catholic) agrarian cooperatives. Moreover, the proposal of Manuel Giménez Fernández—Minister of Agriculture in the run-up to the passing of a new 1935 land law and a member of the left wing of the CEDA—to institute a land-to-the-tiller agrarian program for tenant farmers was fiercely debated *within* the party, with plenty of members supporting the proposal.[60] In

fact, Giménez Fernández believed "that he could infect the Cortes with his enthusiasm for helping the poor and even believed that with a few basic changes in the [Republican-Socialist] Azaña legislation the reform could be made acceptable to the landowners themselves."[61]

Giménez Fernández's thinking was, of course, overly optimistic. The new land reform law that was ultimately passed in 1935 made expropriation provisions stricter, limited the IRA's budget, got rid of the expropriation inventory and allowed for the division of farms to avoid expropriation, although it continued to allow expropriations in the "social interest." The conservative republican Cirilo del Río, Giménez Fernández's predecessor as Minister of Agriculture and an adherent to a similar political line, denounced the law that ultimately passed as amounting to a "counter-reform."[62] Nevertheless, the debates that surrounded the passage of the law and the placement of the likes of Giménez Fernández speak to the fact that the smallholder wing of CEDA certainly had some institutional expression.

The region of Aragon provides a good concrete example of how agrarian social structure was linked to right-wing mass politics in the wheat-producing Spanish interior. Immediately to the east of Navarre and the west of Catalonia, Aragon is comprised of the three provinces of Huesca, Zaragoza and Teruel. The overwhelmingly dominant crop here in the days of the Republic was wheat, followed by a smaller but significant production of beet sugar, both principally for the domestic market. Although sparsely populated and not particularly prosperous or capital-intensive, Aragonese agriculture was certainly oriented, at least in significant part, toward production for the market. In fact, around 1930, 25 percent of total cultivated land in Zaragoza, 32 percent in Huesca and 10 percent in Teruel were under irrigation, as opposed to the 6.7 percent average in Spain as a whole.[63]

Using a variety of sources, including rural property tax data, the expropriation registers of the Republican land reform and the later agrarian census of 1962, Luis Germán Zubero paints a detailed picture of patterns of land tenure in Aragon on the eve of the Civil War. On the one hand, absentee ownership was common enough in Aragon, as around 22 percent of taxable rural wealth was held by owners that were not residents of the municipality in which their land was held. Moreover, a list of all the taxpayers with tax assessments of over 5,000 pesetas—the highest bracket—yielded plenty of noble titles: counts, dukes, baronesses and the like. On the other hand, the Gini index of taxed wealth, at 0.38, was not particularly high. Moreover, a categorization of all landowners in the province into "tiny" proprietors with assessments of up to 40 pesetas, "small" proprietors with assessments of 40–200 pesetas, "medium" owners with assessments of 200–1,000 pesetas and "large" landowners with assessments of over 1,000 pesetas yielded a picture of relatively diffuse ownership. The 267,000 "tiny" proprietors and 64,000 "small" ones held 23 and 37 percent, respectively—or a total of 60 percent—of the total tax value assessed. The total number of proprietors, at roughly 340,000, well exceeded the total labor force in agriculture, at about 197,000, which attests to how widespread land ownership was in Aragon at the time.[64]

It should come as little surprise, then, that in the elections of 1933 in particular, Aragon was a stronghold of the right. In that year, the region elected nine CEDA

delegates, four Agrarianists, two Carlists and one independent rightist, as well as four Radicals and one independent republican. Smaller municipalities had lower levels of wealth inequality and higher levels of voter turnout, giving a higher share of votes to the right and center-right. Towns of less than 500 were the most likely to vote for the right and center-right, while towns of over 3,000 were the most likely to vote for the left.[65]

Small Farmers Among Proletarians in Extremadura and Andalusia

In addition to the two "ideal types" of small farmers described above, there was a third type in Spain that was also more likely to support right-wing parties during the Second Republic and the Nationalists during the Civil War. What was distinct about this type of smallholding farmer, typical of the latifundio south, was that they lived in a much more highly stratified agrarian society than did the smallholders of northern Spain and therefore coexisted with large numbers of landless rural proletarians.

Linz gives the concrete example of small tenant farmers, the *mezzadros*, in the areas of intensive commercial agriculture in Tuscany and the Po Valley in northern Italy. Here, large numbers of small farmers coexisted with large numbers of landless laborers, the *braccianti*. Early relations between the two groups were often friendly, especially because tenants were unable to go on strike as easily as laborers due to their interest in an uninterrupted production process. Therefore, tenants were able to free-ride off of the gains of laborers in the form of better tenancy terms conquered in labor struggles in exchange for preferential hiring of laborers from the unions during harvest time. This alliance fell apart, however, in the period following the end of the First World War, over the restrictions on the use of labor that the wage workers wished to impose. The divide arose particularly over the use of harvesting machines by the tenants but also over practices like mutual exchange of labor among tenants, which replaced the latter's use of hired labor. It was these tensions that often led small farmers in Italy to develop a staunchly anti-labor position and ultimately to support the Fascists in their brutal suppression of organized labor in the interwar period.[66]

In Spain a very similar pattern developed in regions where large numbers of landless laborers coexisted with significant numbers of small farmers—particularly in the southern regions of the latifundios, Andalusia and Extremadura. Francisco Cobo Romero has documented this pattern in detail in the Andalusian province of Jaén. According to the national land cadastre, farms of over 250 hectares held 39 percent of the total land in farms in Jaén, while farms of under 10 hectares held 33 percent. Roughly 66 percent of the population of Jaén was employed in agriculture, well above the national average. Among the latifundios of over 250 hectares, 24 percent were publicly owned by municipalities and local governments, 10 percent by the nobility and the rest—the vast majority—by the "agrarian bourgeoisie."[67] This in contrast to Aragon which, as we have seen, was characterized by the relative prominence of the old nobility among large landowners and by the "inexistence of a consolidated landholding bourgeoisie."[68]

The *Censo de Campesinos* (Census of Peasants), carried out as part of the agrarian reform process, found that there were 59,000 jornaleros in Jaén's rural labor

force as well as 27,000 small tenants and proprietors. However, rural tax data registered no less than 110,500 "small rural taxpayers" with assessed land values of less than 1,000 pesetas. Cobo argues that the latter figure, which well exceeded the number of small tenants and farmers found in the *Censo de Campesinos*, was likely a product of the fact that many jornaleros also owned very small plots of land. This would also concur with the estimate of Simpson and Carmona that in 1930 only about 28 percent of the rural population in Jaén was completely "landless." Here the importance of the finer distinctions in agrarian social structure becomes apparent. There was likely an important difference in political behavior between jornaleros whose living came primarily from a wage but who also had direct access to some land, on the one hand, and peasants, who were *primarily* small farmers, either tenants, owners or some combination of both, and *supplemented* this living with some wage labor, on the other. This difference is particularly important because, in fact, Linz argues that wage laborers with access to some amount of land, and thus to some degree of economic independence, have been more likely to be on the vanguard of radical left-wing politics rather than right-wing politics.[69]

In Jaén, acute tensions developed between jornaleros and small farmers around the implementation, during the 1931–1933 left-republican-PSOE government, of measures that regulated the labor market: the *Términos Municipales*, the *Laboreo Forzoso* and the *Jurados Mixtos*. The *Términos* and *Laboreo Forzoso* in particular seem to have affected small farmers in addition to large landowners, as the two policies interrupted traditional practices such as seasonal migration to perform wage labor in other areas during the harvest for supplemental wage income and reliance on other smallholders for labor through systems of mutual exchange rather than on hired labor. Like the land reform more broadly, these laws thus seem to have failed to sufficiently differentiate between large and small farmers.[70]

Political tensions were clearly evident in Jaén well before the outbreak of the Civil War. In the elections of 1933, towns of less than 5,000 inhabitants, where small farmers were more common, voted on average 63.5 percent for the right-wing CEDA-Radical-Agrarian coalition and 36.5 percent for the PSOE, whereas towns of more than 10,000 voted 54.25 percent CEDA-Radical-Agrarian and 45.75 percent PSOE. Of the nine *comarcas* (districts) of Jaén, the four in which the CEDA-Radical-Agrarian coalition received less than half of the votes in 1933 had rural labor forces that were, on average, 26 percent small farmers and 74 percent jornaleros; in the four where the right coalition received more than 60 percent of the vote, the numbers were 39 percent and 61 percent, respectively.[71] This political polarization leads Cobo Romero to characterize politics in Jaén as the confrontation of "a legion of laborers versus an army of small proprietors and modest farmers."[72] There was a clear tendency in Andalusia for the rural petty bourgeoisie to move right in the years leading up to the outbreak of the Civil War.

A somewhat similar dynamic played out in the neighboring region of Extremadura among the *yunteros*, or small tenant farmers, of the *dehesas*, wheat fields on which production had grown in the first several decades of the twentieth century according to a system of extensive crop rotation. The term *yuntero* derived from the *yunta*, the team of plow animals, usually mules, with which a

peasant worked the land. Simpson and Carmona estimate that in 1930, over half of the households engaged in agriculture in Extremadura—one of the two principal latifundio regions along with Andalusia—were direct cultivators, either owners or tenant-cultivators or some combination of both. Just under half, meanwhile, were landless. Among small proprietors, renting additional land and hiring out labor to supplement the family income were quite common. In addition to a group of very small proprietors, there also existed a group of prosperous tenants. In the Extremaduran province of Cáceres in 1931–1932, for example, rented plots of over 30 hectares accounted for 16 percent of all rented plots but over 50 percent of all rented land. Moreover, small farmers were by no means necessarily poor, at least in relative terms; a survey of over 400 peasants and landless laborers in Cáceres in the early 1930s found that almost half of them had at least one yunta of mules, while only about a third had no yunta at all. Simpson and Carmona estimate that possession of a yunta and agricultural implements necessary for cultivation constituted a capital investment of about 2,250 pesetas—about the estimated annual income needed to support an average family at the time.[73]

In the period leading up to the outbreak of the Civil War, the struggle over land reform resulted in heated struggles in Extremadura that were fought along often complex and subtle class distinctions among peasants and farm laborers. Both in 1931 in wake of the slow implementation of the original Republican land reform and in 1936 after the election of the left-wing Popular Front, a combined 115,000 peasants and laborers occupied a total of about 570,000 hectares of their own accord. These occupations were followed by post-hoc legalizations of the occupations by left-republican governments issued, both in 1932 and 1936, in the name of intensification of cultivation; the intensification decrees, in a sense, provided an express and short-term solution to the roadblocks faced by the land reform efforts. A whopping 75 percent of these occupations occurred in Extremadura.[74]

Like agrarian politics in general, these occupations were characterized not so much by a simple antagonism between "peasants" and landed elites but rather by complex fractionalized struggles. The immediate victims were often not so much landlords as other tenants. The occupation of five large estates in Navalmoral in Cáceres, for example, involved the expulsion of 140 tenants already living there; in some cases, even peasant settlements created by the land reform itself were invaded. The land seizures favored tenants in socialist tenant organizations over those in Catholic ones; tenants from closer to the vicinity of occupation over those from further away and tenants from poorer localities over those from wealthier ones. If the tenants expelled under the occupations worked more than 10 hectares, they did not qualify for additional land.[75] In short, the logic of the occupations often hurt tenants who were slightly better off or members of Catholic tenant organizations and was emblematic of the kind of complex agrarian social structure existent in the Spanish south. In fact, even in the elections that led to the victory of the Popular Front in early 1936, shortly before the outbreak of the Civil War, when turnout was particularly high for parties of the left, only 8 of the 15 judicial divisions (*partidos judiciales*) in the province of Badajoz, the other province of Extremadura along with Cáceres, voted for the Popular Front.[76]

Linz describes a similar dynamic among tenant farmers in the Andalusian province of Córdoba:

> As Juan Díaz del Moral has shown, in certain villages in the Province of Córdoba, there was a group known as *muleros* or *harruqueros* (mule owners), called in the village of Montilla, *burgueses de haza y burra* (bourgeois of a small plot and a donkey). These were small holders or tenants who owned a pair of mules and, once they had completed work on their own land, worked with their mules on the plots of other small owners or tenants who did not have such animals … such groups felt superior to the day laborers and formed their own associations, defending their peculiar [sic] interests and taking a more or less neutral attitude in labor conflicts.[77]

Here, again, political association was governed by fine lines of class distinction. Whether a peasant had direct access to land for his own cultivation through ownership or tenancy or whether he owned livestock animals or other capital implements necessary for cultivation could determine his position in a complex rural class structure. Internal divisions among the Spanish peasantry, particularly in the south, belied the usefulness of speaking simply of "peasants" (*campesinos*) or the "peasantry" (*campesinado*).[78]

How did these fine cleavages translate into mobilization behind the Nationalist cause during the Civil War? Alfonso Lazo and José Antonio Parejo examine this question with respect to western Andalusia, using municipal-level data from the archives of military courts. The Falange, the closest Spain had to a classically "fascist" party before the Civil War and one of the principal elements of the Nationalist coalition during the war itself, was actually never a successful electoral party, unlike the Fascists in Italy or the Nazis in Germany. In the elections that produced a victory for the Popular Front in 1936, the Falange received 0.7 percent of the votes at the national level.[79] Nevertheless, Lazo and Parejos's data, which are complete for 15 of the 101 municipalities of Sevilla as well as several municipalities in the provinces of Huelva, Cádiz, Córdoba and Badajoz, reveal large waves of expansion in the Falange's membership in western Andalusia after the Popular Front's victory at the polls in 1936 and then again after the *Pronunciamiento*. In the particularly marked case of Estepa in the province of Sevilla, a town of 10,000, Falange membership increased from 6 in 1935 to over 100 after the elections in 1936. A further 262 new members had joined by April 1937. In the town of Marchena, where just 88 members had joined the Falange before the Popular Front victory, a further 800 members joined between early 1936 and April 1937.[80]

This expansion in membership was also accompanied by shifts in the class composition of local Falange branches. Before the 1936 elections, the small Falange in Sevilla was dominated by landholding elites, including several aristocrats. However, data on the occupational backgrounds of Falange members in the areas the authors analyze, recorded in local military court archives, indicate that by 1938, 22.6 percent of members were jornaleros, 14.6 percent were white collar workers (*empleados*), 10.3 percent were artisans and 12.4 percent were farmers (*agricultores*).[81]

Why did the Falange suddenly have such a wide base of mass support in the southwestern region studied by Lazo and Parejo? Traditional explanations suggest the possibility of social protection for workers who might otherwise have been pegged as "leftists" and persecuted politically or the importance of the Falange as an avenue for government favors under the Franco regime as explanations. To this, Lazo and Parejo retort that the Falange began to grow fast well before it became a consolidated "state" party in such a position to grant favors. Moreover, the Falange also began to expand before the "unification" of the different Nationalist factions—the Carlists, Falangists, monarchists, political Catholics, etc.—into the FET-JONS in 1937 (Chapter 4).[82]

Instead, Lazo and Parejo argue that the Falange in particular gained support because of economic redistributionist rhetoric and practice. A Falangist speaker proclaimed in a speech in Sevilla—traditionally a stronghold of the anarchist CNT—in April 1937 that "we are the CNT in blue shirts," referring to the color of the Falangist uniform. During the Civil War, the Falange continued to advocate for a program of expropriation of latifundios and cancellation of rents to "agrarian capitalists," and its rhetoric in southwest Spain denounced rentiers and "parasites" (*señoritos ociosos y parásitos*). One local Falange chief proposed a program of expropriation of 20 to 50 percent of the lands of the largest landowners and their distribution among tenants and rural wage laborers, and some Falangist officials also mandated wage hikes:

> In late 1936, in several towns in the Guadalquivir river valley… the Falangist leaders required landowners—in the middle of the olive harvest—to pay wages much higher than what they were paying. One of these landowners, the largest landowner in Palomares, refused. It was Álvaro García Carranza, brother of one of the heroes of the Seville Falange at the time, landowner and bullfighter… Well, the local Falange chief in Palomares turned to the provincial leadership; the chief in turn to [Nationalist general] Queipo de Llano and the landowner, brother of the now deceased hero, was fined 5,000 pesetas and obliged to pay his workers twice the wage he had been paying them.[83]

Although many of the more progressive economic programs of the Falange clashed with the elitist elements of the Nationalist coalition, evidently they were prominent enough to gather a significant mass following for the party in southwestern Spain. In any case, the relative prominence of the Falange as a right-wing political force in southwestern Spain, the region of perhaps the most stratified agrarian social structure in the country—as opposed to in Navarre, where Carlism prevailed, or in the "interior," where Catholic agrarian monarchism was dominant—would seem to confirm the analogy between Spain's latifundio south and the fascist areas of commercial farming in central and northern Italy described by Linz.

Conclusion

This chapter has argued that the social origins of the Francoist regime lay with Spain's small peasant proprietors and tenant farmers. Unlike in countries where programmatically united militaries acted with economic elites to overthrow leftist

political regimes, as was the case in Spain's former colony of Chile, in Spain the decisive factor in the overthrow of the Second Republic was provided by a well-organized mass mobilization of the rural middle classes.

In the period leading up to the Civil War, Spanish rural politics became sharply divided between left and right. The left, oriented in rural areas toward a base of agricultural wage laborers, developed a policy of "proletarian maximalism" centered on anticlericalism and a particular program of land reform that was often inimical to the interests of small farmers. The result was a politics not particularly amenable to alliances between proletarians and peasant farmers like the ones that ruled France and the Scandinavian countries during the 1930s.

The small farmers of Spain thus largely turned to the right for political organization and mobilization. I have argued here that this mobilization took three primary forms, linked to three distinct agrarian social structures in Spain in which smallholders were a significant presence. The first, in the form of Carlism, was linked to areas of traditional subsistence farms in regions like Navarre and was characterized both by militant organization and a very "general" oppositionist attitude toward the Spanish Republican government. In the Spanish interior, where commercial grain production dominated the landscape, farmers were sensitive to fluctuations in the market, and their politics were thus organized in tune with particular economic policies—especially those concerning credit, wheat prices, and land distribution. Finally, the small farmers of southern Spain shared with those of the interior an orientation toward the market but were distinct in that they existed among large masses of wage laborers. This led to what were often the most contentious rural political struggles both before and during the Civil War and to a particularly "modern" right-wing mobilization concentrated in the Falange.

As we shall see in the following chapter, the Franco regime's base of support among the rural middle classes had far-reaching consequences for economic development. It provided a certain degree of "autonomy" from existing economic elites: landlords, financiers, and Basque and Catalan industrialists. Because it was not fully beholden to these constituencies, the regime was able to pursue a strategy of rapid industrialization even when such a strategy conflicted with the short-term profit interests of economic elites. The insight of this chapter is that state autonomy did not come from nowhere; it had its origins in Spanish society and in the nature of the Civil War conflict. A useful frame of reference is Marx's analysis of the regime of Louis Bonaparte, which coalesced in the wake of France's Revolution of 1848. Marx also saw the second Bonaparte's regime as one under which the state gained a high degree of autonomy:

> Only under the second Bonaparte does the state seem to have made itself completely independent … And yet the state power is not suspended in the air. Bonaparte represented a class, and the most numerous class of French society at that, the small-holding peasants.[84]

Under the Franco regime, state autonomy materialized on the same class base as it did under Louis Bonaparte. In this sense, the Franco regime was a Bonapartist regime *par excellence*.

Notes

1 O'Brien and Roddick, *Chile: The Pinochet Decade*, 33–34, 38–41; Silva, "Capitalist Coalitions, the State, and Neoliberal Economic Restructuring," 539–541.
2 de Riquer, "Dossier: el franquisme i la burguesia catalana," 18. Cambó's party, the *Lliga Regionalista*, was a conservative Catalan regionalist party, and, as Charles Ehrlich points out, although the Catalan industrial bourgeoisie often supported the party, its original founding base was among the Catalan rural elite and not the industrial elite—see Ehrlich, "The Lliga Regionalista and the Catalan Industrial Bourgeoisie."
3 Artola Blanco, *El fin de la clase ociosa*, 205, 213–216.
4 O'Brien and Roddick, *Chile: The Pinochet Decade*, 30.
5 Ibid., 40–41.
6 Blinkhorn, *Carlism and Crisis in Spain*, 253.
7 Riley and Fernandez, "The Authoritarian Foundations of Civic Culture," 19. See also Payne, "Recent Historiography on the Spanish Republic and Civil War," 555–556.
8 On the tight-knittedness of this Chilean elite, see Zeitlin and Ratcliff, *Landlords & Capitalists*.
9 For example, on Francesc Cambó's conflicted support of the Nationalists, see de Riquer, "Joan Ventosa i Calvell."
10 Martínez Alier, "La actualidad de la Reforma Agraria," 27–28.
11 Barciela López, "La contrarreforma agraria," 554, 558–560.
12 See Irwin, *The 1933 Cortes Elections*, xiv, 52, 60, 78, 125, 127, 133, 137, 150, 158, 166, 172, 176, 182, 188, 193.
13 Compare the map in Malefakis, *Agrarian Reform and Peasant Revolution*, 95, which illustrates the proportion of peasant smallholders within the rural male labor force in Spain in 1956 by province, with the map in Alpert, *The Republican Army in the Spanish Civil War*, xv, which illustrates the areas in which the Nationalists had gained control by July 1936, shortly after the attempted coup that set off the Civil War.
14 Riley, *The Civic Foundations of Fascism in Europe*, 73–74. The political system of Restoration Spain somewhat resembled that of India in the first decades after independence in that it combined electoral democracy and widespread suffrage with local elite rule through patronage politics in an environment of regional and linguistic diversity. In both cases this political system also followed a very limited agrarian reform (in Spain, the process of disentailment or *desamortización*) that helped settle the system of local patronage politics. On *caciquismo* see Pro Ruiz, "Las élites de la España liberal"; Pro Ruiz, "La culture du caciquisme espagnol." On the social basis of post-independence Indian democracy in comparison with post-independence Pakistan, see Tudor, *The Promise of Power*, 6.
15 Riley, *The Civic Foundations of Fascism in Europe*, 87–92; Malefakis, *Agrarian Reform and Peasant Revolution*, 289–290.
16 Malefakis, *Agrarian Reform and Peasant Revolution*, 290–293.
17 Simpson and Carmona, *Why Democracy Failed*, 165–166, 207, 209.
18 Linz, "Patterns of Land Tenure," 379.
19 On the "'doomed peasant' dogma"—that is, the view that smallholding peasants were essentially anachronistic and outside the purview of socialist politics—among the German Social Democrats, see Davis, *Old Gods, New Enigmas*, 129–131.
20 Franquesa, *Power Struggles*, 24–26.
21 Mateos, "Violencia política, nacional-sindicalismo y contrarreforma agraria," 166.
22 Simpson and Carmona, *Why Democracy Failed*, 134–135, 137.
23 Cobo Romero, *De campesinos a electores*, 224–230.
24 Riley, *The Civic Foundations of Fascism in Europe*, 95–97.
25 Malefakis, *Agrarian Reform and Peasant Revolution*, 208–209.
26 Ibid., 206–207, 212, 217–218.
27 Ibid., 215–216.

28 Naredo, "Ideología y realidad en el campo de la Reforma Agraria," 205.
29 Malefakis, *Agrarian Reform and Peasant Revolution*, 210–211, 216–218.
30 See the section on "*el error Malefakis*" in Robledo Hernández, *La tierra es vuestra*, 124–130.
31 Studwell, *How Asia Works*, 28, 31.
32 Simpson and Carmona, "Too Many Workers or Not Enough Land?," 42.
33 Simpson and Carmona, *Why Democracy Failed*, 190.
34 Malefakis, *Agrarian Reform and Peasant Revolution*, 229–231; Simpson and Carmona, "Too Many Workers or Not Enough Land?," 40, 45–46.
35 Simpson and Carmona, "Too Many Workers or Not Enough Land?," 57.
36 Robledo Hernández, *La tierra es vuestra*, 312.
37 Ibid., 316.
38 Linz, "Patterns of Land Tenure," 384.
39 Ibid., 400–401. Charles Tilly presents a similar interpretation of the peasants in the Vendée that rebelled against the French Revolution in 1793–1796 in Tilly, *The Vendée: A Sociological Analysis*.
40 Malefakis, *Agrarian Reform and Peasant Revolution*, 15, 95.
41 Blinkhorn, *Carlism and Crisis in Spain*, 7. The *fueros* were chartered institutions of local autonomy originating in the Middle Ages. For a brief summary of the conflict and the succession of Carlist candidates up to the 1920s, see Blinkhorn 7–12; Blinkhorn's is the authoritative study of Carlism and its contribution to Francoism, so our account here relies heavily on it.
42 Blinkhorn, *Carlism and Crisis in Spain*, 33–35.
43 Riley, *The Civic Foundations of Fascism in Europe*, 99.
44 Blinkhorn, *Carlism and Crisis in Spain*, 26, 117, 163–166, 172, 213.
45 Ibid., 185, 205.
46 Ibid., 219–221, 207–209, 223–224, 252, 256.
47 Linz, "Patterns of Land Tenure," 375.
48 Fontana, *Historia de España*, 6: La época del liberalismo:178. On the nineteenth-century agrarian reform, see also Alía Miranda and Del Valle Calzado, "Guía de fuentes para el estudio de la reforma agraria liberal."
49 Riley, *The Civic Foundations of Fascism in Europe*, 76–79.
50 Simpson and Carmona, *Why Democracy Failed*, 108–109, 114, 124.
51 See Simpson and Carmona, *Why Democracy Failed*, pp. 135–136, tables 6.1 and 6.2 for statistics on cooperatives, as well as 134–142 for a summary of the Catholic cooperative movement.
52 Simpson, *Spanish Agriculture*, 181–183, 224.
53 Simpson and Carmona, *Why Democracy Failed*, 148, 215.
54 Riley, *The Civic Foundations of Fascism in Europe*, 98.
55 Simpson and Carmona, *Why Democracy Failed,* 207.
56 Pérez Díaz, "Cambios sociales y transformaciones culturales," 120.
57 Castillo, *Propietarios muy pobres*, 399–401, 406, 441.
58 Ibid., 447, 31, 337.
59 Chueca Rodríguez and Montero Gilbert, "El fascismo en España," 223. Simpson and Carmona also claim in *Why Democracy Failed* that "most landowners and tenants… voted for Lerroux's Radical Party, and later for Gil Robles and the CEDA"—p. 205.
60 Simpson and Carmona, *Why Democracy Failed*, 218–220.
61 Malefakis, *Agrarian Reform and Peasant Revolution*, 347.
62 Carrión, *La reforma agraria de la Segunda República*, 131–132.
63 Germán Zubero, *Aragón en la II república*, 48–49, 70–71.
64 Ibid., 49–52, 56, 62, 67–71.
65 Ibid., 286, 341–342, 345–347.
66 Linz, "Patterns of Land Tenure," 403–412, 374.

67 Cobo Romero, *De campesinos a electores*, 132–133. Note that the cadastre was nearly complete in Jaén by 1930—Carrión, *Los latifundios en España*, chapter 2, table 2, opposite p. 55.
68 Germán Zubero, *Aragón en la II república*, 70–71.
69 Cobo Romero, *De campesinos a electores*, 130, 137–139; Simpson and Carmona, *Why Democracy Failed*, 162; Linz, "Patterns of Land Tenure," 420.
70 Cobo Romero, *De campesinos a electores*, 228–230.
71 Ibid., 274–275.
72 "*Una legión de jornaleros frente a un ejército de pequeños propietarios y modestos labradores"*—Ibid., 133.
73 Carmona and Simpson, "¿Campesinos unidos o divididos?," 125–136, 130–131, 133; Simpson and Carmona, "Too Many Workers or Not Enough Land?," 60; Simpson and Carmona, *Why Democracy Failed*, 162.
74 Carmona and Simpson, "¿Campesinos unidos o divididos?," 123, 129, 136; Simpson and Carmona, *Why Democracy Failed*, 188–189, 196–197.
75 Carmona and Simpson, "¿Campesinos unidos o divididos?," 139–140, 141–143.
76 Ibid., 124.
77 Linz, "Patterns of Land Tenure," 414. The work by Juan Díaz del Moral to which Linz refers, originally published in 1929, is *Historia de las agitaciones campesinas andaluzas*.
78 Hence the misleading nature of references to "the harsh repression unleashed against the peasants" or the "subjection of the peasantry" during the first years of the Franco regime—Barciela López, "La contrarreforma agraria," 359, 361. As we will see in Chapter 6, the picture changes depending on precisely *which* peasants one is talking about.
79 Linz, "Some Notes Toward a Comparative Study of Fascism," 89. In contrast, the Nazis received 18 percent of the vote in the German elections of 1930, while the Fascists received 19 percent of the vote in the Italian elections of 1921—ibid.
80 Lazo and Parejo, "La militancia falangista en el suroeste," 240–241.
81 Ibid., 244.
82 Ibid., 247n. Beginning in 1937, all the Nationalist forces were unified into an amalgamated party, the *Falange Española Tradicionalista y de las Juntas de Ofensiva Nacionalsindicalista* (FET-JONS), where the acronym represented the two most powerful forces, at least immediately after the war: the "T" for the Carlist *Tradicionalistas* and the FE-JONS for the Falange. See Chueca Rodríguez and Montero Gilbert, "El fascismo en España," 239; and Moreno Fonseret and Sevillano Calero, "Los orígenes sociales del franquismo," 715.
83 Lazo and Parejo, "La militancia falangista en el suroeste," 248–252. Quote on p. 252. The fine was ultimately forgiven, however. As Lazo and Parejo note, "as revolutionary and social as the Falange saw itself, it was only one more partner, although perhaps an anomalous one, of the reactionary coalition that had risen against democracy"—252. On the Falange's strange affinity with the CNT, which the former saw as "authentically" Spanish as opposed to the "foreign" Marxism of the UGT, see Balfour, "From Warriors to Functionaries," 234–235.
84 Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte,* Marx/Engels Internet Archive, Chapter VII, p. 62, https://www.marxists.org/archive/marx/works/download/pdf/18th-Brumaire.pdf.

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4 Reconfiguration of State and Capital, 1936–1945

The previous chapter detailed the social origins of the Franco regime in a mass mobilization of the smallholding peasantry. This chapter addresses the implications of these social origins for Spanish economic development under the Franco regime. The Spanish Civil War brought to power a Nationalist regime broadly interested in accelerating industrialization in Spain. More importantly, however, it also transformed the Spanish class structure in a way that made the fulfillment of the industrialization program desired by the regime possible.

There is actually broad agreement among scholars that Franco regime officials *intended* to further industrialize Spain, and more specifically, to industrialize Spain on the basis of domestic capital accumulation rather than foreign capital. The key point of disagreement is, of course, whether the actions taken by these officials in pursuit of the goal of industrialization actually furthered Spanish economic development.[1] The key question, then, is that insofar as industrialization did occur and was the product of state action—a point which is argued in subsequent chapters—what social/historical conditions allowed the developmentalist *intent* of the Franco regime to translate into actual development? After all, plenty of regimes have intended to accelerate economic development and failed to do so.

The analysis that follows offers the beginning of an answer to this question, arguing that the Spanish Civil War altered the relationship between capital and the state. Chapter 2 laid out the principal elites that dominated the Spanish economy during the Restoration period. Although these elites were largely separate from each other and were weak by Western European standards, they were nevertheless relatively powerful with respect to the state. The Basque and Catalan industrialists extracted tariff protection from the state, while the "financial aristocracy" governed the Spanish financial system with minimal interference and a rentier class extracted urban and agricultural rents relatively undisturbed. The Civil War weakened all of these elites to varying extents, and it resulted in a regime in which the state was fundamentally *not* under their control. Although Restoration economic elites largely sided with the Nationalist cause during the Civil War in the interest of their own private property—with notable exceptions, especially in the case of Basque and Catalan nationalism, as we shall see below—they were neither its main protagonists nor even necessarily its main beneficiaries.

If the Civil War involved a mass mobilization of the smallholding peasantry as detailed in Chapter 3, this mobilization in turn brought to power the "traditional

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middle class" described at the end of Chapter 2. It was this class, rather than landholding, industrial or financial elites or any combination thereof, that controlled even the highest levels of the state under the Franco regime. The Catalan industrial bourgeoise was severely weakened both by the proletarian revolution led by anarchist and socialist forces in Catalonia during the Civil War and by the suspicion with which they were viewed by the triumphant Nationalists due to their historical association with regional nationalism. As a result, the relative economic power of Catalan industrialists within the Spanish political economy as a whole diminished markedly after the Civil War. The Basque industrialists fared better during the conflict and were viewed with less suspicion, but they also became heavily dependent on the Nationalist state over the course of the conflict and after, limiting their power over the latter. The financial elite probably retained the highest level of autonomy in the wake of the Civil War conflict, but even here state intervention in the banking sector increased, and the regime was able to develop a strategy of simply working around the existing financial system when necessary in order to guarantee the fulfillment of its industrialization strategy.

This weakening of economic elites in relation to the state was of tremendous consequence for the Franco regime's ability to successfully pursue its intended industrialization strategy. State autonomy from a now-weakened capitalist class meant that the state was no longer beholden—at least to the same extent as under the Restoration—to the interests and constraints of the latter. While the regime was interested in long-term industrial development, capitalists are usually interested in short-term profits, and Spain was no exception. The Industrial Credit Bank (BCI) and *pignoración*, as discussed in Chapter 2, were attempts to address this issue by channeling private-sector interests into long-term industrial investments. Yet both policies reflected the continued power of capital under the Restoration regime and had limited success in achieving their goals. The Spanish Civil War paved the way for a much more aggressive state role in imposing a long-term industrialization strategy, the details of which will be more fully examined in subsequent chapters.

The Triumph of the "Traditional" Middle Class

If the Franco regime's base of popular support lay in Spain's rural middle classes or smallholding peasantry, the class content of the regime itself—and of the state *under* the regime—consisted mainly of the so-called "traditional" middle class. Resident largely in Spain's small towns and provincial cities as well as in Madrid, this class had historically reproduced itself through institutions that predated industrialization: the military, the liberal professions, the Catholic Church and the state bureaucracy itself. The corollary of this class's control over the state was that the latter was emphatically *not* in the hands of landowning, industrial or finance elites, at least not nearly to the same extent as it might have been in other reactionary regimes.

To take just a few illustrative examples: Carles Viver, in a detailed study of 900 members of the highest levels of the Francoist state bureaucracy from 1936 to 1945—the earliest period of the dictatorship—found that only 10 percent of these

officials could be considered "large" landowners and only 6 percent were nobles.[2] In the first six years after the Nationalist victory in the Civil War (1939–1945), just over half of Franco's cabinet ministers were career bureaucrats.[3] And in 1946, of the 144 members of the regime's semi-ceremonial Cortes (parliament), 11 percent were doctors by profession, 31 percent were lawyers and 19 percent came from other "liberal professions."[4] To put these figures in perspective, in Chile between 1921 and 1924, owners of the country's 619 largest agricultural estates alone, which together took up 48 percent of Chile's total agricultural land, were 15 of the 37 members of the country's Senate.[5]

We should also take care to note that although the military was indeed an institutional pillar of the "traditional" middle class, its importance as a source of state officials under the Franco regime was low by the standards of a regime whose dictator was a general. For example, between 1938 and 1969, the percentage of military officers in Franco's cabinet peaked in 1957–1962 at 31 percent and was lowest between 1939 and 1945 at 11.6 percent.[6] In contrast, during the military dictatorship of 1975–1983 in Argentina the military held between 45 and 90 percent of cabinet appointments, while under the Pinochet dictatorship in Chile the figure fluctuated between 25 and 90 percent.[7] In this sense, the Franco regime was not in essence a military dictatorship. It was, instead, a dictatorship of professional bureaucrats.

Patterns of regional representation in the Spanish bureaucracy are also revealing of the class content of the Francoist state. If there was any geographical core to the Nationalist base of support, it was in the areas of the "interior," particularly Old Castile, and Navarre. During the Second Republic, only 9 percent of ministers were born in Madrid, whereas 14 percent were born in Catalonia. Under the Franco regime up to 1960, 40 percent of ministers were born in Madrid or Old Castile, while only 6 percent were born in Catalonia.[8] The political power of the Catalan industrialist class was decimated and was slimmer under the Franco regime the higher one went up in the state hierarchy. Teresa Climent and Carles Viver find that while 93 percent of municipal officials in Barcelona between 1939 and 1959 were born in Catalonia and 58 percent were "businessmen" (*empresarios*), at the level of the *province* of Barcelona only 13 percent of officials were born in Catalonia and 76 percent were professional bureaucrats. Climent and Viver also found that local offices in Catalonia typically did *not* serve as stepping stones for positions in higher levels of the state; Catalan businessmen were restricted to local offices.[9]

How did the Franco regime articulate its political elite of "traditional" middle class professionals and bureaucrats with its mass base of rural smallholders? One medium of articulation was local government, which served as a nexus between the two. In an analysis of over 5,000 local officials in Andalusia between 1939 and 1948, for example, Francisco Cobo and Teresa María Ortega find that while 53 percent could be considered "lower-middle and middle class"—a category corresponding to "artisans, non-academic professionals, [lower-level] civil servants, service workers, small merchants [*comerciantes*], farmers and small agricultural proprietors," another 42 percent belonged to the upper-middle and upper

classes—"administrators, academic professionals, professors, lawyers, industrialists [*industriales*], high-level army officers, medium and large landowners, etc."[10]

Another medium of articulation was the regime's mass organizations, which corresponded to the major sections of the mass mobilization that underpinned the Nationalist cause in the Civil War. During the Civil War itself, Franco issued the so-called "unification decree" in April 1937, which merged the two most important right-wing organizations in the Nationalist coalition: the Carlists, who mobilized massive militia support, and the Falange, which, although relatively small before the war, grew during the conflict itself and channeled large amounts of military and financial support from the Axis powers and particularly Italy.[11] The result was the clunkily named *Falange Española Tradicionalista y de las Juntas de Ofensiva Nacionalsindicalista* (FET-JONS), with the "T" representing the Carlist *Comunión Tradicionalista*. In the unification of these forces into the FET-JONS, political coherence was completely secondary, and the move was dictated and controlled by Franco.[12] Indeed, as Roque Moreno and Francisco Sevillano argue, the function of unification was not so much to create ideological mobilization as to "neutralize" countervailing political forces within the Nationalist cause into one coherent organizational force.[13]

Nevertheless, the FET-JONS, which was dubbed the "National Movement" beginning with so-called "de-fascisization" efforts to distance the regime from the Axis in the mid-1940s, essentially formed the official party of the regime.[14] The main mass organization linked to the legacy of the Falange was the state-controlled trade union organization or *Sindicato Vertical* (SV), which subsumed all of the independent working-class organizations as well as most of the employer organizations and was almost exclusively staffed by FET-JONS members.[15] The SV had its origins in the prewar *Central Obrera Nacional Sindicalista* (CONS), the small trade union section of the JONS, one of the two constituting elements of the Falange; as Sebastian Balfour explains, the CONS was "an archetypal Fascist group made up of provincial public service employees, smallholders, agricultural labourers, and right-wing students."[16]

The FET-JONS and the SV were one site of articulation between the regime's mass base and its traditional middle class political elite. The rank-and-file membership of the FET grew until 1941 and then stayed relatively flat at around 900,000 into the 1960s, although some sources claim that accounting for redundant memberships could reduce the actual number of members to less than 200,000 in the early 1960s.[17] In any case, it is revealing to note the regional distribution of this membership, which, given the geographical variations in class structure discussed in Chapters 2 and 3, reflects the class base of the FET-JONS. In 1950, membership in the FET-JONS exceeded 5 percent of the population in only 11 of Spain's 50 provinces. One of these was Navarre, where 18.6 percent of the population were FET members, undoubtedly a product of the province's historical status as the stronghold of the Carlist "traditionalists." Of the rest of the 10 provinces, 4 (Burgos, Guadalajara, Soria and Zamora, all at 5–6 percent) were in Castile; 1 (Zaragoza, at 6.1 percent) was in Aragon and another, Logroño (at 5.7 percent), was on the border between Navarre and Old Castile. A

further 2 provinces, Almería (10.7 percent) and Granada (5.7 percent), were in eastern Andalusia, the part of the region where small farmers were most prominent.[18] Only 2 of the 11 provinces, Castellón in Valencia and Huelva in western Andalusia, were outside of what might be considered the historical hearth of the social forces that brought about Francoism.[19] The rank-and-file leadership of the FET-JONS reflected the rural middle class base of the dictatorship: of 2,844 local FET-JONS heads in 1943–1944 examined by Moreno and Sevillano, for example, 30.5 percent were farmers (*labradores*, as distinct from landowners or *propietarios*) by profession, while 25.2 percent were professionals, teachers, white-collar workers or students and 13.9 percent were small business owners, merchants or artisans.[20]

The contributions of the Falangists to the Francoist political elite were typical embodiments of the traditional middle class. The SV provided a sort of parallel bureaucracy for the latter elite, especially for those who had been affiliated with the Falange before the Civil War. Among 181 provincial-level SV delegates between 1942 and 1951, for example, 64 percent were bureaucrats by profession, either in the state or in the SV bureaucracy.[21] At the very top of the state hierarchy, Amando de Miguel observes of Falangist ministers over the course of the Franco regime that they were one of the most secular of the "families" and very middle class. Moreover, despite their "revolutionary" rhetoric, many of the Falangist ministers were state functionaries by profession. De Miguel gives the example of three Falangist ministers who were *Letrados*, five who were *Abogados del Estado* (both of these positions are kinds of state lawyers) and three who were chaired university professors (*catedráticos*)—these were three of the most traditionally prestigious professions in the Spanish bureaucracy.[22]

The other principal political movement behind the Nationalist cause in the Civil War, political Catholicism/Catholic agrarianism, also maintained its own mass organizations, which retained autonomy from the FET-JONS and linked their political base to the regime. The prewar Catholic cooperative association, the CNCA, "reconstituted" in Burgos, the capital of the Nationalist insurrection, in 1936, where it began to distribute nitrogenous fertilizers. In 1942, a new Law on Cooperatives (*Ley de Cooperativas*) led to the creation of the *Union Nacional de Cooperativas del Campo* (National Union of Rural Cooperatives, or UNCC), independent from the SV, as a quasi-official successor to the CNCA.[23]

At the level of its mass base, as with the Falange, the geographic distribution of the UNCC cooperatives that succeeded the CNCA is revealing of their class content. In mid-1941, before it changed names, the CNCA had 288,400 members in 2,800 affiliated cooperatives; by 1944 this had already expanded to 473,900 members, and by 1956 the figure was 1,140,000 members in 5,000 cooperatives. Of the 18 provincial divisions that had been formed or were being formed by 1943, only one (Cádiz) was in Andalusia and none were in Extremadura—the two latifundio regions. In contrast, three (La Coruña, Lugo and Pontevedra) were in Galicia, the land of the *minifundio*; ten (Segovia, Zaragoza, Ciudad Real, Ávila, Valladolid, Teruel, Salamanca, Palencia, León and Burgos) were in Castile and Aragon, the home of the Catholic agrarian movement among small and medium farmers; and

the remaining five were all in the greater Basque Country/Navarre, Catalonia and Valencia.[24]

Meanwhile, the "political Catholics" within the regime also essentially represented the interests of the "traditional" middle class; the biographies of a few of the most high-profile political Catholic ministers under Franco illustrate this point. Alberto Martín Artajo, Foreign Minister in the late 1940s and 1950s, was born in 1905 in Madrid to a political Catholic family. His brother ran for the Spanish Confederation of Autonomous Rights (CEDA) in elections in Madrid during the Republic; his father had been Civil Governor of Madrid toward the end of the Restoration. Martín Artajo studied law at the University of Madrid, became a professor of administrative law and then joined the *Letrados del Consejo de Estado*, a prestigious civil service *cuerpo* of state lawyers, in 1930. Joaquín Ruiz-Giménez, Minister of Education in the 1950s, was born in Hoyo de Manzanares near Madrid. His father was a "liberal *cacique*" from Jaén in eastern Andalusia, who also became mayor of Madrid. Ruiz-Giménez also attended the University of Madrid and became a professor of commercial law.[25]

In short, the Franco regime consisted of representatives of the various political factions, or "families," which traced their origins to political organizations that preceded the Civil War and mobilized mass support for the Nationalist cause during the conflict. Each "family" tended to dominate particular sections of the bureaucracy and was connected to parastatal mass organizations which linked a mass base to a political elite originating in the traditional middle class. In this context, the regime was governed by the balance of power between the various "families," and Franco's own power derived from his role as arbiter between the families.[26]

Nevertheless, it is important to emphasize that the Franco regime was distinct from typical "party states" in that the "party" was decidedly subordinate to the state. To give one revealing example, civil governors in the provinces, who were appointed by the central state, were always more powerful than provincial leaders of the National Movement or the SV.[27] Francisco Bernal gives a revealing example of this power relation in his description of the visit of an SV "inspector" who came to investigate an accusation of corruption in the organization in Zaragoza in 1944. As the investigation spread and implicated an increasing number of people, the governor eventually told the inspector in a meeting (the citation refers to the report of the inspector himself):

> I give you 48 hours' time to finish your inspection and leave Zaragoza! I do not tolerate that the National Syndical Delegate, nor any National Delegate, send me inspectors. I am enough myself, to direct and inspect my Delegations; and if the National Syndical Delegate, or whoever, gets silly and comes to this province, I will shave his head and throw him in jail, as I promised on one occasion to comrade Aparicio, National Press Delegate, and I am willing to follow through with my promise.

Sure enough, the inspector left Zaragoza within two days.[28]

All of these examples have served to link the social basis of the Franco regime, as described in the previous chapter, to the class content of the Francoist state itself. If the Nationalist cause was rooted in a mass mobilization of the rural middle classes, it brought to power a "traditional" middle class of bureaucrats and professionals. The "autonomy" of the Francoist state had a class content, insofar as the state's relative independence from the principal economic elites of the Restoration was only possible because of its base of support in the rural middle classes. Conversely, the Francoist state *itself* had a class content insofar as the "traditional" middle class that gained power in the regime had historically *relied* on the state, and on state office, for its own reproduction as a class. Thus, although the mass organizations of the various regime "families" performed an important function in linking the mass base to the political elite, it is hardly surprising that one of the principal efforts of the new regime was to *strengthen* the state, including vis-à-vis its own mass organizations.

If the Francoist state was a traditional middle class social formation brought to power on the backs of smallholders, it was conversely less beholden than the Restoration or Second Republic political regimes to the power of Spain's principal economic elites. What was the effect of the Civil War on these economic elites? The rest of this chapter addresses the postwar trajectories of several of the most important Restoration economic elites: the rentier *señoritos*, the Catalan and Basque industrialists and the so-called "financial aristocracy." All of these elites were weakened by the Civil War, economically as well politically with respect to the state, although to varying degrees. Understanding how the political and economic positions of Spain's Restoration economic elites changed with the Civil War and the new regime is central, in turn, to understanding the evolution of the regime's strategy of industrialization, which will be analyzed in subsequent chapters.

Decline of the "Señoritos"

As we have seen, in 1930 Spain still had a significant elite of absentee rentiers, linked to the aristocracy and to the boards of foreign corporations and banks and headquartered in Madrid. The Republic, the Civil War and the economic conditions of the 1940s constituted in concert a *coup de grace* toward this elite's position in the Spanish ruling class. It is important to recognize, first of all, that despite the victory of the right in the Civil War, the Civil War conflict itself, particularly the social revolutions led by left-wing forces that took place in certain parts of the country, inflicted significant damage on the absentee rentier elite. As Francisco Cobo and Teresa María Ortega note,

> The breakdown of the republican state during the first months of the Civil War produced a situation in numerous Andalusian rural localities of open persecution and physical extermination directed toward all political representatives of the agrarian right and Falangism, as well as against the so-called 'service classes [*clases de servicio*],' which had played a tutelary role in the defense of the ideological and material interests of large landowners and the

> bourgeoisie. The *patronos* and other relevant individuals who had remained attached to the defense of the values of the traditional order were either jailed or executed, or were able to escape this fate by fleeing to the rebel zone.[29]

The rentier elite was further undermined after the end of the Civil War, first by restrictions on rents from urban properties, which were one of its main sources of wealth. After the end of the war the new regime froze rents in urban areas, with the result that on average urban rents, adjusted for inflation, were half or less than half of their 1936 level throughout the 1940s and 1950s.[30]

In the countryside, rents were not frozen; instead, they were linked to agricultural prices, and tenant leases were theoretically protected for six years. As Miguel Artola describes, at first aristocratic rentiers tried to evict tenants and obtain better lease terms in response to these developments, but they then realized that their two options were essentially either to sell their lands or transition them to "direct" cultivation. It seems that in most cases the absentee landlords decided to sell their lands and to invest in urban properties or other forms of assets. For example:

> A paradigmatic case was that of the Duke of Medinaceli, previously the largest landowner in the country with 80,000 hectares of land, when he opted over the course of the 1940s for an accelerated process of sales. In some cases this involved simply a procedure through which land was transferred to corporations dedicated to agricultural production… In other cases the sale of farms was real, as in Córdoba, where the ducal administration disposed of 10,000 hectares which went into the hands of large capitalist farmers [*labradores*], small farmers and the Instituto Nacional de Colonización. In turn, Medinaceli carried off a significant number of high-value properties in Madrid, including a hotel on the Gran Vía, such that he ceased being a representative of the landowning aristocracy and went on to live as an anonymous rentier.[31]

One particularly interesting metric Artola uses to measure the decline of the rentier elite over the course of the 1930s and 1940s is their use of domestic workers, which was recorded in tax records. Among the top taxpayers in Madrid, the average noble family had 7 domestic workers in 1930 and the average non-noble family had 3.5; these figures declined to 5 and 3, respectively, by 1941 and to 4 and 3 in 1954—not only was there an overall decline, but there was also a convergence of nobles to the level of non-nobles.[32]

The decline of the hegemony of the nobility, particularly in agrarian society, was a phenomenon that was decades in the making. For example, Juan Martínez Alier criticizes the use of the term "absenteeism" to describe agrarian relations in the wheatlands of Córdoba in the mid-twentieth century, arguing that agrarian capitalism and in turn an agrarian bourgeoisie were already deeply rooted in the province by the beginning of the twentieth century. The aristocracy had already begun to rent lands to large-scale capitalist tenants who employed wage labor. The classic trinity that characterized the early development of agrarian

capitalism in England—a proprietary aristocracy, a class of capitalist large tenant farmers and a mass of dispossessed rural proletarians—had developed in Córdoba as well. Thus, Martínez Alier's description of Córdoba's wheatlands in the nineteenth and early twentieth centuries smacks heavily of agrarian capitalism at its purest:

> Tenancy contracts were for six years, and both their content and the awarding of estates were established according to customs that reveal a care for the fertility of land, and the highly commercial, competitive character of the latifundist economy of the Cordovan wheatlands. Estates were leased to the highest bidder, in 'open bids [*puja abierta*],' and the tenant farmers believed it more convenient to lease than to buy.

However, a long process resulted in these tenant farmers acquiring ownership of the land from the old landowning aristocracy:

> "This process began decades ago, it accelerated through the sales caused by disentailment [*desamortización*], and it proceeded at the rhythm of the intensification of cultivation in the current century, *until reaching almost total completion during and after the Civil War*" (emphasis added).[33]

This was the result, in terms of class changes, of the Civil War itself in the Spanish and particularly the southern Spanish countryside: to complete the dissolution of the aristocracy as a meaningful elite within the Spanish political economy. In its place, an existing agrarian bourgeoisie advanced its power and wealth, but this agrarian bourgeoisie also expanded to include newcomers, facilitated in their arrival both by the unique conditions of the 1940s and, very often, by political position and patronage. Thus, a common trope in Spanish economic history is the *burguesía estraperlista*—the "bourgeoisie" created by the black-market opportunities of the 1940s (see Chapter 5).[34]

Economists Facundo Alvaredo and Emmanuel Saez summarize the shift from a rentier to an agrarian capitalist elite from the interesting angle of the Spanish income tax, which only affected the top 0.03 percent of income earners in the 1940s. In 1941, only 20 percent of these taxpayers' income came from rents; the rest came from financial assets, farm and non-farm business income and employment income. However, by 1953 non-farm business income had declined and farm income increased in relative importance within the total income of taxpayers, with the former shrinking from about a quarter to less than a 10th and the latter growing from 5 to 20 percent of total income. Alvaredo and Saez further argue that "non-farm business owners were replaced by large farm business owners at the top of the distribution."[35] What is interesting about this observation is that it implies that there was no major overlap between owners of farm and non-farm businesses—that is, between the agrarian vs. industrial and financial bourgeoisies. This would imply a transition from the prewar period, when there was indeed considerable overlap between the absentee rentier class and the financial elites of Madrid.

Manuela Leal and Salvador Martín provide further evidence for the detachment of agrarian and financial elites in their 1977 study of the largest Spanish landowners by assessed land value, which found that of the 1,243 in their sample only 11 were also financiers. These 11 individuals owned only 29,000 hectares of a total of 2.7 million, and only 2 were among the top 100 landowners. Leal and Martín emphasized that this finding discredited a common trope of a supposed "bicephalous" Spanish elite straddling landownership and finance.[36] Insofar as this elite may have existed in the pre-Civil War period, it was the absentee rentier elite concentrated in Madrid, which had ties to the boards of major Madrid-based banks and foreign corporations. This elite, as we have seen, was severely weakened during the Civil War and the 1940s. The agrarian bourgeoisie whose dominance in the southern Spanish countryside was sealed by these processes was mostly just that—an *agrarian* bourgeoisie, largely separate from other sections of the commanding heights of the Spanish economy. Another major change wrought by the Civil War on Spanish class structure, then, was to sever the major ties between the agrarian elite and the financial elite.

The Catalan Industrialists: Enforced Marginality

Of all sections of the Spanish economic elite as it developed before the Civil War, the Catalan industrial bourgeoisie was in the most dubious position after the Nationalist triumph. Most of the Catalan bourgeoisie threw its lot in with the Nationalists during the war. However, the fact that Catalan capitalists had their own independent economic associations—like *Foment del Treball*, the main employers' organization in the region—and often supported Catalan regional nationalism as espoused by the *Lliga Regionalista* put them under suspicion under the new order. Further damaging to the interests of Catalan industrialists was the fact that Catalonia was the last stronghold of the Spanish Republic; it was precisely the fall of Barcelona in January 1939 that marked the end of the Civil War. This not only meant that the Catalan bourgeoisie was the target of left-wing revolutionary activity for the longest time but also, perhaps somewhat contradictorily, enhanced its identification in the eyes of the Nationalists with treasonous Catalan separatism.

Certainly, not all representatives of the Catalan elite were treated as enemies by the new regime. However, the progress of the Civil War itself deprived the Catalan bourgeoisie of power by squeezing it between the two belligerent sides. On the one hand, it fell to collectivizations in the Spanish Revolution of 1936, led in Catalonia by the anarchist CNT-FAI. On the other, it was not really a protagonist of the Nationalist cause either. During the conflict, many Catalan industrialist families fled to Italy and France and ultimately to Nationalist lines.[37] The result was a position in which the Catalan bourgeoisie was the grateful recipient of industrial peace from the Nationalists. The president of the *Gremio de Fabricantes de Sabadell*, another organization of Catalan industrialists, stated in 1942 that "after God it is to the Generalissimo Franco and to his valorous army that we owe the end of our captivity and the conservation of our homes and recuperation of our industrial

patrimony."[38] One immediately wonders how much a capitalist class saved from "captivity" could demand from its rescuers.

The Catalan industrialist class thus emerged from the Civil War less as triumphant protagonists than as grateful recipients of the return of private ownership of the means of production. They had little choice, for the other option was the revolutionary collectivizations conducted under the Republic during the Civil War. Not all industrialists, however, were so fortunate as to receive their "industrial patrimony" back from the regime—especially those associated with any more radical iteration of Catalan nationalism. As Mercedes Cabrera and Fernando del Rey describe:

> The case of Josep Suñol, president of the Compañía de Industrias Agrícolas S.A., was worse. Suñol remained in Barcelona during the war. His son, a representative of the Catalan Republican Left and president of the Barcelona Football Club, was arrested by fascist soldiers during a journey and shot. An investigation was opened against Suñol and, by order of the civil governor, he was removed from his post as president of his company's board of directors in 1942.[39]

Previous identification with Catalan nationalism also led to suspicion of Catalan industrialists as their organizations were incorporated into the SV. According to Francisco Bernal, beginning in 1943, the SV began to receive numerous denunciations against "separatists" in the ranks of SV leadership in Catalonia, leading to purges and disciplinary files (*expedientes*).[40]

The result of this state affairs was a greatly weakened Catalan bourgeoisie, no longer capable of exerting the kind of muscle it had demonstrated earlier in the century with the installation of protective tariffs, or under the Primo de Rivera regime, where its support was crucial. According to Borja de Riquer, the Catalan bourgeoisie suffered a loss of political power, autonomy and economic importance as it was "fused" as a junior partner in the new Spanish elite.[41] For Carme Molinero and Pere Ysàs, "the Catalan bourgeoisie was condemned to occupy a peripheral space in the new power bloc," seen by the new regime as "historically culpable" due to its association with separatism.[42]

As Albert Ribas has shown, this new marginality had rapidly consequential effects on Catalonia's position within the Spanish political economy. Between 1934 and 1949, the mean size of a corporation in Catalonia, in terms of total capital, decreased from 69 percent of the national average to 48 percent; an already dispersed industrial structure was further fragmented, precluding the consolidation of the economic power of Catalan industrialists. As illustrated in Table 4.1, the total capital held by corporations headquartered in Barcelona as a percentage of the national total also decreased during the same period, from 24 percent to 19 percent. The decline was even greater in certain key sectors: in automobiles and aviation, from 49 to 20 percent; in naval industries, from 29 to 8 percent; and even in textiles, the region's main industry, from 79 to 57 percent.

The accentuated fragmentation of Catalan industry was undoubtedly a product of the regime's effort at economic "deconcentration," aimed at dispersing

Table 4.1 Catalan Share of Spanish Production in Various Industries, 1934 and 1949

Year	*Total*	*Auto/ Aviation*	*Chemicals*	*Naval*	*Electrical Equipment*	*Metallurgical*	*Textiles*
1934	24	49	42	29	33	32	79
1949	19	20	19	8	18	23	57

Ribas i Massana, *L'economia catalana sota el franquisme*, 252, 250, 254. Ribas clearly approaches the topic from a Catalan nationalist perspective, speaking of "our" capitalists—see p. 217, "nous capitalistes."

industrial activities more evenly throughout the nation. In practice, this often simply meant turning Madrid into a center of economic in addition to political power at the expense of Barcelona, but in any case it eroded the power of Catalan industrialists, particularly larger-scale ones. No wonder, then, that Pedro Gual Villalbí, a prominent Catalan industrialist who later joined Franco's cabinet in the late 1950s, himself emphasized in a 1944 speech in Madrid that large scale and "concentration"—that is, the concentration of certain industrial capacities in particular regions—were important in some industries and that "it would be dangerous to dislocate the industrial complexes that exist today in Spain." The regime did not pay him much heed. Twenty-five of the twenty-nine enterprises founded by the state during this period were headquartered in Madrid and only two had operations in Barcelona. As far as the private sector went, the new industrial policy laws of 1938 and 1939 required permission directly from the Ministry of Industry for the establishment and expansion of productive facilities in the case of large firms. This, combined with central state control over the distribution of inputs during the years of "autarky" in the 1940s (see Chapter 5), likely led to discrimination against the operations of large Catalan firms as compared to those in other parts of Spain.[43]

The case of the Catalan banking sector was similar. As we have seen, Catalonia did not possess a strong financial sector during the Restoration period on the scale of the Basque Country, due to the relatively modest capital requirements of its main industry, textiles. However, what did exist of a Catalan banking structure received its final blow during the first decade of the regime. In the immediate postwar period there were 32 banks based in Catalonia of which only two, the *Banco Hispano Colonial* and the *Banco Arnús*, were large in scale. Arnús was absorbed in 1942 by the Madrid-based Banesto while *Hispano Colonial* was absorbed by Madrid's *Banco Central* in 1950.[44]

Ribas argues that the final demise of Catalan banking was also a product of regime discrimination, in particular the closure of the *Mercat Lliure de Valors* in Barcelona, a sort of unofficial stock exchange alongside the official one. The Catalan banking sector was heavily involved in this stock market, but between 1940 and 1942 it was closed by the regime on the accusation of speculation. As a result of the closure of the *Mercat Lliure*, Catalan banking had to face the challenge of rapidly shifting to a "commercial banking" strategy typical of the Madrid banks rather than the usual stock market-based financing model,[45] a challenge before

which it ultimately failed. The share of Spanish bank deposits held by Catalan-based banks declined slowly from 7 percent in 1942 to 6.6 percent in 1949, before dropping sharply to 2.8 percent in 1950 with *Hispano Colonial*'s absorption. By that year, "only 15% of Catalan financial resources were in the hands of Catalan finance."[46]

The Basque Industrialists: Dependence and Collaboration

The case of the Basque capitalists, the other industrial bourgeoise of the Restoration period, formed a contrast with the Catalan case. First and foremost, Basque capitalists benefited from the fact that Bilbao, the center of Basque industrial capitalism, fell to the Nationalists in June of 1937, a year and a half before Barcelona did. During the nine months of civil war before the fall of Bilbao, Basque industrialists crippled the local Republican government with a capital strike. Production of pig iron decreased dramatically from 20,000 tons per month on average in 1936 to less than 1,700 in the first half of 1937; almost immediately after the Nationalists took the city, production ramped up again, recovering to 1935 levels by October 1937. Steel production had similarly recovered by April of 1938. The foremost Basque steel and metallurgical firm, *Altos Hornos de Vizcaya*, was central to the collaboration of Basque industrialists with the Nationalist cause, with its board declaring in July 1937 that it was ready to "realize the greatest effort possible to serve … war necessities."[47]

The Basque industrial bourgeoisie was not completely exempt from political purges. Perhaps the most notable case was that of Ramón de la Sota Aburto, an industrialist and active member of the Basque Nationalist Party (PNV). In 1937 he was forced into exile in New York, which allowed the Aznar family to take over complete control of *Naviera Sota y Aznar*, a shipping firm over which the Aznars and the Sotas, two sides of the same corporate dynasty, had fought each other for control throughout the 1930s. De la Sota was also removed from the board and post of director at *Euskalduna*, a major Basque shipbuilding firm; along with him, 2,300 shares were seized by the *Jefatura Superior Administrativa de Responsabilidades Políticas*, the new agency in charge of political purges. The sale of these shares allowed the Aznars to take over *Euskalduna* as well.[48]

Nevertheless, Basque industrialists fared significantly better in the immediate postwar period than their Catalan counterparts. Their employer organizations—such as the *Liga Guipuzcoana de Productores*, the *Liga Vizcaína de Productores* and the *Centro Industrial de Vizcaya*—were more successful in maintaining their prewar autonomy, much to the chagrin of SV officials. In contrast, Catalan industrialists were less successful in maintaining their organizational autonomy. *Foment del Treball*, for example, essentially went into "hibernation" after the war as a research institute with limited organizational functions.[49]

The resumption of the Basque productive apparatus came relatively quickly. After losses in the years 1935, 1936 and 1937 during the capital strike, Altos Hornos turned a net profit of ten million pesetas in 1938; Euskalduna saw its first profitable year since 1935 as well. That same year, Altos Hornos received praise

from the military for the "excellent results of the cannons produced with material" from the firm. Altos Hornos, in turn, embarked on a program of investment and vertical integration in the 1940s, expanding total share value by over 150 million pesetas over the decade. By 1952, 11 wholly or partly owned companies provided inputs to the main steel operation at Altos Hornos, while a further 19 engaged in additional steel processing operations.[50]

There was a major caveat to this pattern of investment expansion, however: it was overwhelmingly a product of growth in demand from the state. If in 1941 the Spanish state bought a third of Basque steel production, as indicated in Figure 4.1, by 1945 this had increased to one half. Moreover, the establishment of the SV in the steel industry meant that this parastatal organization bought up an additional 45 percent of steel production in 1945 for distribution under controlled conditions, such that by that year only a tiny fraction of steel production went directly to the private domestic market. Undoubtedly, this phenomenon was in large part

Destinations of Spanish Steel Production, 1940s					
	1941	**1942**	**1943**	**1944**	**1945**
State (%)	33.07%	61.83%	53.88%	46.97%	50.52%
Sindicato Nacional del Metal (%)	2.06%	10.60%	33.57%	38.11%	44.75%
Private Domestic Market (%)	56.40%	21.02%	5.14%	3.79%	0.93%
Exports (%)	8.47%	6.54%	7.40%	11.12%	3.80%
Total Production (Metric Tons)	637,666	518,957	622,290	614,584	652,629
Source: Garmendia and González, p. 185.					

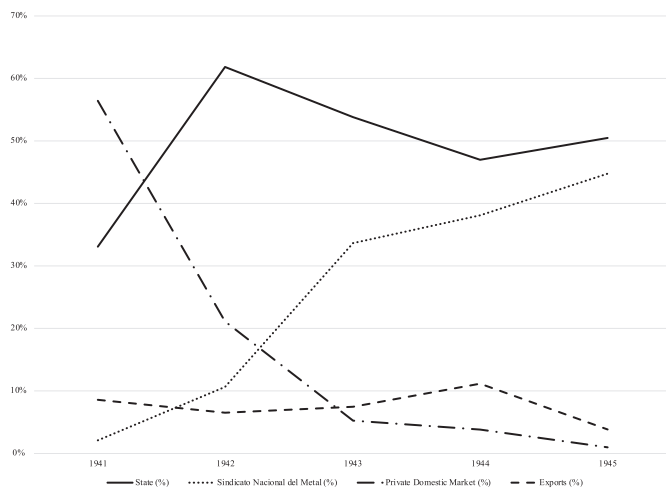

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Figure 4.1 Destinations of Spanish Steel Production, 1940s.

The data in Figure 4.1 are taken from Garmendia and González Portilla, "Crecimiento económico y actitudes políticas," 185. We should also note here that throughout the 1940s steel production remained more or less flat—a significant point which will be discussed in more depth later in the chapter.

a product of the international trade conjuncture of the 1940s, which resulted in depressed private demand and strict government controls over the distribution of inputs. Conversely, the military industrial complex remaining from the Civil War resulted in an important role for military procurements. Nevertheless, the degree of monopsonist control that the state came to exert in the 1940s was striking. Nor was the prominence of state demand in the Basque industrial sector limited to steel. In the 1940s, the main customers of Euskalduna, for example, included not only the private Aznar shipping firm but also CAMPSA, the state-owned fuel distribution monopoly; RENFE, the newly nationalized railroad company; and Elcano, the newly established state-owned shipping firm.[51]

To sum up, the fact that the Nationalist regime inherited significantly weakened Catalan and Basque industrialist bourgeoisies was a product of a variety of circumstances, all of them directly linked to the Civil War. The Catalan industrialists resided in the region of Spain where the most successful revolutionary activity occurred on the side of the Republic during the Civil War and where this activity lasted the longest; this inevitably resulted in a great weakening of their economic position, even if the side of their choice ultimately won the war. Moreover, the Catalan bourgeoisie's historical association with Catalan nationalism legitimated its further marginalization in the eyes of the regime.

The Basque industrialists, meanwhile, were "saved" sooner by the Nationalists and thus experienced less destruction from revolutionary activity. Their collaboration with the Nationalists through a capital strike that debilitated the Republic in the Basque Country precluded the label of near-sedition attributed to the Catalan elite by the Nationalists. However, the Basque elite were not central protagonists of the Nationalist cause. Moreover, in the immediate postwar period they became largely dependent on state demand, as the war machine of the Civil War continued buying and private demand dried up. This accentuated a position similar to that of the Catalan industrialists: as grateful recipients of a "pacified" productive apparatus and working class.

The "Financial Aristocracy": Business as Usual?

How did the Civil War change the state of affairs in the Spanish financial sector? In a sense, the banking sector was the section of Spain's capitalist class that maintained the highest degree of power and autonomy going into the Franco regime. The "financial aristocracy" collaborated closely with the Nationalists during the Civil War. The Banco Central, for example, reconvened in April 1937 in Granada, behind Nationalist lines, and three of its board's members were appointed by Franco during wartime (although there was a return to normal affairs and corporate independence after the war). Some of the Central's directors—Vicente Montal, Antonio Sasía and Justino Bernad—were accused of being Republicans during the war but were then cleared of charges.[52] In general, however, some scholars suggest the Spanish banking sector did relatively well under Francoism because of its strong support of the Nationalists during the Civil War, having been threatened with nationalization by the Republicans.[53]

Nevertheless, the Nationalist regime did install a more interventionist environment in the 1940s, even in finance. A 1941 law brought the BCI, the parastatal industrial development bank, into closer state orbit by replacing funding through bonds with funding directly from the state budget and eliminating the limit on state participation in the bank's capital, fixed at 150 million pesetas in the original founding law.[54] A law passed in August 1938 set a maximum interest rate for bank accounts. The fixing of a *maximum* rate of interest, rather than a *minimum*, might suggest a provision highly favorable to the banks and indeed to a certain extent it emphasized their continued power. However, this new policy represented a shift from the prewar status quo, in which bankers themselves cooperated to set maximum rates for deposits (or minimums for loans) through the *Consejo Superior Bancario* (CSB) in order to eliminate competition for depositors that might lead rates to spiral too high out of their control. As a result, the direct intervention of the state in setting these maxima was seen as an increase of intervention. Pablo Garnica, president of Banesto Bank at the time, characterized the new change as a "nefarious policy," because it set the maximum rates higher than the banks themselves had agreed on in March that year, thus transforming what had previously been a prerogative of the banks into a prerogative of the state.[55]

New laws in late 1942 and early 1943 required that the banks dedicate ten percent of their profits to a reserve fund and establish a separate "special" reserve fund for tax payments.[56]

Then, a new banking law in 1946 made several additional changes. First of all, the state put strict requirements on the establishment of new banks and bank branches. It reinstated the CSB but now made participation in it mandatory—rather than voluntary as it had been in the prewar period—thus transforming it into an official corporatist body. It left the system of mandatory maxima for deposit interest rates and minimums for credit interest rates intact but now placed the legal authority to set these rates with the Ministry of Finance.[57]

The new provisions of 1946 "empowered the Minister of Finance to require banks to deposit with the Bank of Spain up to 20 per cent of their total deposit liabilities in cash or unpledged securities."[58] They also brought the BCI into a tighter state orbit, dictating that the Official Banking Commissioner (*Comisario de la Banca Oficial*), a government position in charge of the parastatal banking organizations,[59] be installed as president of the board of the BCI. In this case, the new provision involved the replacement as president of the BCI of the Marqués de Urquijo—of the Urquijo Bank, naturally—by Antonio Goicochea, a right-wing monarchist politician of the prewar period and lawyer and civil servant by profession.[60] Importantly, however, the *pignoración* system was left intact.[61]

In concert, then, the measures under the first seven years of the Franco regime, which more or less defined Spanish finance until a new wave of reforms came in 1962, were characterized by two trends. The first was an increase in financial regulation, albeit moderate and far from the wholesale nationalization of financial institutions that occurred in other parts of the capitalist world, such as France, during this period. The second was an accentuation of the monopolistic trends in the Spanish financial system, whereby a small number of banks controlled the majority

of deposits, credit and investment.[62] In a sense, however, this trend was typical of financial systems in capitalist countries during the period following the Great Depression and the Second World War, when financial systems operated under conditions distinct from those that would later prevail under neoliberalism—both in that they tended to be more monopolistic *and* were held under a tighter regulatory leash.[63]

In short, while state control and regulation of the financial sector in Spain increased after the Civil War, high finance retained a high degree of continuity and autonomy. In fact, of all the economic sectors discussed so far, it was undoubtedly finance that remained the most intact under the Franco regime. The new regime did not nationalize the financial sector, for example, and thereby assume direct control over the flow of credit in the economy—at least not yet (see Chapter 8). This fact was important in determining the strategy the regime took to guarantee its goal of industrialization on the basis of domestic capital accumulation.

In the first two decades of its existence, the strategy the Franco regime took to enforce its industrialization strategy was to in effect *work around* the financial sector. In a way, the regime did not take greater control over the financial sector because, under the particular industrialization strategy it developed, it did not need to. As we shall see in Chapter 6, the Franco regime did establish a range of incentives to encourage the private sector, and particularly the large industrial conglomerates linked to the major banks, to channel investment into certain sectors deemed to be of high priority. Insofar as these incentives were insufficient, however, the state established its own parallel industrial system for guaranteeing the accomplishment of its development goals in the form of a conglomerate of state-owned enterprises funded directly from the treasury. When the private sector did not respond sufficiently to state incentives, the state intervened directly with its own enterprises instead. In this sense, the model of state-led industrialization that took hold in Spain suggested that although the financial sector retained a high degree of autonomy in its operations after the Civil War, the latter was *not* able to impose itself on the state by maintaining a private-sector monopoly over industrial investment. Curiously, in the Spanish case, *less* state intervention in the financial sector—at least relative to other interventionist "developmental states"[64]—was accompanied by *more* state intervention in the production process itself, a relationship that, as will be detailed in Chapter 8, was inverted in the 1960s.

Conclusion

This chapter has sought to analyze the changes wrought by the Spanish Civil War on Spain's economic elites and on the relationship of the latter with the state. The Civil War created a Nationalist state that rested on the rural middle classes as a base of support and was controlled by members of a traditional middle class of bureaucrats and members of the liberal professions. Thus, for the most part, the Spanish state under the Franco regime was neither controlled by nor beholden to the interests of Spain's major economic elites—or at least it was to a much lesser extent

than under the Restoration or the Second Republic. The Francoist state was an "autonomous" one in this sense, but this "autonomy" cannot be explained without resorting to Spain's class structure and the latter's transformation over the course of the Civil War.

The changes the Civil War wrought on the relationship between state and capital in Spain, in turn, were crucial in determining the industrialization model subsequently pursued by the Franco regime. As we have seen, the Civil War severely weakened the Basque and Catalan industrial bourgeoisies. The financial sector remained more intact with respect to the prewar pattern, but state intervention in finance also increased under the new regime. These factors would help bring about a model of industrial development in the 1940s and 1950s in which the state was the principal protagonist, participating directly in *production* in various key sectors through state-owned enterprises in order to guarantee the fulfillment of the regime's industrialization strategy. In the 1960s, however, the model changed in response to a shift in domestic and international alignments: the state ceded ground to the private sector in the realm of production but increased its role in the realm of finance and credit. The formation and transformation of the Franco regime's strategy of economic development, formulated in dynamic interaction with social struggles within Spain as well as changing international circumstances, are the focus of the following chapters.

Notes

1 On the industrializing zeal of the Francoist state from the perspective of failure, see Velasco Murviedro, "El 'ingenierismo' como directriz básica de la política económica"; Gómez Mendoza, *De mitos y milagros*. From the perspective of success, see Martín-Aceña and Comín Comín, *INI: 50 años*; Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada."
2 Viver Pi-Sunyer, *El personal político de Franco*, 331, 124. Viver's sample included ministers, undersecretaries, general directors and general technical secretaries (*secretaries generales técnicos*) in the ministries; national-level FET and SV officials; high-level military officials; Civil Governors; members of the Cortes and high-level officials in "consultative" bodies like the *Consejo de Economía Nacional*.
3 Álvarez Álvarez, *Burocracia y poder político*, 28.
4 Sánchez Recio, *Los cuadros políticos intermedios del régimen franquista*, 138.
5 Remmer, *Party Competition in Argentina and Chile*, 127.
6 Álvarez Álvarez, *Burocracia y poder político*, 28.
7 Remmer, *Military Rule in Latin America*, 178.
8 Feo and Romero, "La administración pública comparada," 357–358.
9 Climent and Viver Pi-Sunyer, "El personal polític de la Província de Barcelona," 11, 14.
10 Cobo Romero and Ortega López, "No sólo Franco," 68–69.
11 On the Falange's position channeling Axis support see Payne, "Fascist Italy and Spain," 106–108.
12 Chueca Rodríguez and Montero Gilbert, "El fascismo en España," 239.
13 Moreno Fonseret and Sevillano Calero, "Los orígenes sociales del franquismo," 715.
14 On "de-fascistization" see Payne, "Spanish Fascism," 109–110.
15 The two authoritative works on the SV are Aparicio, *El sindicalismo vertical*; and Bernal García, *El sindicalismo vertical*.
16 Balfour, "From Warriors to Functionaries," 231.
17 Riley and Fernandez, "The Authoritarian Foundations of Civic Culture," 26.

18 See Cobo Romero, *De campesinos a electores*, 138. In fact, Almería had the largest percent of small proprietors in Andalusia.
19 Data are from Moreno Fonseret and Sevillano Calero, "Los orígenes sociales del franquismo," 716–717.
20 Ibid., 722.
21 Bernal García, *El sindicalismo vertical*, 282.
22 de Miguel, *Sociología del franquismo*, 185–187. Pedro Gamero, Jesús Rubio and Jesús Romeo were Letrados; Ramón Serrano Suñer, Fermín Sanz Orrio, Adolfo Díaz-Ambrona, Licinio de la Fuente and Cruz Martínez Esteruelas were *Abogados del Estado*; and Jesús Rubio, Manuel Fraga and Torcuato Fernández-Miranda were university professors.
23 Castillo, *Propietarios muy pobres*, 399, 435–438.
24 Ibid., 407, 441.
25 Tusell, *Franco y los católicos*, 37, 42.
26 Álvarez Rosete, "Social Welfare Policies in Non-Democratic Regimes," 168; Balfour, "From Warriors to Functionaries," 231–232.
27 Bernal García, *El sindicalismo vertical*, 213–216; Richards, "Falange, Autarky and Crisis," 550.
28 Bernal García, *El sindicalismo vertical*, 216. Note that each particular "syndicate"—organized by sector—had a national delegate, in addition to the National Syndical Delegate.
29 Cobo Romero and Ortega López, "No sólo Franco," 63.
30 Artola Blanco, *El fin de la clase ociosa*, 232–233.
31 Ibid., 238.
32 Ibid., 258–260.
33 Martínez Alier, *La estabilidad del latifundismo*, 322.
34 Catalan, "Economía e industria," 127–128; Richards, "Falange, Autarky and Crisis," 547; Viñas, "Autarquía y política exterior," 66n.
35 Alvaredo and Saez, "Income and Wealth Concentration in Spain," 1151–1152.
36 Leal Maldonado and Martín Arancibia, *Quiénes son los propietarios de la tierra*, 68–69.
37 de Riquer, "Dossier: el franquisme i la burguesia catalana," 18.
38 Molinero and Ysàs, "Los industriales catalanes durante el franquismo," 106.
39 Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 72.
40 Bernal García, *El sindicalismo vertical*, 292.
41 de Riquer, "Dossier: el franquisme i la burguesia catalana," 19. De Riquer denounced the postwar Catalan industrialists as "a dependent and subordinate bourgeoisie that cannot act as the authentic Catalan national class"—denouncing it, in classic nationalist fashion, not for being a capitalist class per se but for being insufficiently Catalan.
42 Molinero and Ysàs, "Los industriales catalanes durante el franquismo," 106.
43 Ibid., 119–123, 127, 111, 135–141. On Pedro Gual, who was Secretary of *Foment del Treball* from 1925, became Secretary of the textile section of the SV in 1940 and was president of Franco's economic advisory council (*Consejo de Economía Nacional*) and a cabinet minister without portfolio in the late 1950s and early 1960s, see de Miguel, *Sociología del franquismo*, 169–171.
44 Ribas i Massana, *L'economia catalana sota el franquisme*, 219, 220, 227.
45 That the Catalan financial sector was traditionally more oriented toward stock market activities than the Castilian and Basque "universal" banks might have had to do with the relatively low capital requirements of the region's traditionally dominant sector, textiles. Basque industry, on the other hand, had been typically centered on the steel and metallurgical sectors. This difference parallels that between the British system stock market model of finance, which emerged in an industrial economy dominated by textiles, and the German "universal bank" model which emerged in an industrial economy much more oriented toward heavy industry and capital goods production.
46 Ribas i Massana, *L'economia catalana sota el franquisme*, 224–226, 221, 223. As with the dispersal of the Catalan industrial structure, this blow to Catalan banking acceler-

ated a process already evident before the Civil War. The second half of the nineteenth century had seen the development of a significant Catalan banking sector, but the loss of Spain's colonies in 1898 already had proved a significant blow to Catalan banking, as did the period following the First World War, which saw the collapse of the Bank of Barcelona and numerous absorptions by Madrid banks, such that the number of Catalan banks decreased from 20 in 1920 to 11 in 1931—Muñoz, *El poder de la banca en España*, 118.

47 Garmendia and González Portilla, "Crecimiento económico y actitudes políticas," 180–182.

48 On the shipping firm, which became simply the *Naviera Aznar*, see Valdaliso, "Grupos empresariales," 590–591. On Euskalduna, see Lorenzo Espinosa, *Dictadura y dividendo*, 132–133. On Manuel de la Sota Aburto, see the biography of his father, Ramón de la Sota y Llano, from the Real Academia de la Historia: Eugenio Torres Villanueva, "Sota y Llano, Ramón de la. Marqués de Llano (I). Castro Urdiales (Cantabria), 20.I.1857 – Las Arenas (Vizcaya), 17.VIII.1936. Empresario.," in *Diccionario Biográfico electrónico (DB~e)* (Madrid: Real Academia de la Historia, n.d.), https://dbe.rah.es/biografias/14538/ramon-de-la-sota-y-llano.

49 Bernal García, *El sindicalismo vertical*, 338–341; Molinero and Ysàs, "Los industriales catalanes durante el franquismo," 107.

50 Lorenzo Espinosa, *Dictadura y dividendo*, 95–96, 129–130, 101–103.

51 Lorenzo Espinosa, *Dictadura y dividendo*, 130–131.

52 García Ruiz and Tortella, "How Strategy Determines Structure," 37–39. It is interesting to note that Montal was from Catalonia and Sasía from Bilbao.

53 González Temprano, Sánchez Robayna and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 33. Note that already before the Civil War, the Republic had enacted financial regulations stricter than the very lax ones prevailing in the 1920s. These included various forms of tighter government oversight and new taxes on financial circulation—see Lorenzo Espinosa, *Dictadura y dividendo*, 207.

54 Tortella Casares, *Historia del Banco de Crédito Industrial*, 87.

55 García Ruiz, "Los arreglos interbancarios durante el franquismo," 367, esp. note 4.

56 Lorenzo Espinosa, *Dictadura y dividendo*, 222.

57 Pons, "Capture or Agreement?," 28, 30, 37; Muñoz, *El poder de la banca en España*, 171. Note that the Republic had already begun to subject bank interest rates to government approval—see Lorenzo Espinosa, *Dictadura y dividendo*, 207.

58 Pons, "Capture or Agreement?," 32.

59 The parastatal banking institutions, or "Official Credit Entities" (*Entidades Oficiales de Crédito,* EOCs), included the Bank of Spain, the BCI, the Banco de Crédito Local, the Banco Hipotecario and the Banco Exterior—de la Sierra, "La situación monopolística de la banca privada," 2.

60 Tortella Casares, *Historia del Banco de Crédito Industrial*, 87. On Goicochea, see the biography available through the Real Academia de Historia, written by historian Julio Gil Pecharromán: https://dbe.rah.es/biografias/10817/antonio-goicoechea-y-cosculluela.

61 Pérez, *Banking on Privilege*, 60.

62 Monopolistic trends are everywhere noted in the literature on finance during this period, including in assessments written during the dictatorship itself—see, in order of publication, de la Sierra, "La situación monopolística de la banca privada"; Muñoz, *El poder de la banca en España*, 64; Sardá, "El Banco de España (1931-1962)," 459; Tamames, *La oligarquía financiera en España*, 183–184; González Temprano, Sánchez Robayna, and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 24–25; Pérez, *Banking on Privilege*, 60.

63 Geoffrey Jones calls the British banking sector an "oligopolistic cartel" for the "half-century after 1914"—see Jones, *British Multinational Banking, 1830–1990*, 388.

64 On state control of the financial sector in South Korea, see Woo-Cumings, *Race to the Swift*. On France, see Zysman, *Governments, Markets, and Growth*, 99–169.

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5 The Political Economy of "Autarky," 1939–1951

During the 1940s, the Franco regime instituted a variety of interventionist measures regulating trade, production and investment in the Spanish economy. These included controls on the use and allocation of foreign exchange and industrial inputs; protectionist measures like tariffs and quotas that limited imports; the overvaluation of the exchange rate and, later, a system of multiple exchange rates; and controls on new investments by private enterprise. The state also intervened directly in certain areas of production—for example, by monopolizing the procurement of certain key agricultural goods and setting certain "strategic industries" in which it both concentrated industrial incentives for private enterprise and created state-owned enterprises.

As discussed in the introduction, a key element of the free-market explanation of Spanish economic development is an understanding of Spanish economic policy in the 1940s simply as the manifestation of an ideology of "autarky," held *a priori* by the highest officials of the Franco regime. However, these policies cannot be understood outside of the international economic context of the decade, which saw both a collapse of international trade during the World War and the diplomatic isolation of Spain in the years immediately after. In other words, in analyzing these economic policies one cannot speak of a "pre-existing" autarkic ideology "autonomous" from international economic conditions.

During the 1940s, Spain experienced an acute shortage of basic agricultural inputs resulting from Civil War destruction and was unable to import new input stocks, resulting in a collapse of foreign exchange earnings, a decline in food production and a serious bottleneck in Spain's balance of payments. In this context, many of the so-called "autarkic" economic measures of the 1940s—foreign exchange controls, price controls on agricultural commodities and intervention in the distribution of key inputs—made economic "sense." This point is key in understanding the causal relationship between international economic relations and domestic economic policy under the Franco regime. Rather than doggedly pursuing international isolation until they "realized" their folly, regime officials made policy in dynamic interaction with shifting international conditions, many of which were out of their control.

The economic policymaking of Nationalist regime officials was constrained in the 1940s by a general decline of international trade during the Second World War and the international isolation Spain faced in the second half of the decade.

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The isolation of the Franco regime after the end of the World War occurred in a unique geopolitical context in which the antifascist alliances of that war had not yet completely dissolved and given way to the alignments of a new Cold War. The Second World War and postwar diplomatic isolation, in turn, had severe effects on Spain's economy and on Spanish agricultural production in particular. The Nationalist regime's economic policy measures during the 1940s, in addition to being in many cases strikingly similar to those adopted in other countries that have not been described as "autarkic," did often address the unique international circumstances of the period and cannot be analyzed separately from them. In this vein, this chapter concludes with a discussion of the question of ideology and its causal role in the economic policies of the 1940s. A consideration of other cases, particularly that of import substitution in Latin America beginning in the 1930s, suggests that although Spain did indeed see a large amount of intellectual and political discourse surrounding the idea of "autarky," this discourse cannot be causally separated from the international economic conjuncture of the time. Only with an understanding of this latter point does it begin to make sense to see Spanish economic development more broadly as a dynamic interaction between domestic social change and shifts in international conditions.

Spain in the Second World War

The Nationalists took power in Spain in 1939, as Europe edged toward the Second World War and in a general environment in which international economic relations were collapsing. As the war progressed, the focus of Spanish foreign relations opportunistically followed the balance of power between the belligerent states. In light of Axis financial and military support for the Nationalist cause during the Civil War, relations with the Axis were strongest during the beginning of the war when Axis power was at its peak, while in the last several years of the war the Franco regime tried to distance itself from the fascist powers.[1]

What impact did the Second World War have on the Spanish economy under the newly established Nationalist regime? Here we can briefly summarize this impact in three areas: exports and international trade, external debt and foreign investment. In terms of the first of these areas, it is important to note that at a global level, the value of international trade collapsed by an estimated average of 65 percent among neutral countries over the course of the World War and by 95 percent among belligerent ones.[2] Nevertheless, Spain was somewhat able to leverage its position as a "non-belligerent" producer of strategic raw materials during the war by exporting to both camps. Spain's most strategic export was wolfram, a commodity used for the manufacture of explosives of which Germany bought thousands of tons while the Allies made "preventative" counter-purchases.[3] In March 1940, a secret trade agreement with Britain provided Spain with a £2 million loan for that year and another £2.5 million for 1941, in exchange for which Spain promised to limit its exports of various strategic raw materials to the Axis. In February 1943, meanwhile, a secret trade agreement with Germany allowed Spain to import German weapons at cost in exchange for wolfram.[4] Overall, despite a marked increase in German

investment and trade during the beginning of the Second World War, Spanish trade actually remained diversified over the course of the conflict. Germany captured 23 percent of Spain's exports and supplied just under 15 percent of its imports, while Britain bought 25 percent of Spain's exports and the United States supplied another 15 percent of its imports.[5]

The evolution of Spain's external debt during the Second World War was more dubious. Related to the degradation in relations with the Axis over the course of the war, and in particular with Nazi Germany, was the issue of the Civil War debt the Nationalists had incurred with both of the European Axis powers. It was actually Fascist Italy, not Nazi Germany, that provided the majority of support to the Nationalists during the Civil War. However, Mussolini forgave a third of the debt the Nationalists incurred with Italy and placed the rest on a generous 20-year repayment schedule, which continued to be paid even after the end of the war.[6] In contrast, Germany placed much more stringent terms on the Nationalist debt, which amounted to some 400 million marks. Germany insisted that Spain repay this debt in full, which led Spain to dedicate much of the trade surplus it developed with Germany over the course of the war to the repayment of the debt.[7] Thus, as a late twentieth-century US State Department report noted, by 1943 relations between Spain and Germany had become "strained and difficult"; a series of German war documents on Spain published by the State Department in 1946 included tense exchanges over the debt dating as early as 1940.[8]

German firms provided significant investments and technology transfers to Spain during the Second World War, particularly in sectors like electronic equipment, steel, railroad equipment and pharmaceuticals. Moreover, Germans registered by far the most patents (almost 2,500) of all foreigners in Spain during the war.[9] However, in comparative terms German investment in Spain was not particularly large. British intelligence reports estimated that total German investments in Spain at the war's end amounted to a total of between 85 and 180 million dollars, as opposed to $450–820 million in Switzerland, $82 million in Sweden and $41 million in Portugal.[10] All three of these countries were much smaller than Spain, making German investment per capita in Spain among the lowest in the neutral countries of Europe.

In short, Spain's international economic relations remained relatively diversified over the course of the Second World War—and they certainly fared better than had the country been a belligerent in the international conflict. Nevertheless, Spain was no exception to a general collapse in the volume of international trade during the war. The relative economic isolation produced by this general pattern, if anything, worsened after the end of the war as the victorious Allies implemented a policy of diplomatic isolation against the Franco regime due to the association of the latter with the defeated Axis powers.

Postwar Diplomatic Isolation

In the period immediately following the end of the Second World War, Spain resumed normal international trade, mainly within the framework of bilateral

trade agreements. The Franco regime signed agreements with Switzerland, the Netherlands, Sweden, Norway, France and Turkey and renewed an agreement with Britain. This resumption of trade occurred because Spain could serve the role of a non-dollar exporter—in the context of a generalized dollar shortage on the continent—of crucial food products and raw materials to other European countries. Exports of foodstuffs, including bananas, oranges, olive oil and fish, helped bring food consumption patterns in neighboring European countries to the more diverse standards of the prewar period. Exports of raw materials, including iron ore, pyrites and potash for fertilizer, helped Western European countries restart their industrial economies. In the immediate postwar period, Spain accounted for 10 percent of France's imports from Europe and three quarters of its European olive oil imports. Similarly, Spain supplied two thirds of Britain's potash and 90 percent of its pyrites in 1945–1946.[11] Alberto Martín Artajo, Spanish foreign minister from 1945, communicated his enthusiasm regarding Spain's postwar international prospects to the Spanish ambassador in Britain in 1945 by arguing that the country could be "counted on for the reconstruction of Europe" and would "export products substantial and indispensable for European reconstruction."[12]

The normalization of international trade relations ended relatively quickly, however, with efforts by the Allied powers to isolate the Franco regime. Initially, these efforts were spearheaded by France. In late February 1946, France decided to close its border with Spain, effective March 1, and called for a UN Security Resolution against the regime, economic sanctions, and a diplomatic break. The United States, meanwhile, issued a statement encouraging the end of the Franco regime.[13] By March 12, the United States had announced that it would not bring the Spanish case to the UN with France but that it supported France's right to do so.[14] Lacking explicit support from Britain and the United States for action at the UN, France then called on the rest of the Allies to implement an oil embargo on Spain and to withdraw their ambassadors from the country.[15]

Ultimately, France gave up international leadership on the issue of sanctions against Francoist Spain, and it was Poland that brought the "Spanish question" to the floor of the UN in April of 1946.[16] Ultimately, in a resolution on December 12, 1946, the UN formally called on its members to withdraw their ambassadors from Spain and expelled the country from UN-affiliated organizations. Only France cut off economic relations completely, however, maintaining the closure of its border with Spain until February 1948.[17]

Why did the Allies, more or less jointly—although France and the Soviet Union with more enthusiasm than the United States and Britain—ultimately agree to UN sanctions against the Franco regime? Fundamentally, the diplomatic isolation of the Franco regime was a product of a transitional moment in the world geopolitical order, when the alliances of the Second World War had not yet fully given way to those of the Cold War. The Soviet Union was not quite yet the bête noire of the United States, while France was still trying to chart an independent diplomatic course in between what would become the two Cold War powers. The fight against the Axis powers was still fresh, as was the notion of the Civil War as a kind of

prequel to the World War, with the Nationalists essentially seen as another one of the Axis powers.

In France, in particular, the decision to close the border and severely interrupt economic relations with Spain between 1946 and 1948 was not "rational" from an economic point of view. In 1946, Spain absorbed 60 percent of French foreign investment outside of France's colonial economic sphere, and French investment constituted half of all foreign investment in Spain. Fernando Guirao has estimated, based on French archival documents, that the closure of the border with Spain in 1946 caused French companies a total of almost four billion Francs in losses that year in lost contracts and deal orders alone.[18]

Why did France take such a seemingly economically "irrational" decision? Unlike the US embargo against Cuba, for example, which responded to large-scale nationalizations of US corporate interests, the border closure did not respond to any substantial threats by the Franco regime to French foreign investments in Spain. Instead, the French hostility toward the Franco regime was a manifestation of both domestic politics and geopolitical interests. On the domestic front, France was home to a large number of Spanish Republican exiles. Moreover, in France's first postwar elections the French Communist Party, which was strongly opposed to the Franco regime, won a plurality of votes and joined the governing coalition. These factors, along with a general dislike of the Franco regime among the French public, incentivized the closing of the border. The French railroad and postal workers unions took the lead, cutting off communications with Spain in early 1946 before the border officially closed.[19]

On the geopolitical front, the "Spanish question" also provided a convenient opportunity for the French government to assert an independent foreign policy. The Soviet Union, which had supported the Spanish Republicans, was naturally one of the leading voices for sanctions against the Franco regime; the United States and Britain, on the other hand, although making declarations against Franco, were more muted on the issue. By being aggressive in the pursuit of sanctions, France demonstrated it could act out of step with the other two Western Allies. Through collaboration with the Soviet Union, France also hoped to get the latter's support for its plan to annex the German Ruhr region. In fact, the foreign minister of Czechoslovakia announced support in early 1946 for French expansionist plans in western Germany. This despite the fact that, ultimately, the Soviet Union did not back France's Ruhr plans, which contributed to the French decision to give up international leadership on the "Spanish question."[20]

Britain, on the other hand, took a much more conservative approach toward relations with Franco. By 1946, Britain was led by the Labour Party government of Clement Atlee, which had open sympathies with the Republican cause. However, the Labour government's policy toward the Franco regime was ultimately more continuous with the previous Conservative government. It pursued a non-intervention policy regarding Spain, even as the United States, already by 1945, demonstrated openness to a tripartite United States–Britain–France declaration against Franco and a diplomatic break. The British government negotiated a new trade agreement with Spain in 1946–1947, although presenting it as a

"technical readjustment" of previous agreements and pressuring the Franco regime not to publicize it for political purposes. In the British case, then, economic interests—including the importance of Spain as a non-dollar source of primary goods imports—outweighed political ones. The British stance of caution may also have had a political dimension to it. Historian Paola Brundu suggests Britain was afraid that a successful French foreign policy offensive against Spain might lead to the establishment of a fellow republic there and then to a coalition of "Latin" republics (France, Italy and Spain) with strong leftist forces friendly to the Soviet Union. Thus, the preferred British solution was the installation of a constitutional monarchy to replace the Franco regime.[21]

The United States, meanwhile, was more enthusiastic than Britain about possible sanctions against Spain but stopped short of the rupture of relations made by France. Curiously, as the new Cold War geopolitical order crystallized in the late 1940s, the United States stopped short of normalizing relations with Spain in the name of anti-communism. In late 1947, for example, a classified CIA report on Spain argued that the isolation of Spain

> poses a dilemma. If Spain continues to be the target of special discriminations, it will be further weakened by being deprived of aid which could relieve its economic plight and help prevent Communist penetration. If, however, the Western Powers relax their opposition to Franco, pro-democratic peoples who recognize the anti-democratic character of the Franco state will lose confidence in the sincerity of these governments in acclaiming democratic ideals. This action would furnish the USSR with telling propaganda material.[22]

In April of 1949, John Foster Dulles, a prominent Republican foreign relations strategist and later Secretary of State from 1953 to 1959 under Dwight Eisenhower, wrote to US ambassador to the UN Warren Austin expressing the same concern, arguing that

> If at this juncture, particularly when the Atlantic Pact is under appraisal, we seem to abandon our opposition to Fascist [emphasis his] totalitarianism as exemplified by Franco, it will, I think, be widely believed that our protestations about liberty, freedom, etc. are insincere and that may apparently weaken us in the current propaganda war with communism. That would be so particularly in sensitive areas like labor circles in this country and, even more, in Western Europe.[23]

US foreign relations officials clearly worried that a normalization of relations with Spain would be damaging from a propaganda point of view, providing the Soviet Union with an easy narrative undermining the US claim of defending a "democratic" Europe. This was likely one of the main considerations in deciding not to include Spain as a recipient of Marshall Plan aid, thus making Spain essentially the only capitalist European country to be excluded from the program. What

made Spain such a propaganda liability was not its authoritarian system of government per se—other clearly authoritarian regimes like Greece, Portugal and Turkey were included in the Marshall Plan—but rather its association in the eyes of many Western publics with the defeated Axis powers.

Effects of Economic Isolation

Existing free-market analyses of Spanish economic history often argue against rooting the postwar difficulties of the Spanish economy in the destruction wrought by the Civil War, framing such explanations as apologetic efforts to skirt around the supposedly noxious effects of interventionist economic policies.[24] Such explanations, however, pass over the possibility that although not comparable in aggregate figures to the destruction wrought in Western Europe by the Second World War, Civil War destruction created bottlenecks in the Spanish economy that, when combined with the international isolation of the postwar period, caused severe economic scarcity. Indeed, this was particularly the case with key agricultural inputs, the scarcity of which both affected Spain's ability to feed itself and to gain foreign exchange, as a country whose exports had traditionally been largely agricultural.

First of all, the Spanish Civil War caused a significant decline in the supply of livestock and work animals, key in an agricultural economy that was not heavily mechanized. Estimates of livestock losses from the Civil War vary. In 1946, the US Department of Commerce estimated that in Spain there were "only 60 to 70 percent as many [livestock] animals as in 1935."[25] In a hearing in the US embassy in Madrid as the first ambassador since the break in diplomatic relations, James Griffis claimed in 1951 that Spain had "only half the draft animals they had at the beginning of the Civil War."[26] More recently, José Manuel Naredo has suggested that about 300,000 mules were lost during the Civil War, while Thomas Christiansen has put the figure for Civil War losses at 10 percent of the prewar stock.[27] Leal et al. have claimed that in 1950 the total number of plow animals was still 10 percent lower than the 1936 figure.[28] As Christiansen has demonstrated, both the dramatic decrease in international trade during the Second World War and the difficult international conjuncture of the immediate postwar years prevented Spain from importing livestock to address this shortage.[29]

The second bottleneck Spain faced in the 1940s was in fertilizers. In this case Spain faced the unfortunate reality that in the prewar years its agriculture had become increasingly dependent on imported fertilizers. In the 1930s, fertilizer imports entered Spain tariff-free, as agrarian interests succeeded in preventing the implementation of tariff protection to encourage domestic production. On top of this, competition between Chilean nitrates and European synthetic fertilizers resulted in large amounts of dumping during the 1930s. As a result, the average price of ammonium sulfate, a chemical fertilizer, in 1933–1934 was 25 pesetas/100 kg in Spain, as opposed to 49.5 in Italy, 43.5 in France and 43.4 in Germany, where fertilizer production was protected by tariffs.[30]

The Second World War and postwar economic isolation resulted in a dramatic decline in the availability of fertilizers, which critically struck agriculture in a

country as import-dependent as Spain. Overall, imports of nitrogenous and phosphate fertilizers declined from an average of about 500,000 metric tons for each in the 1930s to 100,000 tons for nitrogenous and 200,000 for phosphate fertilizers in the 1940s.[31] While potassium fertilizer use increased, this was not enough to stem the decline. Overall, the average amount of fertilizer used in Spanish agriculture in the 1940s was more than 20 percent below the 1935 level.[32] The shortage of fertilizers became particularly acute in the period immediately following the end of the Second World War, when international trade in nitrogenous fertilizers, a strategic material, was controlled by the UN International Emergency Food Council. It could not possibly help in this context that Spain was excluded from participation in UN organizations during this period.

Table 5.1 contains several basic statistics on fertilizer trade, production and consumption, including import quotas allocated by the UN, for several countries in 1947. These import quotas were meant to fill the gap between countries' domestic production capacities and their stated total requirements. Particularly revealing are the statistics in the last two columns—nitrogenous fertilizer consumption in 1947 as a percent of stated requirements that year and consumption as a percent of prewar consumption. On both measures, Spain was clearly in the least favorable position of all the countries in the table. The consumption of nitrogenous fertilizers that year was barely a third of both the country's stated requirements and its average prewar consumption.

One might argue that these low figures were simply a product of Spain's import dependence, which is indeed partly the case, since countries like France, Germany and Italy, which had much more significant domestic production, were able to meet a greater percent of total requirements. Yet Greece, Egypt and Portugal—which were all also completely dependent on imported fertilizers—received import allocations that were much larger as a percentage of their stated total requirements. And, in fact, Spain was the only one of these four import-dependent countries to state requirements in 1947 that were actually lower than average prewar consumption. It is difficult to explain these discrepancies without invoking discrimination against Spain—discrimination that, even if it was intended to punish a reactionary regime, undoubtedly ended up hurting the Spanish working class the most.

The second major element of international isolation for Spain in the 1940s was its exclusion from the Marshall Plan, unlike the rest of capitalist Europe including several authoritarian regimes. Table 5.2 illustrates the extent of financial aid to various European countries—including Spain's neighbors and other Mediterranean countries at similar levels of economic development like Greece, Portugal and Turkey—between 1949 and 1951. In most cases Marshall Plan aid was substantial, ranging from $1000 per capita and a yearly average of 16 percent of GDP and 46 percent of central government spending in the case of Greece, to several hundred dollars, 3–4 percent and 10–15 percent, respectively, in France, West Germany and Italy. Greece likely received such large amounts of aid due to the civil war waged there in the 1940s between the ruling regime and communist forces, a struggle seen as geostrategic by the United States; a similar reason might explain the relatively large Marshall Plan spending in Turkey considering its neutrality in the Second

Table 5.1 Fertilizer Production, Consumption and Allocated Imports, Various Countries, 1947 (Metric Tons)

Fertilizer Production, Consumption and Allocated Imports, 1947 (Metric Tons)								
Country	*A*	*B*	*C*	*D*	*E*	*F*	*F/C*	*F/B*
	Prewar Production	*Prewar Consumption*	*Stated Requirements, 1947*	*Domestic Production, 1947*	*Allocated Imports, 1947*	*Total Consumption, 1947*		
France	118,740	162,466	263,902	145,200	57,825	203,025	76.93%	124.96%
Germany	677,035	571,384	535,000	318,000	44,440	362,440	67.75%	63.43%
Greece	0	6,500	12,000	0	10,330	10,330	86.08%	158.92%
Italy	93,100	111,300	129,000	59,300	14,650	73,950	57.33%	66.44%
Spain	**3,301**	**108,248**	**93,000**	**3,270**	**27,755**	**31,025**	**33.36%**	**28.66%**
Portugal	0	15,928	17,500	0	10,695	10,695	61.11%	67.15%
Egypt	584	76,000	80,000	0	56,200	56,200	70.25%	73.95%
Poland	35,451	26,109	100,000	40,000	9,225	49,225	49.23%	188.54%

International Emergency Food Council, *Report of the Secretary-General to the Fourth Meeting of the Council*, 68.

Table 5.2 Marshall Plan Aid, Select European Countries

Country	*Total Aid, 1948/1949–1950/1951 (Millions of 2021 Dollars)*	*Average % GNP Per Year*	*Average % Central Govt Spending Per Year*	*Aid Per Capita, 1948/1949–1950/1951 (2021 Dollars)*
France	$23,664	3.40%	10.04%	$566
Germany (West)	$25,778	3.93%	15.09%	$516
Greece	$7,632	16.16%	45.95%	$1,009
Italy	$13,046	3.15%	15.06%	$277
Spain	—	—	—	—
Portugal	$93	0%	2.50%	$11
Turkey	$2,660	N/A	11.34%	$126

Berolzheimer, "The Impact of U.S. Foreign Aid Since the Marshall Plan," 117. Original dollar amounts inflated to 2021 dollars using the CPI Inflation Calculator of the U.S. Bureau of Labor Statistics. Population data for aid per capita calculations are from Urban and Trueblood, "World Population by Country and Region, 1950–2050," 12–14, 26.

World War. Even Portugal, though, which was both neutral and not under a serious threat of communist insurgency at the time as well as being an authoritarian state, received (albeit small) injections of Marshall Plan aid.

More consequential for the Spanish economy than exclusion from cash aid, however, was exclusion from the institutional framework built for postwar capitalist Europe by the Marshall Plan. As economic historians Helge Berger and Albrecht Ritschl explain, this institutional framework backed by the United States, which restored a disarmed (West) Germany to its previous position at the heart of a broader regional political economy, was crucial for a broader Western European economic recovery. Both before the war and even during the war under Nazi occupation, Germany's position in the European regional economy was primarily that of an exporter of capital goods and an importer of manufactured consumer goods. In the immediate postwar period, European countries needed an export market to obtain the dollars necessary to pay for imports from the United States—mainly capital goods—needed to restart their economies. The conventional market for such exports was Germany. However, these countries faced a "collective action" problem; each country had an individual interest in fleecing Germany economically—France wanted to annex the entire coal-rich Ruhr region—but a rapid economic and industrial recovery for West Germany was crucial in order to establish a market for the exports of other Western European countries. The Marshall Plan, which not only provided dollars for the import of American raw materials and capital goods but also established a European Payments Union to organize intra-European exports, all with the geopolitical and economic power of the United States behind it, thus facilitated the recovery of the European political economy by overcoming this collective action problem.[33]

Spain was no exception to this regional economic pattern. Spain's exports to Germany during the Second World War itself, although consisting mostly of

foodstuffs and raw materials like wolfram, also included substantial amounts of processed livestock and agricultural products and other light manufactures (including 360,000 pistols), while Spanish imports from Germany consisted mainly of capital goods like steel, railroad and electronic equipment.[34] In 1946, the US Office of International Trade argued, regarding the future growth of the "mining and metallurgical industries" in Spain, that "a great deal will depend on the opening up of the central European market."[35] At around the same time, the Spanish Ministry of Foreign Affairs claimed that "the causes of the current Spanish economic crisis must be found in the destruction of a Central European area that in normal times represented more than half of Spain's foreign trade."[36] Yet Spain was not included in the European Payments Union.[37]

This conjuncture of isolation exerted great pressure on Spain's balance of payments and consequently on its ability to import strategic inputs that might reactivate its economy and particularly its agriculture. Before the Civil War, Spain's exports consisted largely of agricultural commodities; in 1930, agricultural exports constituted 45 percent of Spain's total exports by value.[38] In 1946 and 1947, the figure was even greater, at 70 percent and 57 percent, respectively.[39] In an environment in which agricultural exports were a key source of foreign exchange, decreased agricultural production resulting from shortages of fertilizer and livestock hampered the ability to import precisely the inputs needed to reactivate agricultural production, creating a vicious cycle.

Spanish exports thus declined markedly in the years following the end of the Second World War. Exports and imports, adjusted for inflation, were on average barely half their 1935 value over the course of the 1940s.[40] After the initial recovery immediately following the end of the World War, during which total Spanish foreign currency reserves increased from 378 million pesetas in 1945 to 450 million in 1946, the latter then plummeted to 109 million in 1947.[41] A decline in exports to the United States was mirrored by a decline in imports, which hit the textile industry particularly hard—in 1946, cotton constituted a third of imports from the United States by value. Over the course of the 1940s, total cotton imports averaged 73,000 tons a year, a significant decrease from the 100,000 average between 1931 and 1935; this was only partly made up for by an increase in domestic synthetic fiber production, from 2,300 tons in 1931–1935 to 19,000 in 1947–1950.[42] The decline in imports was not limited to cotton, however. In 1946, the US Office of International Trade claimed that for 1947 "it is conservatively estimated that 40 percent of the potential demand for foreign goods [in Spain] will go unsatisfied."[43]

The most devastating effect of this conjuncture on the lives of everyday Spaniards was undoubtedly in the realm of food production. The decline of agricultural production affected not only the country's source of exports but also the availability of food. Exact data on food consumption at the time is hard to find, especially given the importance of rural subsistence production as well as a flourishing black market in foodstuffs.[44] However, the varying estimates of average caloric intake in Spain during the late 1940s paint a dire picture. A confidential report of the Spanish Chamber of Commerce held by the British embassy at the time estimated

that average caloric intake was just 1,430 calories in 1946 and 1,650 in 1948, against an estimated need of 2,000 calories.[45] The US Office of International Trade reckoned that the average daily caloric intake in 1946 for "middle- and low-income groups" was 1,200–1,500 calories and 1,400–1,700 for miners.[46] The CIA, meanwhile, estimated in 1947 that "food supplies" ran at a "current average of 1500 to 1800 calories per day for non self-suppliers."[47]

An analysis by Spanish scholar Alfonso Barbancho, based on official data on domestic food production, trade and distribution, found that the average caloric intake in Spain was 1,895 calories in 1945, as compared to 2,464 in 1935 and 2,217 in 1955. In 1945, wheat consumption per person was 79 percent of its 1935 level; in potatoes, 55 percent; in meat, 55 percent; and in legumes, 64 percent. Of the major staples, only olive oil consumption remained roughly constant, while declining consumption of staple carbohydrates and meat was only very partially compensated by increased consumption of fish (134 percent of 1935 levels) and certain fruits like bananas (220 percent) and oranges (273 percent). By 1949–1950, average caloric intake was 2,300, lower than in France (2,770), Portugal (2,730) and Italy (2,340) and ahead of only non-European countries like Egypt (2,290), Japan (2,100), Mexico (2,050) and India (1,700) (see Table 5.3).

"Autarky" as Pragmatic Strategy

The Francoist regime's responses to the unfavorable international conjuncture were several. First of all, there was a realignment of factions within the regime coalition. In what historian Javier Tusell has called the "crisis of 1945," the Falange lost power as the regime "family"[48] most closely associated with the wartime Axis powers, whereas the political Catholics, many of whom had supported the Allies in the war, gained prominence. Perhaps the most important political change resulting from the 1945 "crisis" was the transformation of the Ministry of Foreign Affairs into firmly Catholic turf with the nomination of Alberto Martín Artajo, who had openly sympathized with the Allies during the war, as foreign minister in 1945. The Catholics played a key international relations role in the years of isolation, as the political "family" with the most transnational ties through Church affiliations.[49] The Catholic focus of foreign relations

Table 5.3 Food Consumption in Spain in 1940s

	Food Consumption in 1945 as % of 1935 Levels							
	Wheat	**Potatoes**	**Meat**	**Legumes**	**Olive Oil**	**Fish**	**Bananas**	**Oranges**
1945	79	55	55	64	99	134	220	273
	Average Daily Caloric Intake							
	Spain	**France**	**Portugal**	**Italy**	**Egypt**	**Japan**	**Mexico**	**India**
1950	2,300	2,770	2,730	2,340	2,290	2,100	2,050	1,700

in the period of isolation was evident in the fact that the only countries with an existing diplomatic presence in Spain that did not withdraw their ambassadors in line with the 1946 UN resolution were the Vatican, Portugal, Ireland, Argentina and Switzerland.[50]

The Franco regime attempted to court support from the United States, although with limited success before the early 1950s. A 1947 CIA report noted that "the Franco government seeks US friendship on the grounds of its conspicuous opposition to Communism" and also observed that "since Spain is ineligible for loans through international agencies, attempts have been made by various Spanish agents to obtain loans from private American sources, but these have been unsuccessful because Spain is a bad economic risk."[51] The regime cultivated whatever international ties it could instead. It was most successful in Latin America and the Muslim world.[52] In fact, at the UN vote in 1946 on cessation of diplomatic relations with Spain, the only countries that voted against every clause were Argentina, Costa Rica, the Dominican Republic, El Salvador, Paraguay and Peru, with abstentions from Colombia, Egypt, Greece, Iraq, Lebanon, Pakistan, Saudi Arabia, Syria, Turkey, South Africa and Yemen.[53]

In the case of the Muslim world, the Spanish regime was relatively friendly toward the Moroccan independence movement, which was more active in the French colonial zone than in the Spanish colonial zone. Thus, the regime paradoxically tolerated a greater degree of political pluralism in its colonial sphere in northern Morocco than it did in Spain itself, legalizing political parties and allowing leaders of the main Moroccan independence organization in the French zone, Istiqlal, to take refuge in the Spanish zone. As Julio Gil Pecharromán explains, this was less the product of anticolonial solidarity than of an effort both to shore up relations with the Arab world more broadly and to retaliate against France's early efforts to isolate the Franco regime.[54] This was an ironic contrast with the surprisingly colonialist policies of the Second Republic—during which the Spanish Socialist Workers' Party (PSOE) collaborated with the colonial enterprise, demands for greater political freedom among the local population were suppressed and Arabs were excluded from Socialist and Communist organizations.[55]

The Franco regime received particularly strong support from Peronist Argentina during the isolation years of the late 1940s. During this period the United States was pursuing a hostile foreign policy toward Argentina, including by banning Marshall aid recipient countries from purchasing Argentine goods.[56] In response, the former colony began to play the role of economic patron toward its former metropole. As Fernando Guirao puts it, Perón was "delighted to defy Washington" in providing Spain what he called a "little Marshall Plan."[57] This "little Marshall Plan," initiated in 1946, provided Spain with 400,000 tons of wheat in 1947 and another 300,000 in 1948, in addition to more than 200,000 tons of corn over the two years. It also included generous credit terms, including a 3-year revolving credit of 350 million Argentine pesos at an interest rate of 2.75 percent and a further 25-year loan of 400 million pesos at a 3.75 percent interest rate.[58] As a result, 30 percent of Spanish foreign currency earnings in the first half of 1948 were in Argentine pesos, which, along with British pounds, constituted the largest part of Spain's foreign currency reserve.[59]

In addition to adjustments in foreign relations, the regime also used several policy tools to deal with the severe shortage of foreign exchange. First of all, it imposed import and export licensing requirements and prohibited the private holding of foreign exchange; all foreign exchange earnings had to flow through the *Instituto Español de Moneda Extranjera* (IEME), or the Spanish Foreign Exchange Institute, at the official exchange rate.[60] In this context, dollars in particular were strictly rationed. The US Department of Commerce estimated the IEME's dollar deposits at a total of only $5 million in 1946; as a result, Spain did not pay for any imports from Europe in dollars in 1945 or 1946.[61]

Foreign exchange controls allowed the state to channel the flow of imports into strategic sectors. Food imports provide one example. Historian Antonio Gómez Mendoza cites the fact that agricultural imports constituted 25 percent of the total in 1949 as evidence of the failure of the regime to increase agricultural production, blaming economic interventionism during the late 1940s in general and artificially low crop prices set by the government in particular as the main culprits.[62] On the other hand, Manuel-Jesús González invokes the fact that 60 percent of imports over the course of the 1940s consisted of capital goods and industrial inputs—rather than food or other essential goods—to argue that "the central wager of the authorities focused more on industry than on the satisfaction of immediate necessities."[63]

Were food imports too high and a reflection of a failure of agricultural policies, or too low and a reflection of a lack of interest in the general standard of living? The answer is neither, because food and non-food imports were intimately linked. Food and capital goods together constituted the largest elements of the import bill during the years of international isolation. Shortages of key agricultural inputs had caused a decline in agricultural production, which caused shortages in both food and foreign exchange, and in turn further exacerbated the shortages of inputs. A reasonable approach to rationing foreign exchange in this situation would be to focus on food imports in order to alleviate immediate shortages, *as well as* capital goods imports in order to restart production and address the long-term problem. This seems to have been precisely the strategy taken. Indeed, in the first half of 1948, food imports constituted the largest percentage of allocated foreign exchange resources (41 percent), followed by textile fiber, paper pulp and related raw materials (26 percent), transport equipment (12 percent), and chemicals and fertilizers (11 percent).[64]

An additional strategy the regime took in response to foreign exchange shortages was to overvalue the exchange rate: as of late 1947, the peseta was pegged to the US dollar at a rate of about 11 to 1 but could be exchanged in Tangier for a rate of almost 40 to 1.[65] In 1948, the regime shifted to a multiple exchange rate system. Existing explanations have typically described these policies as an economically irrational strategy in pursuit of national "prestige."[66] The "national prestige" argument holds that overvaluation was economically irrational because it reduced foreign demand for Spanish exports by making them more expensive, thus exacerbating foreign exchange shortages and in turn economic scarcity.

Evidently, the "national prestige" argument was already being made in the 1940s; in a speech to the Cortes in 1950 that was later published in English for an international audience, Spain's Minister of Industry, Juan Antonio Suanzes, stated

that "I wish to make clear that the Government has never linked the problem of our foreign exchange rates to false prejudices of national reputation, because between them there is no relation at all." Instead, he argued that once there was an "adequate improvement of the economic situation of the country… Then it will be time to set one sole rate of exchange; in the meantime the system can be simplified by gradually reducing the number of the existing exchanges."[67] In this way, Suanzes framed the multiple exchange rate system as a move to gradually transition away from an overvalued peseta.[68]

Just as the view that the slowdown in agricultural production during this period was a product of artificially low crop prices set by the government, the "national prestige" argument assumes a situation of elastic production—that is, it implies that Spanish production could freely adjust to fluctuations in the exchange rate or in the market prices for agricultural goods. In fact, as we have seen, the difficult conjuncture of the late 1940s was largely a product of *bottlenecks* in production caused by shortages of basic inputs and the inability to import sufficient quantities to address these shortages. In this context, an overvalued exchange rate made sense because it made such imports cheaper and was the best short-term solution to the problem of reactivating production.

The import controls and overvalued exchange rates of the 1940s are typically seen in existing literature as evidence of the Franco regime's *a priori* commitment to "autarky."[69] However, other regimes not typically seen as "autarkic" pursued similar policies. For example, Angel Viñas, one of the exponents of the notion that the policy instruments of the late 1940s demonstrated an *a priori* commitment to autarky, counterposes the Spanish policies of the 1940s and 1950s with those of a rapidly industrializing South Korea in the 1960s and 1970s. He argues that the example of South Korea, "scarcely studied in Spain, demonstrates the possible combination of an ironclad authoritarian system, an open foreign economic policy and a rapid transformation of the economy, enviable even from the Spanish perspective of the sixties."[70]

In fact, South Korea implemented many of the same policies in the 1960s and 1970s that Spain did in the 1940s and 1950s. Economist Ha-Joon Chang recalls regarding his childhood in South Korea in the 1970s that

> spending foreign exchange on anything not essential for industrial development was prohibited or strongly discouraged through import bans, high tariffs and excise taxes (which were called luxury consumption taxes). 'Luxury' items included even relatively simple things, like small cars, whisky or cookies. I remember the minor national euphoria when a consignment of Danish cookies was imported under special government permission in the late 1970s. For the same reason, foreign travel was banned unless you had explicit government permission to do business or study abroad.[71]

And this was in a regime that, far from being isolated geopolitically, received about as much economic aid from the United States between 1946 and 1978 as the entire African continent during the same period, due to its geostrategic importance during

the Cold War.[72] South Korea's economic policies in the 1960s and 1970s, just like Spain's in the 1940s, could hardly be described as "open," and yet Korean economic growth during that period was incredibly rapid.

Indeed, far from being a sign of a "visceral" autarkic bent, overvalued exchange rates, import licenses and controls and other forms of restrictions were used by numerous countries throughout the mid-twentieth century—including Portugal, Belgium and Greece in the second half of the 1940s, numerous Latin American countries under import-substitution industrialization through the 1980s, India in the immediate post-independence period and all of the rapidly industrializing countries of East Asia in the 1950s, 1960s and 1970s. In most of these cases, state intervention in international trade and domestic economic activity coincided with respectable, and sometimes even spectacular, industrial and economic growth.[73] In light of this fact, a reevaluation is in order regarding the causal relationship between ideology, international economic conditions, state intervention and economic development. This is the task of the section that follows, which attempts to put Spanish "autarky" in comparative perspective.

A Comparative Note on Ideology and the Causality of "Autarkic" Policies

So far, this chapter has challenged the notion that the "autarkic" economic policies pursued by the Spanish state in the 1940s were an *a priori* product of the ideology of the regime, divorced from real international economic conditions. However, it has not yet actually considered the ideological production of the regime on the subject of autarky, nor is the intent to suggest that ideology had *nothing* to do with the policies of the 1940s. Indeed, a discussion on the relationship between objective international conditions and ideology in forming "autarkic" economic policy is in order. What follows is just such an analysis in comparative perspective, focusing on another region of the world in which the interwar and post-World War II periods saw the implementation of restrictions on international exchange and other interventions in the economy: Latin America.

But first, it is important to emphasize that in the Spanish case, the economic policies we have discussed so far were not presented as *purely* "practical" and temporary measures when they were implemented. They had an entire ideological scaffolding around them, centered explicitly on the language of "autarky." To give a few examples at the government level, the National Institute of Industry (INI) which, as will be detailed later, played a protagonist role in Spain's postwar industrialization, was originally planned to be named the "National Institute of Autarky" (*Instituto Nacional de Autarquía*).[74] The law which founded INI, published in October of 1941, similarly declared that the new institution would pay particular attention to those industries "that propose as their principal aim the resolution of the problems imposed by the exigencies of national defense *or those oriented toward the development of our economic autarky*" (emphasis added).[75]

The task of ideological scaffolding was left not only to the state, of course, but also to a coterie of intellectuals and regime apologists. Thus, for example,

Miguel Capella, Secretary of Madrid's Official Chamber of Industry (*Secretario de la Cámara Oficial de Industria de Madrid*), published a history of autarky in Spain in 1945 to demonstrate that the regime's policies constituted, in essence, the manifestation of a long sought-after but often lost ideal in Spanish history.[76] Here Capella provided a serious work of history, citing numerous chronicles and primary documents stretching back to the medieval period. The "Wise King" Alfonso X of Castile, for example, already "describes for us a medieval Spain in the middle of the thirteenth century, which has amply achieved the autarkic principle of 'self-sufficiency' [*bastarse a sí misma*]." Greek and Roman writers had already seen Spain as abundant in natural resources; and documentary evidence from the Middle Ages described bounteous production of wool, textiles, olives, wine, wheat and metals, with textiles even exported to other parts of the Mediterranean.[77]

Curiously—but no doubt with a degree of historical accuracy—Capella then located the beginning of the end of this autarkic golden age to the "full-fledged peak," to use his own words, of the Spanish empire. By the time of Charles II, flourishing domestic industries had disappeared. "Seasoned in war," Spain forgot "the arts of peace." The American Colonies figure ambivalently in this narrative. On the one hand, Capella cited writers who claimed that increased production must involve taking full advantage of the "fruits of the Indies," turning peninsular autarky into transatlantic autarky. Yet Capella also emphasized that flows of precious metals from the new colonies and consequent inflation, as well as the expansion of a rentier class valuing power and idleness over production, led to "economic decadence," to which Capella dedicated the bulk of the middle of his book.[78]

Two important points are of note when considering Capella's short treatise. First of all, it constructed, in the Medieval autarkic past, a "golden age" of history to which the regime should aspire—a common rhetorical strategy of nationalism. Second of all, and most importantly, it did *not* conceive of an autarky that was total. Indeed, Capella's account of Spain's golden age included a certain amount of international exchange in it—particularly when it came to exports. Instead, for Capella and for members of the Franco regime as well, the ideal of "autarky" simply envisioned a situation in which international economic relations were an *opportunity* rather than a *compulsion* and in which trade did not imply *dependency* on other countries for national survival.

Heterodox economists Braña, Buesa and Molero, taking a position not common in post-dictatorship discourses on Francoist economic policy, have argued that the policies of the regime during the 1940s, though couched in the language of "autarky," in reality reflected a typical "import substitution" policy.[79] It is thus useful, when evaluating the relationship between ideology and objective economic conditions in determining Francoist economic policies in the 1940s, to examine that same relationship in the region of quintessential "import substitution": Latin America.

In the late nineteenth and early twentieth centuries, most Latin American economies were oriented toward the export of primary commodities to industrialized markets in Europe and North America and the importation of manufactured goods

from those countries. The onset of the Great Depression in the United States and Europe, however, signified a collapse of this economic model. Demand for Latin America's export products significantly declined as a result of the Depression, and with it the foreign exchange earnings with which Latin American societies paid for manufactured products from abroad. The result was the relatively unplanned development of what came to constitute an "import-substitution industrialization" (ISI) policy. In order to satisfy domestic demand for manufactured goods, countries sought to *substitute* domestic production for imports. This called for a whole host of policies by national governments aimed at stimulating domestic manufacturing production, including tariff protection, foreign exchange controls, import quotas and the establishment of state-owned enterprises—many of which were similar to those implemented in Spain in the 1940s. When imports inevitably began to flow back in from industrialized countries after the Second World War, these threatened the new domestic industrial sectors; the result was the strengthening of barriers protecting domestic manufacturing from international competition.[80]

Now, since import-substitution policies emerged in Latin America more than anything as a *response* to a dramatic shift in international trade conditions caused by the Great Depression, it would be wrong to say that they were a product of "ideological" commitments to national industrialization or "autarky." This reality is acknowledged in most accounts of ISI in Latin America. Thus, Santiago Macario, an economist for the UN Economic Commission for Latin America (CEPAL), argued the following in a 1964 report on import substitution in the region:

> The authorities made industrialization their watchword, considerably intensifying the import substitution process, which seemed to represent on the one hand the sole (or at least the most viable and immediate) solution for the recurrent problem of the foreign exchange shortage, and, on the other, the only way of absorbing the population increment so as to achieve a more efficient utilization of resources and, in general, attain a more satisfactory rate of economic development. These last considerations, however, began to carry weight only *a posteriori* as a rationalization of the advantages of definitely autarkical [sic!] trends, and by the persistence of the buoyancy resulting from the industrialization process that had taken place during the [Second World] war.[81]

In other words, it was only *after* the Second World War, when imports from Europe and the United States began to flow back into Latin America again and threaten new manufacturing industries that developed in wake of the Great Depression, that ISI became an "ideology" per se. "National industrialization" as an ideological imperative was an *a posteriori* development, not an *a priori* commitment.

Now, this is not to say that there were *no* ideological calls for import substitution or even "autarky" in Latin America until after the Second World War. Quite to the contrary, although it would take some time for such ideas to become systematized on a region-wide basis, such calls did come well before the war. In this vein we can look at the work of two renowned Latin American social scientists—Ramiro

Guerra y Sánchez of Cuba and José Carlos Mariátegui of Peru—who set forth exactly this kind of ideological project in the interwar period.

Guerra, a Cuban academic, wrote his most famous work *Azúcar y población en las Antillas*, later translated in English as *Sugar and Society in the Caribbean*, in 1927; Mariátegui, a Peruvian Marxist, published his magnum opus, *Seven Interpretive Essays on Peruvian Reality,* exactly one year later. Both of these works preceded the formal onset of the global Depression in 1929 because, in both Cuba and Peru, Depression-like conditions developed before that date. Both countries were formidable sugar producers during the first decades of the twentieth century, and the global sugar market was one of the first to suffer a crisis of overproduction after a boom during World War I, a crisis evident by the mid-1920s.[82]

The positions on international economic relations of these two thinkers shared remarkable resemblances with the ideas of Miguel Capella. Both authors spoke of a past golden age for their countries, defined by self-sufficiency and a sort of salutary neglect by international economic forces. For Mariátegui, this past golden age was the Inca Empire; as a Marxist, he saw the agrarian society of the Incas as possessing the seed of a communist society:

> Until the conquest, an economy developed in Peru that sprang spontaneously and freely from the Peruvian soil and people…. All historical evidence agrees that the Inca people—industrious, disciplined, pantheist, and simple—lived in material comfort. With abundant food their population increased. The Malthusian problem was completely unknown to the empire.

This peaceful and plentiful state of affairs ended, however, when Inca society was inserted brusquely and catastrophically into global economic relations through Spanish colonization, which, according to Mariátegui, "destroyed this impressive [Inca] machine without being able to replace it." The contrast between Inca society on the one hand and colonial and postcolonial society on the other was one between a harmonious, self-sufficient society and one that was externally dependent and internally exploitative: "An indigenous, integrated economy develops alone. It spontaneously determines its own institutions. But a colonial economy is established on bases that are in part artificial and foreign, subordinate to the interests of the colonizer."[83]

For Guerra, the golden age came slightly later, in the early years of Spanish settlement in Cuba. During this period, the Spaniards were too busy conducting the tragedy denounced by Mariátegui—plundering the much wealthier Inca and Aztec societies—to care much about extracting anything from Cuba. The result was that the island saw several centuries of peaceful settlement by free agriculturalists, who received lands for independent and cooperative cultivation from colonial authorities. This in contrast to the Caribbean islands under the control of the British, French and Dutch who, lacking control of Peru or Mexico, turned to lucrative sugar production through brutal exploitation of enslaved labor. Here Guerra is worth quoting at length:

> The process of the allotment and division of Cuban land during the sixteenth, seventeenth, and eighteenth centuries led to the creation of a class of large-scale and small-scale proprietors who were descended from the first settlers and who were deeply attached to their native soil. Mainly a poor, rough people who lived in *isolation from the outside world because of the strict laws forbidding any trade or commerce with foreigners* [italics mine], they raised livestock, cultivated small subsistence plots, and occasionally traded hides, salted or cured meat, and other agricultural products with the ships that called at Havana once or twice a year on their way to New Spain or Seville, or with the smugglers of France, Portugal, Holland, and, after the middle of the seventeenth century, Great Britain. Meanwhile, the rest of the Caribbean… were falling into hopeless decay as the sugar latifundia gradually took over the land and substituted slaves for the small-scale independent farmers. In the British Antilles there were created plantation colonies, no more than factories serving a distant and powerful community; but in Cuba the foundations were laid for a new and original nationhood, the fruit of three centuries of settlement.[84]

For Guerra, it was only when the British occupied Havana in the late eighteenth century, and then when Spain lost most of the rest of its American colonies in the early nineteenth, that Cuba turned to the brutal system of sugar plantation slavery that had earlier defined the non-Hispanic Caribbean. As a result, Cuba not only became dependent on the international sugar trade but also turned into a cruelly unequal society.[85]

Capella, Mariátegui and Guerra present strikingly similar narratives. A glorious past, defined by a relatively egalitarian nation that produced all things it needed, was destroyed by external economic relations—ironically, in all three cases, by two sides of exactly the same colonial relation. Importantly, however, none of these authors denounced international exchange *tout court*. Capella lauded the age when Spain sent its wool, textiles, oil and wine abroad, and for Guerra there was nothing inherently problematic about the fact that his sturdy farmers sold hides and meat to passing ships. It was when international exchange became dependent, and laid waste to national social structures, that it became a problem.

As the Great Depression progressed, Latin American critiques of international trade came to more self-consciously call for an ISI program. Thus José Picchetti, an Argentine industrialist in the non-ferrous metals sector, published a book in 1941 in which he detailed "the vital points that the autarkic campaign initiated two years ago in the country, should try to deal with and resolve." For Picchetti, declining international trade was an inevitable global trend that would characterize the long term:

> the opinion of this author is that autarky should be accepted today as an endemic evil of the global economy which will persist for many years, perhaps for many centuries… All of the countries of the world, especially those that declare themselves against it, are marching hastily and busily toward a complete, impermeable autarky.

The global war situation, which Picchetti dubbed a "fight to the death between two imperialisms," and consequent collapse of international trade was such an omnipresent trend that Picchetti projected it forward well into the future. As a result of this dire juncture, he argued, Argentina should turn to itself and to its sister republics in Latin America, away from the industrialized countries of the day, and embark on an industrialization program that made use of domestic natural resources.[86]

In Latin America, the theorization of ISI—involving with it a characteristic skepticism of international trade—became more systematized over time. Its intellectual home became CEPAL, which applied the problem to the entire Latin American region in what came to be called "dependency theory." Raúl Prebisch, an Argentine economist at CEPAL, argued in a seminal piece in the late 1940s that the conditions necessitating ISI were not simply a temporary conjuncture in the form of the Great Depression; they constituted a longer-term trend of declining terms of trade for primary commodity producers. Structurally, the prices of manufactured goods rose faster than those of primary commodities; thus, over time, Latin American nations would be able to afford fewer and fewer imported manufactures with the earnings from the minerals and crops they exported to industrial countries. Thus, import substitution was a long-term necessity.[87]

By the 1960s, Latin American thinkers were projecting the theoretical underpinnings of the ISI program backward into history and outward into the world. Perhaps the most clear example of this trend is the work of Andre Gunder Frank, who worked, among other positions, at the University of Chile during the presidency of Salvador Allende in the early 1970s. In a seminal article published in 1966, Frank theorized an international economic solar system divided into economic metropoles that sucked surplus out of underdeveloped "satellites"—and, interestingly, Frank explicitly mentioned Spain and Portugal along with their ex-colonies in the list of contemporary global "satellites." Urban areas in these "satellites," in turn, sucked surplus out of their rural peripheries, and so on. In this world, economic development in the countries of the periphery was more or less inversely correlated with their insertion into international economic relations. Frank is also worth quoting at length here:

> satellites experience their greatest economic development and especially their most classically capitalist industrial development if and when their ties to their metropolis are weakest… This hypothesis seems to be confirmed by two kinds of relative isolation that Latin America has experienced in the course of its history. One is the temporary isolation caused by the crises of war or depression in the world metropolis… It is clearly established and generally recognized that the most important recent industrial development—especially Argentina, Brazil, and Mexico, but also of other countries such as Chile—has taken place precisely during the periods of the two World Wars and the intervening Depression… The other kind of isolation which tends to confirm the second hypothesis is the geographic and economic isolation of regions which at one time were relatively weakly tied to and poorly

> integrated into the mercantilist and capitalist system… All of these regions became manufacturing centers and even exporters, usually of textiles, during the periods preceding their effective incorporation as satellites into the colonial, national, and world capitalist system.[88]

In short, then, in his analysis of the "development of underdevelopment," Frank theorized the kind of "salutary neglect" mentioned by Guerra and Mariátegui in their national studies into a global theory. Since international economic relations for countries on the global periphery implied dependence on the metropoles, it was best to minimize them.

What does the development of economic theories surrounding ISI in Latin America tell us about the relationship between objective economic conditions and ideology in formulating Francoist economic policies in the 1940s? In Latin America, the development of ISI ideology was a long-term affair. Almost exactly 40 years elapsed between Guerra and Mariátegui's critiques of international dependency in the late 1920s and Frank's theorization of the "development of underdevelopment" in the 1960s. Here, the relationship between economic conditions and ideology seems clear; after a sudden shock in the 1930s led Latin American nations to improvise measures to substitute the collapse of imports, a certain consolidated set of policies and ideas gradually took hold. Although Guerra and Mariátegui certainly demonstrate that a critique of international "dependency" existed before the generalized "shock," it was precisely this "shock" that led these critiques to become generalized and even to be repeated by government officials.

In Spain, the whole process that in Latin America took 40 years was compressed into a much shorter period. The Franco regime took power in the world described by Picchetti, not the one described by Maríategui and Guerra—a collapse of international trade and the shadow of inter-imperialist war hung menacingly over the whole world. In this context, at least within the Franco regime, objective economic conditions and ideology were inseparable—they were birthed at the same time. The decline in international trade in the 1940s was such a defining aspect of almost all of the global economy that attributing shifts in economic policy to isolationist ideology alone would not explain much. Much more useful is an examination of the *dynamic interaction* between domestic developments and shifting international forces in shaping the Franco regime's economic policies. With a basic understanding of the nature of this kind of interaction, we can now turn to analyzing the trajectory of Spanish economic development in more detail.

Notes

1 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 68, 60. The most blatant manifestation of early Nationalist affinity with the Axis was the *División Azul*, or "Blue Division," through which the Franco regime provided thousands of volunteers—perhaps a total of as many as 40,000—to the German lines at Stalingrad during the German invasion of the Soviet Union; see Ibid., 59.
2 Carrasco-Gallego, "The Marshall Plan and the Spanish Postwar Economy," 107.
3 Catalan, "Francoist Spain under Nazi Economic Hegemony," 250–253.

4 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 65–68.
5 Catalan, "Francoist Spain under Nazi Economic Hegemony," 250.
6 Payne, "Fascist Italy and Spain," 108, 110.
7 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 59n; Catalan, "Francoist Spain under Nazi Economic Hegemony," 237–239, 254.
8 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 68; U.S. Department of State, *The Spanish Government and the Axis*, 19.
9 Catalan, "Francoist Spain under Nazi Economic Hegemony," 255–256.
10 Guirao, *Spain and the Reconstruction of Western Europe*, 31.
11 Ibid., 12–13, 15–21.
12 Viñas, "Autarquía y política exterior," 75.
13 Harold Callender, "France Approves U.S. Note on Spain; Closes Frontier," *New York Times*, March 1, 1946; Brundu, "L'Espagne franquiste et la politique étrangère de la France," 173.
14 Harold B. Hinton, "U.S. Bars Paris Bid to Join In Taking Spain Case to UNO," *New York Times*, March 12, 1946.
15 Lansing Warren, "Paris Urges Allies to Ban Oil to Spain," *New York Times*, March 27, 1946.
16 Brundu, "L'Espagne franquiste et la politique étrangère de la France," 176.
17 Ibid., 178–180.
18 Guirao, *Spain and the Reconstruction of Western Europe*, 42–43; Brundu, "L'Espagne franquiste et la politique étrangère de la France," 168.
19 Guirao, *Spain and the Reconstruction of Western Europe*, 23–28; Brundu, "L'Espagne franquiste et la politique étrangère de la France," 170.
20 Brundu, "L'Espagne franquiste et la politique étrangère de la France," 169, 173–176. On the declarations by Czechoslovakia's foreign minister Jan Mazaryk, see Harold B. Hinton, "U.S. Bars Paris Bid to Join In Taking Spain Case to UNO," *New York Times*, March 12, 1946. See also Lansing Warren, "Paris Urges Allies to Ban Oil to Spain," *New York Times*, March 27, 1946; and Harold Callender, "France Approves U.S. Note on Spain; Closes Frontier," *New York Times*, March 1, 1946.
21 Guirao, *Spain and the Reconstruction of Western Europe*, 28–34; Brundu, "L'Espagne franquiste et la politique étrangère de la France," 171–172. Juan de Borbón, pretender to the Spanish throne and father of the future king Juan Carlos, had published the Lausanne Manifesto in 1945, in which he called for a restoration of the monarchy, a popularly elected parliament, political amnesty and civil liberties; constitutional monarchy thus became another possible route to liberal democracy. See Tusell, *Franco y los católicos*, 52–53.
22 CIA, "The Current Situation in Spain," ORE 53 (Washington, D.C.: National Security Council, Central Intelligence Agency, Office of Reports and Estimates, November 5, 1947), Records of the Central Intelligence Agency, 1894–2002 (Record Group 263), Intelligence Publication Files, 1946–1950, National Archives. https://catalog.archives.gov/id/6924268.
23 John Foster Dulles to US Ambassador to the United Nations Warren Austin, "Franco Spain," April 13, 1949, Box 46, Reel 15, John Foster Dulles Papers, Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library. https://findingaids.princeton.edu/catalog/MC016_c2032.
24 See, for example, Catalan, "Economía e industria," 120; Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 71; and Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 48, including note 3.
25 U.S. Office of International Trade, "Economic Review of Spain-1946," 2.
26 Senate Committee on Foreign Relations, *Hearings Before a Subcommittee*, 128.
27 Naredo, "El proceso de mecanización en las grandes fincas del sur," 53n; Christiansen, *The Reason Why*, 253–254.
28 Leal et al., *La agricultura en el desarrollo capitalista español*, 43–44.
29 Christiansen, *The Reason Why*, 253–254.

30 Buesa, "Industrialización y agricultura," 233–234; Robles Teigeiro, "La industria de fertilizantes," 191.
31 Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 30.
32 Leal et al., *La agricultura en el desarrollo capitalista español*, 54.
33 Berger and Ritschl, "Germany and the Political Economy of the Marshall Plan," 199–201, 221–229, 240–241.
34 Catalan, "Francoist Spain under Nazi Economic Hegemony," 250–251, 255–256.
35 U.S. Office of International Trade, "Economic Review of Spain-1946," 2.
36 Cited in Viñas, "Autarquía y política exterior," 77.
37 See Carrasco-Gallego, "The Marshall Plan and the Spanish Postwar Economy," 108.
38 Simpson, *Spanish Agriculture*, 205.
39 Guirao, *Spain and the Reconstruction of Western Europe*, 99.
40 Carrasco-Gallego, "The Marshall Plan and the Spanish Postwar Economy," 105.
41 Guirao, *Spain and the Reconstruction of Western Europe*, 50.
42 Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 67. See also U.S. Office of International Trade, "Economic Review of Spain-1946," 3.
43 U.S. Office of International Trade, "Economic Review of Spain-1946," 6.
44 Scholars have emphasized the increased importance of agricultural production for self-consumption in the countryside during the 1940s— see for example Naredo, Ruiz-Maya Pérez, and Sumpsi Viñas, "La crisis de las aparcerías," 30–31.
45 del arco Blanco, "'Morir de hambre,'" 251.
46 U.S. Office of International Trade, "Economic Review of Spain-1946," 8.
47 CIA, "The Current Situation in Spain," https://catalog.archives.gov/id/6924268.
48 On the factions of the regime analyzed as "families," see de Miguel, *Sociología del franquismo*.
49 See Tusell, *Franco y los católicos*, 48–60.
50 Álvarez Rosete, "Social Welfare Policies in Non-Democratic Regimes," 169–171.
51 CIA, "The Current Situation in Spain," https://catalog.archives.gov/id/6924268.
52 See Gil Pecharromán, *La política exterior del franquismo*, 160–170.
53 "United Nations-Spain, 1947," 1947, Box 34, Reel 9, John Foster Dulles Papers, Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library. https://findingaids.princeton.edu/catalog/MC016_c11114.
54 See Gil Pecharromán, *La política exterior del franquismo*, 225–229.
55 Martín, *El colonialismo español en Marruecos*, 166–172. Thus, Martín explains that in Melilla, "five days into the Francoist rebellion [the Spanish Communist Party] was continuing to publish diatribes against Italian colonialism, as if French or Spanish colonial domination were nonexistent… The Moroccan population responded to the [military] insurrection with the most complete indifference, for these were struggles between exploiters. Not one revolutionary militant found help among the Rifians. The divorce so systematically practiced between the [Spanish] working class and the Moroccan people was beginning to bear fruit."—p. 172.
56 See Brennan, "Prolegomenon to Neoliberalism," 53.
57 Guirao, *Spain and the Reconstruction of Western Europe*, 113.
58 U.S. Office of International Trade, "Economic Review of Spain-1946," 7.
59 Guirao, *Spain and the Reconstruction of Western Europe*, 104.
60 U.S. Office of International Trade, "Economic Review of Spain-1946," 2; Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 52.
61 U.S. Office of International Trade, "Economic Review of Spain-1946," 7.
62 See Gómez Mendoza, "El fracaso de la autarquía," 304.
63 González, *La economía política del franquismo*, 45.
64 Guirao, *Spain and the Reconstruction of Western Europe*, 104.
65 CIA, "The Current Situation in Spain," https://catalog.archives.gov/id/6924268.
66 For the view that the overvalued exchange rate was a "prestige" policy, see, for example, Catalan, "Franquismo y autarquía," 276; Prados de la Escosura, Rosés, and Sanz-

Villarroya, "Economic Reforms and Growth," 52; Gómez Mendoza, "El fracaso de la autarquía," 303; and Velasco Murviedro, "El pensamiento autárquico español," 933.

67 Suanzes, *The Spanish Commercial and Industrial Policy*, 47, 52–53.

68 This is the same interpretation of the multiple exchange rate system made recently by Prados et al., who argue that it "allowed authorities to devalue the peseta surreptitiously"—see Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 54. In contrast, Angel Viñas describes the multiple exchange rate system implemented in 1948 as essentially one further disguised form of "autarkic" economic policy—see Viñas, "Autarquía y política exterior," 77.

69 For example, Velasco Murviedro argues that the overvalued exchange rate and other economic interventions reflected the "visceral" nature of the pursuit of autarky—see Velasco Murviedro, "El pensamiento autárquico español," 933.

70 Viñas, "Autarquía y política exterior," 90n.

71 Chang, *Bad Samaritans*, 8.

72 Cumings, "The Origins and Development of the Northeast Asian Political Economy," 24.

73 On the European countries that kept overvalued exchange rates in the late 1940s, see Catalan, "Economía e industria," 131–133. On Latin America, especially vis-à-vis multiple exchange rates, see Macario, "Protectionism and Industrialization in Latin America," 61–65. On India, see Myrdal, *Asian Drama*, II:920–921. On exchange rates and foreign exchange controls in East Asia, see Wade, *Governing the Market*, 76–78; Amsden, *Asia's Next Giant*, 145–146; Chang, "The Political Economy of Industrial Policy in Korea," 133, 139, 141, 152–153.

74 Martín-Aceña and Comín Comín, *INI: 50 años*, 78–79.

75 Jefatura del Estado, "Ley de 30 de septiembre de 1941 (rectificada) por la que se crea el Instituto Nacional de Industria," *Boletín Oficial del Estado*, no. 280 (October 7, 1941): 7734–7737. Available through *Gazeta*, the digitized historical archive of Spain's *Agencia Estatal Boletín Oficial del Estado*—see https://boe.es/diario_gazeta/. This is a corrected version of the original law, which contained a telling error that will be discussed in Chapter 6.

76 For a review of this book and a mention of Capella's title in the Chamber of Industry, see *Información Comercial Española: Suplemento de orientación para el comerciante español*, Año VII, no. 137 (February 25, 1946): 43.

77 Capella, *La autarquía económica en España*, 7–9, 20.

78 Ibid., 17, 38, 44, 82. See also the entire chapter titled "La decadencia económica de España vista por los tratadistas del pasado," pp. 37-79.

79 See Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada," 101.

80 For a summary of the Depression and the resulting creation of import substitution policies, see Kingstone, *The Political Economy of Latin America*, 34–40.

81 Macario, "Protectionism and Industrialization in Latin America," 65. This point is also made in Kingstone, *The Political Economy of Latin America*, 40.

82 See Chapter 8, "Economic Collapse and Revolution," in Ayala, *American Sugar Kingdom*, 231–247.

83 Mariátegui, *Seven Interpretive Essays on Peruvian Reality*, 3–4, 36. Originally published in 1928 as *Siete ensayos de interpretación de la realidad peruana*.

84 Guerra y Sánchez, *Sugar and Society in the Caribbean*, 35–36. Originally published in 1927 as *Azúcar y población en las Antillas.*

85 Ibid., 37–59.

86 Picchetti, *La Argentina y la guerra*, 7–8. For the phrase "fight to the death between two imperialisms" (*lucha a muerte entre dos imperialismos*), see p. 111.

87 See Prebisch, "El desarrollo económico de la América Latina."

88 Frank, "The Development of Underdevelopment," 24–25.

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6 Primitive Accumulation, 1939–1951

In existing literature on Spanish political economy and economic history, the decade of the 1940s is generally understood as a wasted one in terms of economic development. Perhaps the most classic statistical overview of Spanish industrialization, for example, labels the period 1935–1950 as "the only one that can satisfactorily explain Spain's industrial backwardness."[1] An often-cited study of the Spanish economy in the 1940s broadens this assessment, arguing that state economic policy during this period "contradict[ed] the historical function played by the state in most European countries—including Spain—in the first stages of industrialization: the establishment of an adequate institutional framework to 'create a capitalist environment.'"[2] Here are arguments along two dimensions: one is the purely "economic" sense of growth, industrialization and accumulation of physical capital; and the second is a more broadly "institutional" dimension of the *social* conditions required for economic development. Along both dimensions, it is argued, the 1940s contributed to Spanish "backwardness."

If the 1940s, a period of great suffering and material deprivation among Spanish workers, was a decade *inimical* to capitalist accumulation, then the Spanish "miracle," in the view of most existing interpretations, was a product solely of changes that happened *after* this decade, a period which was also conveniently correlated with political liberalization. Such an assessment, in my view, is much too generous to capitalism; it conveniently ignores the fact that social processes involving considerable human deprivation can be part and parcel of capitalist development. It was precisely this kind of social process that occurred in Spain in the 1940s.

As the title of this chapter suggests, I see the decade of the 1940s in Spain as best understood through a concept introduced by classical political economy but really first developed by Marx, that of "primitive accumulation." In chapters 26–33 of *Capital*, *Volume I*, Marx sought to analyze the historical origins of industrial capitalism as he observed it in England. His intellectual foil was the explanation of these origins offered by classical political economy, which explained the origins of capitalism either in some timeless human tendency to "truck and barter" or a distant past, almost analogous to biblical conceptions of "original sin," in which "the diligent, intelligent and above all frugal élite" separated itself from the "lazy rascals, spending their substance, and more, in riotous living."[3] Marx argued, instead, that the emergence of agrarian and then industrial capitalism in England required first a separation of peasants from their means of subsistence—the land.

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These peasants would not work in factories or on the farms of others for wages out of their own volition; instead, they had to be forcibly *expropriated* from their means of subsistence in a long historical process whose workings in early modern England Marx recounted in detail.[4]

The concept of "primitive accumulation" is not directly applicable to post-Civil War Spain in the exact iteration in which it was used to explain the origins of capitalism in England. Most obviously, for example, Spain already had a rural proletariat before the Civil War. In fact, one of the basic arguments of this chapter will be that there was not a dramatic expansion in the size of this rural proletariat during the 1940s, as numerous authors have argued. Nevertheless, taken more broadly, the concept of "primitive accumulation" is useful in understanding the role of the 1940s in Spanish economic development for three reasons. The first is that it recognizes that a period of suffering and deprivation in peacetime—of "slow violence," to use a more recent term—can, in cruel historical irony, be a crucial component of a longer-term process of economic development. Marx summarized the process of primitive accumulation in this fashion:

> these newly freed men became sellers of themselves only after they had been robbed of all their own means of production, and all the guarantees of existence afforded by the old feudal arrangements. *And this history, the history of their expropriation, is written in the annals of mankind in letters of blood and fire*.[5]

A century later, sociologist Barrington Moore gave a similar assessment of the enclosure movement that formed the bulk of Marx's primitive accumulation, questioning the typical contraposition of a "peaceful" and "gradual" transition to capitalism and democracy in England with a "violent" and "sudden" transition in France:

> that the violence and coercion which produced these results [in England] took place over a long space of time, that it took place mainly within a framework of law and order and helped ultimately to establish democracy on a firmer footing, *must not blind us to the fact that it was massive violence exercised by the upper classes against the lower*.[6]

Second of all, the concept of primitive accumulation emphasizes that underneath a period of apparent economic stagnation and decay there can lie a set of transformations that pave the way for later economic development. Indeed, the classic English case of primitive accumulation occurred in an environment in which no one, not even the fledgling "capitalists," knew that the "massive violence" that they were exercising would help produce an industrial revolution. As Karl Polanyi noted, at the end of the eighteenth century,

> on the eve of the greatest industrial revolution in history, no signs and portents were forthcoming. Capitalism arrived unannounced. No one had forecast the

> development of a machine industry; it came as a complete surprise. For some time England had been actually expecting a permanent recession of foreign trade when the dam burst.[7]

As we have seen, during the period I am dubbing "primitive accumulation," Spain was *actually* experiencing an acute recession of foreign trade; this does not mean that the period was not a crucial one for a later acceleration of industrial capitalism.

Finally, the concept of primitive accumulation is useful for our analysis of Spain in the 1940s because it emphasizes not only the accumulation of *physical* capital needed for an industrial takeoff but also the *social and institutional* context that is required for such a takeoff. The introduction of this second dimension was one of Marx's major insights in his critique of classical political economy. As he pithily stated, "capital is not a thing, but a social relation between persons which is mediated through things."[8]

What follows is an analysis of Spanish "primitive accumulation" in both senses of the word. The 1940s were the years of "autarky" in Spain, during which acute shortages of inputs led to state intervention in the allocation of foreign exchange, raw materials, inputs and investment. These years were also crucial, however, for later industrialization in two ways. First of all, agricultural prices increased significantly over the course of the decade, but rural wages stagnated in a context of labor repression. Combined with the fact that investment in Spain's still relatively backward agricultural sector remained low, this meant that rural Spain developed a large financial surplus, particularly in regions of stratified agrarian social structure that relied heavily on wage labor (i.e., the south). This surplus translated into a large increase in industrial investment during the 1940s. The process did not happen automatically, however. It required a particular institutional context which *channeled* agrarian surplus into industrial investment. This institutional context came in two forms. First of all, the system of compulsory agricultural purchases by the state, although it existed in parallel with a large black market, guaranteed that a significant amount of surplus went through the banking system. Because Spain's industrial sector was dominated by conglomerates linked to so-called "universal" banks, financial surpluses thus found their way into expanded private sector industrial investments.

Second, the decade of "autarky" also saw the formation of a particular model of state-led industrial investment. Through the formation of a state enterprise holding company, INI, the new regime initiated significant investments in the industrial sectors at the heart of the severe shortages of the 1940s: in particular, agricultural and industrial inputs. Although these investments often did not pay off through large increases in production until the following decade, they set a pattern in which, through its direct participation in industrial production, the regime would be able to impose an overall strategy of industrialization during the "Spanish Miracle," especially in sectors in which private sector investment was not forthcoming. This strategy, of course, was not feasible without a substantial degree of state independence from existing private sector industrial interests—that is, without the transformations in the relationship between the state and economic elites described in

Chapter 4—not least because in several cases the new state enterprises competed directly with quasi-monopolistic private firms.

The process of "primitive accumulation" that occurred in Spain in the 1940s originated in the countryside. The beginnings of industrial development in Spain under the Franco regime occurred with large transfers of agrarian surplus into industrial investment. Therefore, an understanding of the process first requires a grasp of the evolution of agrarian social structure in Spain during the first decade after the end of the Civil War. That is the focus of the first section that follows. Here I argue that although there is no doubt that the 1940s saw a tremendous repression of Spain's agricultural proletariat, there is not much evidence that this proletariat *expanded* on a large scale at the expense of the smallholding peasantry, as numerous authors have suggested. Indeed, such a trend would belie an understanding of the social origins of the Nationalist regime largely in class conflict *between* smallholders and proletarians; in analyzing patterns of agrarian social structure after the Civil War, a conscious effort should be made to distinguish the two groups, as blurry as the line between them may have been. With a more nuanced understanding of agrarian change in the 1940s, we can then turn to analyzing the transfer of agricultural surplus into industrial investment and the establishment during that decade of an institutional framework for industrialization.

Patterns of Agrarian Change in the 1940s

Existing arguments on the immediate impact of the Nationalist victory in the Civil War on the Spanish countryside argue that it resulted in an "agrarian counter-reform," in which large landowners reversed the gains of small farmers during the Republic. One analysis of Spanish land tenure after the Civil War, for example, argues that since the distribution of land was stable before and after the war and since six million hectares of land were expropriated by the Republic, there must have been a major agrarian counter-reform with the same number of victims as there had been beneficiaries of the Republican reforms.[9] Another scholarly account goes further, arguing that the first years of the Franco regime saw

> an authentic "counterrevolution," with the occupation of lands by their old owners with barely any control on the part of the State… it was not a counter-reform, but rather a violent reaction in which repression against tenant farmers [*colonos*] (including on a private level) and the massive appropriation of goods flourished.[10]

A second aspect of existing literature on Spanish agrarian society after the Civil War is the idea of a transition from tenant farming to "direct cultivation" in agriculture. Many scholars argue that the 1940s in particular saw the massive eviction of tenant farmers from their lands as landowners sought to cultivate them as unified agricultural enterprises employing wage labor. This presumably involved a massive proletarianization of former direct producers, who were turned from tenant farmers into rural wage laborers. The logic behind this transition was that

agricultural prices increased during the 1940s in response to scarcity, while wages were held down by the state as a result of the brutal suppression of the labor movement, and that these factors combined to make direct cultivation with wage labor more profitable than the renting-out of lands. This transition was also presumably hastened by the ideology of the new regime, which glorified the "direct producer" and stigmatized the parasitic rentier, or *señorito.*

As with the argument on "counter-reform," this idea implies a *reconcentration* of land under the regime. That is, it implies that agrarian reaction involved the destruction of a class of small farmers as large landowners displaced them with wage laborers—a kind of classic proletarianization process. Thus, Barciela et al. argue, for example, that

> with the right to private property in land guaranteed and reinforced and the peasantry [*campesinado*] subdued, landowners found themselves in an optimal situation that propitiated changes in the forms of land cultivation, with direct cultivation revalued against parceled-out cultivation [*cultivo parcelado*].[11]

To what extent was there an agrarian "counter-reform" or "counter-revolution" in Spain in the years *following* the Francoist victory in the Civil War? A preliminary method to answer this question consists of evaluating patterns of land tenure at a macro-level in the country as a whole, before and after the Civil War, since the vast majority of the reform and counter-reform occurred during the war itself. The problem, however, with examining the long-term effect of the Civil War and the early Franco regime on land tenure is that data sources from before and after the war are not very comparable. The cadastre of 1930, on which information on the pre-Civil War land tenure structure is based, surveyed only about 20 million hectares, mostly in the southern regions of Andalusia and Extremadura as well as parts of La Mancha in central Spain and the Levante on the southeast Mediterranean coast. In contrast, the 1959 cadastre, the next available comprehensive dataset, surveyed 40 million hectares in the entire country, including the north, where land tenure was less concentrated.

A third major data source on land tenure was Spain's first Agricultural Census, carried out in 1962. Here again, however, the data are not exactly comparable with the cadastral data. The Cadastre concerned itself with property owners for the purposes of taxation; the 1962 Agrarian Census, meanwhile, looked at agricultural *enterprises*. The difference can be illustrated by taking the example of a 100-hectare farm rented out by a landlord to 5 tenants, each with a holding of 20 hectares. The Cadastre would record the landlord owning 100 hectares; the Census, in turn, would measure five "agricultural entrepreneurs" (*empresarios agrícolas*), each cultivating 20 hectares under tenancy.[12]

Scholars have dealt with these problems of comparability in several ways. José Sorní, in his classic analysis of the Francoist "counter reform," simply brushed the differences between the 1930 and 1959 cadastres aside, with the result that the data he presents actually suggests a significant *decrease* in land concentration between

these two dates. Thus, for example, the percentage of land in farms of over 100 hectares decreased from 44 percent in the 1930 data to 32 percent in the 1959 data. In fact, a large part of this decline in relative spatial prominence of large farms between the cadastres of 1930 and 1960 was probably simply a product of the inclusion of northern Spain, where land distribution was more equal, in the latter survey. Yet Sorní simply glosses over the difference, claiming that there was a "marked stability" in land tenure and thus a Nationalist agrarian "counter-reform."[13]

In his classic study of agrarian reform under the Republic, Malefakis made the same assumption of stability in land tenure but in the opposite direction. Malefakis was understandably only interested in the land tenure situation *before* the Civil War, given his object of study; yet because the 1930 Cadastre only covered the South, he took the 1959 figures for the North as representative of the situation in 1930, assuming that, since the reforms that formed the object of his analysis more or less failed, there was thus no change in land tenure structure between the two cadastres.[14]

Here we take a different approach, trying to compare proverbial apples with apples to the greatest extent possible, by examining land tenure in the 14 of Spain's 50 provinces where at least 80 percent of farmland had been cadastred in the 1930 survey.[15] Centered mainly on areas with more stratified land tenure, the focus of debates over land reform and "counter-reform," this comparison is a particularly apt one to measure the "counter-reform" narrative. A comparison of land tenure in these areas around 1930 and 1960, summarized in Table 6.1, does not suggest complete "stability" in overall land tenure structure nor does it suggest a process of land concentration in the intervening period. In fact, at least in terms of land *ownership*, the data suggest a *decline* in land concentration. A first indicator is the total number of cadastral owners in the 14 provinces combined, which increased from 1,011,252 in 1930 to 1,550,262 in 1959. This despite the fact that the total number of people employed in agriculture in these areas stayed roughly stable, growing very little from 1,695,394 in 1930 to 1,766,494 in 1960, while the total amount of cadastred farm area was only slightly greater in 1960 than in 1930—16,487,332 vs. 14,922,142 hectares. As a result, the average amount of land per proprietor in these 14 provinces decreased significantly, from 14.8 hectares per owner in 1930 to 10.3 hectares per owner in 1960. Put another way, while the total cadastred area in these provinces increased by only

Table 6.1 Evolution of Land Tenure in Provinces with More than 80 Percent Cadastral Coverage in 1930

	1930	*1960*
Total hectares cadastred	14,922,142	16,487,332
No. proprietors	1,011,252	1,600,262
Hectares/proprietor	14.8	10.3
Population employed in agriculture	1,695,394	1,766,494

For cadastral data, García-Badell, "Estudio sobre la distribución de la extensión superficial," 192–193; and García-Badell, "La distribución de la propiedad agrícola en España," table 3. For figures on agricultural employment, Alcaide Inchausti, *Evolución económica*, 172–173.

9 percent between 1930 and 1960, the number of proprietors increased by more than 50 percent, and the average amount of land per proprietor decreased by 30 percent.

These figures only depict a part of Spain, consisting of about a third of the country's total provinces. Both the 1959 cadastral data and the 1962 agricultural census data provide a general picture of land tenure in Spain as a whole. Table 6.2 summarizes data on the distribution of farms by size according to the cadastre and the census—"farm size" referring to the *number of hectares per proprietor* in the case of the cadastre and to the *number of hectares per entrepreneur* in the census. Note that the total number of hectares recorded in the agricultural census was short by about three million farmers compared to the total recorded in the cadastre. This phenomenon is explained by the existence of a class that Malefakis called the "gardeners," who owned on average less than a hectare of land, earned little income from their plots and used them instead for supplemental subsistence production. These "gardeners," of whom Malefakis estimated there were about 3.1 million in 1960, appeared in the cadastre since they owned land but not in the agricultural census since their lands did not technically constitute "agricultural enterprises."[16]

The above figures give a general picture of land tenure in Spain around 1960, roughly 20 years after the end of the Civil War; understanding relations of production in agriculture requires slightly different figures. As illustrated in Table 6.3, data from the *Junta Nacional de Hermandades*—the state-sponsored national farmer organization—published in 1959, estimated that around 1956, roughly 36 percent

Table 6.2 Land Distribution in the 1960 Cadastre and the 1962 Agricultural Census

No. Hectares	*<10 (% Land)*	*10–100 (% land)*	*100+ (% land)*	*Total Hectares*	*Total Farmers*
1959 cadastre	19%	28%	54%	42,763,962	5,989,637
1962 census	13%	31%	57%	44,650,089	2,856,678

García-Badell, "La distribución de la propiedad agrícola en España," table 3; INE, *Primer censo agrario... resúmenes nacionales*, 5. The word "farmers" as used in the table refers to proprietors in the case of the cadastre and to "agricultural entrepreneurs" (*empresarios agrícolas*), whether tenants or proprietors, in the agricultural census.

Table 6.3 Spanish Agrarian Social Structure, 1940–1960, Various Estimates

	Hermandades	*INE*
Year	**1956**	**1960**
Capitalist farmers/"employers"	19%	5%
Family farmers	46%	52%
Agrarian wage laborers	36%	43%

Simpson and Carmona, *Why Democracy Failed*, 206; Flores, *Estructura socioeconómica de la agricultura española*, 119–120.

of those employed in agriculture were "essentially hired laborers," 19 percent were agricultural "employers" and 46 percent were "essentially family farmers." Data from the *Instituto Nacional de Estadística* (INE), meanwhile, found that in 1960, 5 percent of the agricultural labor force consisted of farmers employing wage labor (*agriculturores empresarios*), 52 percent of farmers not employing wage labor (*agricultores independientes que no emplean asalariados*) and 43 percent of agricultural wage laborers (*obreros agrícolas*).

In short, general data on land tenure *do not* suggest a process of land concentration in Spain in the two decades following the Francoist victory in the Civil War with respect to the situation before the war. Quite to the contrary, if anything, comparing cadastral data from 1960 with the data from 1930 in areas where the figures are comparable suggests an intervening *decline* in land concentration. Access to land ownership was quite diffuse in the Spanish countryside in 1960, with the key caveat that a large percentage of smallholders really only relied on their holdings for subsistence production, subsidizing wage labor in the agricultural sector or in other sectors.

The discussion of agrarian social structure in the 1940s has so far focused on land ownership. But what about the supposed process of massive proletarianization through the eviction of tenant farmers? Recall that the years of the Republic saw efforts to increase wages and employment of underemployed wage laborers in agriculture through measures like the *Términos Municipales,* the *Laboreo Forzoso* and the *Jurados Mixtos.* The 1940s, on the other hand, were a decade of policies typical of labor-repressive authoritarian regimes. The state implemented restrictions on labor mobility, whereby the ability to move was conditional on permission from municipal authorities on the basis of "good conduct."[17] Measures like these, along with the complete obliteration of the prewar agrarian labor movement, resulted in a plummeting of agricultural wages in the 1940s. Real wages in the agricultural sector averaged 72–73 percent of their 1936 levels between 1941 and 1942 before descending to 63 percent in 1946, 53 percent in 1949 and reaching a trough of 51 percent in 1951.[18] Measured in terms of its purchasing power in kilos of wheat, the average daily wage in agriculture in 1951, at about seven kilos, was almost half of the 1942 figure.[19]

"Direct producers," on the other hand—those with access to land to cultivate through ownership or tenancy—were in a much better position in the 1940s. Price guarantees and high black market prices created a combination of stability and opportunities to make considerable profits. Thus, while 1951 was a trough year for agricultural wages, it was a peak year for agricultural profitability as measured by pesetas of income for each peseta invested. That year, average profitability in wheat production was more than twice its 1942 level and 40 percent higher than the average 1933–1935 level, while in olives it was almost three times the level for both years.[20] Moreover, the circumstances of the 1940s eluded the normal declining terms of trade of agriculture vis-à-vis industry: in fact, during the whole decade agricultural prices grew in tandem with those of manufactured goods. Thus, in 1951 agricultural prices were at 743 percent of their 1933–1935 levels, while industrial prices were at 753 percent.[21] These estimates were based on official data and did not include the black market for agricultural goods, which likely made growth in agricultural prices even higher than industrial ones.

Many scholars have argued that the result of these market conditions in Spanish agriculture was a widespread transition on large landholdings whereby landowners ceased to rent out their lands to small farmers and began to cultivate them "directly" with wage laborers. This pattern was described even by observers friendly to the regime. Thus, for example, in a 1961 academic publication in which she referred to the Civil War using the standard regime term, the "War of Liberation" (*Guerra de Liberación*), María del Carmen Nieto argued that in the 1940s "many sharecroppers became casual laborers, due to the general tendency of landowners toward direct cultivation, and descended as a result in their social and economic conditions until they joined the mass of rural workers." Citing a legal treatise on tenancy laws, Nieto rationalized this trend as a product of the fact that since the Republic had made evictions more difficult, this had created a "reservoir" (*represa*) of pending evictions that was unleashed immediately after the war as the Nationalists installed a new tenancy law that "permitted the termination of contracts in certain circumstances."[22] Juan Martínez Alier, an exiled leftist economist, argued further in his study of latifundios in Córdoba that in the 1940s "the great majority of small tenant farmers and sharecroppers of the prewar period did not become proprietors, but rather ordinary laborers."[23]

The problem with examining this process of transition to "direct cultivation" (*cultivo directo*) in the 1940s, in contrast to discussions of land *tenure*, is that very little data are cited in scholarly descriptions of the process. For example, in a classic work on the history of modern Spanish agriculture, published in 1971, José Manuel Naredo cites a study by Luis García Oteyza to the effect that about 64 percent of lands in Andalusia were cultivated "directly" by their owners in the early 1950s. In contrast, Naredo cites the translation of a study of the Civil War by British historian Gerald Brenan, written originally in 1943, to the effect that "in 1930 70 to 80 percent of Andalusian latifundia were rented out."[24] This would imply a complete reversal of agrarian social relations, from a situation in which the majority of the latifundio lands were rented out to small tenant farmers in 1930 to a situation in which they were mostly cultivated "directly" with wage labor in 1950, with an intervening massive process of displacement.

In fact, in the original English version Brenan says the following:

> Since the slump that followed the [First World] war and especially since the coming of the [Primo de Rivera] Dictatorship the tendency of the large landowners has been to rent out more and more of their estates. In 1930 between 70 and 80 per cent of the large Andalusian estates *were rented in farms of from 100 to 1000 acres* (emphasis added).

Moreover, Brenan claimed that around 1930 the "landless proletariat" of the Andalusian countryside made up

> three-quarters of the population… who are hired by the day, by the month, by the season—rarely for longer than that—by the overseers of the large estates or by the tenant farmers who rent from them. For more than half the year they are unemployed.[25]

In other words, what Brenan described of Andalusia in 1930 was not a situation in which large landowners rented out lands to a mass of small tenant farmers but rather the classic "triad" of agrarian capitalism: absentee landowners, medium-to-large capitalist tenant farmers and a proletarianized mass of wage laborers.[26] Although Brenan probably exaggerated the percentage of completely landless laborers within the total population, his analysis emphasizes that Andalusia before the Civil War was already a region of a large population of rural proletarians.

Indeed, Gabriel García-Badell, in a 1946 analysis of 1930 cadastral data, found that 62 percent of all land in farms and 65 percent of all land under cultivation was under "direct" ownership rather than tenancy or sharecropping arrangements.[27] Luis García Oteyza, using survey data provided by the *Jefaturas Agronómicas*, or provincial agricultural bureaus, found in 1952 that about 64 percent of cultivated land in Spain as a whole was held under direct cultivation. It is hard to compare García Oteyza's figures exactly with those of García Badell, since the latter analyzed the 1930 cadastre and did not break down data on forms of tenure by province. However, zooming in only on the regions that were heavily represented in the 1930 cadastre gives us something of a picture: according to García Oteyza's data from the early 1950s, 64 percent of cultivated land in Andalusia, 70 percent in New Castile and 55 percent in Extremadura was held in "direct" ownership.[28] These figures would suggest very little change between 1930 and 1950 in the relative spatial importance of tenancy and sharecropping.

In other words, existing data do not seem to corroborate the dramatic transformation from tenancy to "direct" cultivation described in the accounts of massive eviction and proletarianization of tenant farmers in the 1940s. It could be, however, that by comparing data from 1930 and 1950 we are missing an intervening period of *increased* tenancy in the 1930s that was undone in the 1940s. Even here though, existing data do not suggest a massive shift in the overall percentage of wage laborers in the agrarian labor force between the early-to-mid 1930s and early 1950s. The only real source of data on the composition of the agrarian labor force in the 1930s is the *Censo Campesino*, or "peasant census," taken for the purposes of conducting agrarian reform during the years of the Second Republic. The *Censo* counted only 1.1 million people, mostly those who might qualify to receive redistributed lands (i.e. no large landowners), but unlike the Cadastre its scope was not only confined only to the South—in fact it covered at least some parts of 44 provinces, and it categorized 48 percent of respondents as jornaleros and the remainder as small proprietors and tenant farmers.[29] This percentage of wage laborers is actually slightly higher than the figures cited above from the 1950s—however, the data from the *Censo* did not, unlike later data, include large landowners or capitalist agricultural "employers." The point, in any case, is that the data do not imply much of an increase in the share of wage laborers within the total agricultural population between the 1930s and early 1950s.

Moreover, the usual explanation of the transition to "direct" cultivation—that rising prices and falling wages made the latter more profitable—passes over the fact that sharecropping in particular remained a very profitable option for landlords. A case in point is the latifundio of 1,542 hectares in Seville studied by José

Manuel Naredo and colleagues in 1977, which began to be sharecropped in 1923. The estate's land was leased in 6-year sharecropping contracts, with an average tenant holding of 20 hectares—tenants and their families totaled a maximum of 700 people. The farm remained under sharecropping arrangements throughout the 1940s and did not transition completely to "direct" cultivation until 1962. On the issue of profitability, Naredo et al. note that in the 1940s sharecroppers were paid according to the official, not black market value of their crops; they estimate that sharecroppers' income could have been as much as twice as high if they had received black market rates. This lends the possibility that since the landlord controlled the marketing of the crop, he made a large premium by selling at least part of it at black market rates and remunerating tenants at official rates. Nevertheless, the deal was still much better for sharecroppers relative to wage laborers, as even official agricultural prices grew faster than overall inflation until the early 1950s—tenant accounts examined by Naredo and colleagues recorded olive prices increasing by 60 percent between 1950 and 1951 and wheat prices increasing by about the same rate between 1951 and 1952.[30]

In short, there does not seem to have been a significant change in patterns of land tenure in Spain over the course of the 1940s. There does seem to have been a decline in the concentration of land ownership between the 1930 and 1960 cadastres, at least in the latifundio provinces where the cadastre was complete by the former date. It is unclear, however, exactly when this decline in concentration occurred within the intervening 30-year period between the two cadastres. Second, examination of existing basic data does not suggest either a significant decline in the relative spatial prominence of sharecropping and tenancy vs. "direct" cultivation or an expansion in the relative size of the rural proletariat within the agricultural labor force as a whole, over the course of the 1940s. This emphatically does not mean, however, that the decade was not one of tremendous difficulty for the Spanish peasantry and working classes as a whole, particularly among those whose livelihood depended primarily on a wage. The repression of wages combined with the increase in agricultural prices resulted in the creation of large financial surpluses in agriculture. These surpluses, as nefarious as they were in the causes that brought them about, were ultimately channeled into an expansion of industrial investment. The process through which this occurred is the focus of the following section.

The Transfer of Agricultural Surplus to Industry and Inflationary Finance

In addition to foreign exchange and trade controls, the Spanish government also intervened directly in domestic agricultural production during the 1940s. The most notable example of this intervention was the official monopoly on the marketing and distribution of essential agricultural products. Through the *Servicio Nacional del Trigo* (SNT, or National Wheat Service) as well as the *Comisaría General de Abastecimientos y Transportes* (CGAT, or General Commissariat of Supplies and Transport), the state bought the entirety of the harvest in select crops—including wheat, barley, rye, oats and other cereals—directly from producers at fixed prices.[31]

This system of complete control over the marketing of certain crops was in part a product of the overproduction problems of the 1930s and the agricultural interests that brought the regime to power. As discussed in Chapter 3, for the Catholic agrarian movement and its organizations, the National Catholic-Agrarian Confederation (CNCA) and the Spanish Confederation of Autonomous Rights (CEDA), which channeled support for the Nationalist cause among small and medium-sized wheat farmers, the Second Republic's failure to deal with the problem of overproduction had been a major grievance. Recall that despite a relatively strong protective barrier against the international wheat market, Spanish wheat prices were about 12 percent lower in the mid-1930s than they had been in the early 1920s.[32]

The prevailing free-market argument regarding the economic conjuncture of the 1940s claims that it was the state's monopoly on the procurement of principal agricultural goods that caused the problem of scarcity. According to this argument, prices set by the state were lower than the ideal market price, such that farmers reduced production. Lifting interventions in the agricultural price system would have resulted in higher prices and incentivized increased production, thereby resolving the problem of scarcity.[33] Several authors have further argued that the system of prices served the regime's class interests—in particular, that it rewarded a landowning elite by allowing it to profit immensely from a parallel black market.[34] Other authors have argued that the system of rationing and fixed agricultural prices was part of a conscious effort on the part of the regime to repress the Spanish working classes by drowning them in the effects of economic scarcity.[35]

The notion that the new agricultural price system was intended to serve the class interests of the regime by satisfying a farmer constituency certainly has an element of truth. In fact, the official discourse of the time said as much. Thus, for example, Enrique Fuentes Quintana, a structuralist economist linked to the Falange, argued that the agricultural price policy and the stability it provided were good for farmers and lauded the "tenor of life" in the countryside.[36] Aurelio García González and José María Mira Izquierdo made a similar point in a 1946 publication on the SNT when addressing a common argument against the system of set prices—that free importation of grain would solve the problem of scarcity and improve the situation of most Spaniards:

> The theory is at first sight brilliant, simple and flattering. Reducing the area of wheat production, which results in much land yielding poor returns; garnering the favor of the industrial masses of the large cities with the illusion of bread at half-price… A magnificent political platform. But what to do with those lands which cease to be cultivated in wheat? What to do with the hundreds of thousands of families that live—as precariously as they often do—tied to the plow?[37]

Here was a defense of the agricultural price policy that, when push came to shove, was openly *not* about economic "rationality" but rather about the economic wellbeing of a certain *political* constituency of the regime—in particular,

the grain-producing farmers of the "interior." Evidence suggests that the policy of government-set prices was popular among this exact constituency—that is, among *direct producers* in agriculture. For example, through survey research in the northern Castilian region of Tierra de Campos in the 1960s, Víctor Pérez Díaz found that approval of government intervention in general and the SNT in particular was virtually unanimous among farmers and that three-fourths of them approved extending price intervention to other crops besides wheat.[38]

However, there is also an argument to be made that the policy of fixed agricultural prices served a purpose beyond simply catering to a certain agrarian constituency. Minister of Industry Juan Antonio Suanzes argued this in his 1950 speech to the Cortes, in reference not only to the policy of agricultural prices but also to the numerous economic interventions of the 1940s more generally: he acknowledged that the "absence of restriction may sometimes be a good solution" but emphasized his conviction that in Spain's particular case the deregulation of prices would not result in increased production but rather in inflation and a "dangerous reduction of the buying capacity of the poorer classes."[39]

Most recent literature has argued that this line of thinking was simply a cynical retrospective justification for the *a priori* pursuit of autarky. However, recent research suggests that this justification of fixed prices may not be entirely wrong after all. Given the bottlenecks in agricultural production we have discussed, Thomas Christiansen in particular has rejected the common argument that deregulation and a general increase in prices would have resulted in increased production. Such a situation would assume unused productive capacity, which did not exist in Spain in the late 1940s because of shortages of inputs and the inability to import them. Christiansen suggests that the ideal policy response in this situation would have been some sort of dual price system—in which a certain quota of agricultural production was marketed at fixed prices to guarantee food security, while the rest was marketed freely.[40]

What existed instead was a *de facto* dual price system. In theory, the state, through the SNT and the CGAT, had a monopoly on the procurement and marketing of the *entirety* of agricultural production. In practice, a flourishing black market developed in parallel with the official system. Estimates of the magnitude of *estraperlo*, or black market production, vary somewhat. Christiansen has estimated the size of the black market in the 1940s as just over half of marketable production in wheat and around 15 to 20 percent of production in olive oil.[41] José Manuel Naredo, who in a 1980 study examined the historical farm accounts of a large 450-hectare farm in the province of Sevilla, found that between 1943 and 1950 the farm on average underreported 15 percent of both the planted area and the yield of the wheat crop to the state, such that in total about 30 percent of the total harvest went undeclared. This differential was sold on the black market. Given interviews with farmers in the area and examination of the accounts of other farms, Naredo suspected that the level of underreporting of the harvest on this particular farm was "normal, tending toward the lower side."[42]

Average prices differed considerably between the official and black markets. Naredo estimated that wheat sold at 1.6 pesetas/kg at official prices on average

between 1940 and 1949, while black market prices averaged 6–7 pesetas. In barley the figures were 0.8 vs. 4.5–5, in garbanzos 3.1 vs. 12 and in olive oil 4.8 vs. 18–20.[43] As Christiansen points out, the black market must be taken into account when assessing whether the price system of the 1940s incentivized farmers to decrease production. If such a significant portion of agricultural production was sold on the black market and black market prices were so much higher, then there was a clear incentive to produce.[44] The implication, then, is that insofar as the 1940s saw a decline in agricultural production, this was a result of input shortages, not of "incorrect" prices.

As we have seen, Spain in 1940 was a country of both a world of large estates worked with wage labor and a parallel world of smallholders. Economist José Luis Leal and colleagues argue that the contribution of agriculture to Spanish industrialization in the 1940s was defined primarily by the centrality of the latifundios in providing surplus for industrial investment. As they argue, the latifundios of Andalusia—they specify even further the large farms of Western Andalusia—were the "fundamental center" of the generation of financial surplus. Two characteristics put southern Spain's agriculture in this position. The first was paradoxically the relative "backwardness" of Andalusian agriculture, since "the savings and financing capacity generated per unit of production will be greater in an agriculture that uses backward production methods." Related to this was a dearth of agricultural investment. As we have seen, agricultural prices increased over the course of the 1940s while real wages declined. However, investment did not increase at pace. Despite growing from 386 million pesetas in 1942 to 1.792 billion in 1951 and 4.5 billion in 1954, agricultural investment in 1954 was only 13 percent of total investment, despite the fact that agriculture accounted for over 34 percent of GDP. Moreover, a 1953 report of the UN Food and Agricultural Organization found that there were 264 males employed in agriculture in Spain for every tractor, as opposed to 2 in the United States, 3 in Britain, 7 in West Germany, 18 in France and 73 in Italy.[45]

Thus, over the course of the 1940s agricultural prices increased, wages were low and agricultural investment also remained low. The result was a large surplus that was available, potentially, to be channeled into industrial investment. However, as Leal et al. emphasize, that such a surplus existed by no means guaranteed that it would translate into financing for industrialization; there also had to be "financial institutions capable of transforming [the surplus] into resources actually available for industry, and capitalists or a public sector willing to invest."[46] That is, agricultural surplus had to be channeled through financial institutions into industrial investment—not remain as rents for an agrarian elite or be spent on imported manufactured products.

It seems, crucially, that this surplus *was* channeled into financial institutions in the 1940s and translated into high rates of industrial investment. Throughout the 1940s, the SNT theoretically had a monopoly on the procurement and distribution of wheat production in Spain, and in practice it captured large amounts, perhaps a majority of production even with the existence of a large black market for agricultural products. The SNT played an important role in channeling agricultural

surpluses into the financial sector because it forced farmers to have bank accounts in order to receive payments from the agency.[47]

José María Lorenzo Espinosa notes the results of this policy on the two main banks of the Basque financial sector. The Banco de Vizcaya's total deposits soared from 694 million pesetas on the eve of the Civil War to over 4 billion by 1950; those of the Banco Bilbao similarly increased from 873 million pesetas in 1935 to 4.5 billion in 1950. Credits disbursed by the banks also increased over this period, from 270 million pesetas in 1935 to 1.4 billion in 1949 in Banco Bilbao and from 140 million in the immediate postwar to 1.3 billion in 1950 in Banco Vizcaya. In both banks, moreover, there was a transition beginning in the mid-1940s to long-term credits, suggesting a shift toward longer-term investments. As Lorenzo Espinosa notes, "some of the best results from this period, were attained in relation to the agricultural cycle." The Bank of Bilbao in particular had previously purchased a large number of bankrupt local banks in rural areas during the financial crisis of the early 1930s, thereby acquiring a significant presence in the Spanish countryside. In connection with this expansion of savings and credit and in an environment of relatively low consumption in the difficult years of the 1940s, Basque industry, linked to the Basque financial sector, went on an investment spree. The Basque steel conglomerate Altos Hornos de Vizcaya made large investments in new productive capacity and vertical integration, while the total share capital of the main Basque shipbuilding company, Euskalduna, increased from 20 million pesetas in 1943 to 50 million by the end of the 1940s.[48]

This pattern was not specific to the Basque industrial and financial complex, however; it was true more generally as well. For example, total savings in banks, in constant 1958 pesetas, increased 55 percent between 1940 and 1950, from 23.5 billion to 36.6 billion pesetas. Most of these savings were channeled not through the major commercial banks but through the *Cajas de Ahorro* or small savings banks which, as we shall see later, became the workhorse of state-channeled industrial investment in the 1950s and 1960s. Total savings in the *Cajas* increased 32 percent adjusted for inflation between 1940 and 1950, from 19 billion in 1940 to 25 billion in 1950, measured in 1958 pesetas.[49] Similarly, national gross fixed capital formation increased, in current figures, from 8.2 billion pesetas in 1940 to 33.2 billion in 1950.[50]

In short, the 1940s, years of tremendous scarcity for much of the Spanish working class, saw a significant increase in agricultural savings which was channeled through the banking sector and into industrial investment. In order to understand the ramifications of this transfer of capital from the agricultural sector to the industrial sector, we must first understand several trends in the Spanish *financial* sector during the 1940s. First of all, there was a marked process of concentration among Spanish banks during this period. Between 1940 and 1962, the total number of banks declined from over 200 to just around 100.[51] The "big five" banks of this period—Hispano Americano, Español de Crédito (Banesto), Central, Bilbao and Vizcaya[52]—were the main actors in this process of concentration. Between 1941 and 1950, Hispano Americano absorbed nine banks; Central, seven; Vizcaya, two; Bilbao, twelve; and Banesto, fourteen.[53] Thus, by 1949, the big five held 1,299

bank branches of a total of 1,953 in the country, or two thirds of the total.[54] As María Pons points out regarding the Spanish banking system during this period in comparison with the Italian system:

> the Italian system in 1946 comprised 1,432 banks with 6,889 branches, while the six largest banks held 35.5 per cent of total deposits. In comparison, there were 114 Spanish banks with 2,000 branches, of which the six largest had 54.2 per cent of total deposits.[55]

By 1957, the now "big seven" held 72 percent of total deposits.[56]

Concurrent with this process of concentration in the banking sector, however, was a channeling of capital accumulation into the banking system. At current levels, banking deposits in 1950 were 393 percent of their 1940 levels, vastly outpacing inflation.[57] The fact that the banks, or rather now the Ministry of Finance through the Superior Banking Council (CSB), kept a maximum on deposit interest rates—hardly an incentive for savers—speaks to the importance that government-induced savings, particularly through the mandated transfer of SNT payments into bank accounts, had in catalyzing this process.

As bank deposits increased in the 1940s, lending increased accordingly. Total credits granted by the private banking sector increased more than four times over between 1941 and 1948, from 6.9 billion pesetas to 28.2 billion.[58] Indeed, the model of industrial investment that consolidated in the 1940s adhered to the bank-centered pattern typical of countries like France, Germany and Japan, not the stock market model typical of Britain and the United States. Over the course of the 1940s and 1950s, 60 to 70 percent of external resources channeled to the private sector in Spain came from private bank credit; this represented a significant increase from the 30 percent average of the early 1930s. A remaining 30–40 percent came from stocks.[59] For comparison, in 1976, 85 percent of external financing in the French economy came from "institutional lenders" while 15 percent came from the "financial market"; in Germany, the figures were 86 percent and 14 percent, and in Japan 68 percent and 32 percent. In the United States, in contrast, the figures were 51 percent and 49 percent, and in the United Kingdom 58 percent and 42 percent.[60]

Backing this entire system, as the *pignoración* system continued, were heavy bank investments in public debt. Between 1942 and 1959, public sector debt consistently made up 70 to 80 percent of the securities portfolios of private banks, while only 20–25 percent was invested in private sector stocks and bonds; the latter figure further illustrates the smaller role of stock market financing as opposed to bank credit as a source of financing for industrial investment during this period.[61] Between 1940 and 1950, Spain's public debt increased by 148 percent, growing at an average rate of 6.7 billion pesetas per year between 1945 and 1952. This debt went almost entirely to the banking system, which in turn "monetized" it through *pignoración* at the Bank of Spain, such that by the end of 1952 the latter had "disposed of" almost 15.6 billion pesetas through this process.[62]

As a result, the value of bills in circulation increased from 9.4 million pesetas in 1939 to 26.5 billion in 1948, while in the 1950s the money supply grew by an

average of over 13 percent a year.[63] Needless to say, production did not expand as rapidly as the money supply, resulting in inflation. In 1946, for example, the cost-of-living index rose at a rate of about two percent per month, or an annual rate of 27 percent.[64] Thus, numerous scholars emphasize the importance of inflation as a defining condition of Spain's model of financing for industrialization in the 1940s and 1950s and even into the 1960s.[65] In Sofía Pérez's words, the Spanish model, rooted in the prewar system of *pignoración*, "turned inflationary public finance into a motor of industrialization."[66]

Spain was not unique among postwar developing countries in pairing industrialization with inflation, however. In fact, inflation coexisted with rapid economic development in several places during the mid-twentieth century. South Korea, for example, saw average inflation rates of 17.4 percent in the 1960s and 19.8 percent in the 1970s, in the midst of an economic "miracle."[67] Inflation in France, which reached 48.4 percent in 1945,[68] also accompanied rapid development in the postwar decades. The average French yearly inflation rate in the 1950s, at 6.2 percent, was actually slightly higher than the Spanish average of 5.8 percent; in both countries the average was substantially higher than the figures of 2.8 percent in Italy and 1.2 percent in West Germany.[69] In short, inflation, rather than an obstacle to growth, was a defining aspect of a particular *model* of growth in the postwar era.

What was responsible for higher inflation rates in France and Spain, as compared to their Western European neighbors, in the 15 years following the end of the Second World War? As Michael Loriaux explains, West Germany underwent a monetary reform in the immediate postwar period that withdrew 90 percent of liquidity from the economy. This reform, however, was conducted in unique conditions under the supervision of an occupying US army. In France, on the other hand, where normal democratic political contention resumed immediately after Liberation, authorities did not want to risk a deflationary policy whose implications "might have fanned the flames of social discontent." Instead, the strategy opted for was to "accelerate economic reconstruction and to respond to the demand that excess liquidity generated by hastening production of a commensurate supply of goods."[70]

Inflation in Spain was also the product of a particular class compromise in which it became the price to be paid for increases in production. However, several factors made the Spanish case distinct. The first and most obvious one was that the Francoist regime, particularly in the 1940s, was a thoroughly authoritarian and labor-repressive one. This meant that for a decade, inflation eroded the purchasing power of a recently defeated working class, such that real wages declined significantly. In France, a strong labor movement and a powerful Communist Party were able to extract *de facto* wage indexation for workers as a response to inflation.[71]

Spanish workers would have to wait until the 1950s for their wages to catch up with inflation, as the regime decreed several significant across-the-board wage hikes in response to strikes and labor mobilization.

It was also not until the 1950s that Spain was able to adopt the strategy taken by France in the late 1940s: responding to an increase in the money supply not by taking deflationary measures but by "hastening production of a commensurate supply

of goods." As we have seen, bottlenecks in production caused by international isolation in the 1940s prevented such a commensurate increase in production. The 1940s did see an increase in investment in new production capacity, but it was only with the normalization of trade relations in the early 1950s that the needed inputs arrived to turn these investments into increased production.

There was one final sense in which Spain's model of inflationary finance for economic development was distinct from France's in the late 1940s: the state's continued respect for the autonomy of private *finance* (this respect did *not* extend to private industrial *production*). In France, the first postwar governments nationalized the Bank of France and four additional commercial banks, the latter holding 65 percent of French bank deposits around the time of nationalization.[72] This allowed the French state to have direct control over the allocation of credit to the private sector that the Spanish state did not have at this time, except indirectly through parastatal credit institutions like the Industrial Credit Bank (BCI), where, as we have seen, state control remained only partial even during the first decades after the Civil War.

The fact that the Spanish state did not nationalize the financial sector did not, however, mean that it was completely reliant on the private sector to guarantee the execution of its program for industrialization. In fact, the industrialization model that developed in Spain at this time in a way involved an even *greater* role for the state than the French model: rather than channeling credit into private sector investment, the Spanish state developed a *parallel* industrial apparatus, in the form of state-owned enterprises, through which it could enter production directly in those priority sectors where private investment was either not forthcoming or was deemed insufficient. The formation of this model is the focus of the section that follows.

Searching for a Protagonist: Emergence of a Statist Industrialization Model

Almost immediately after taking power, the Nationalist regime promulgated several industrial policy laws aimed at encouraging domestic industrial development. Most importantly, laws passed in October and November of 1939 regarding the promotion and protection of "national industries"—including especially those related to national defense as well as "basic" industries—allowed the state to designate production within certain industrial sectors or enterprises to be in the "national interest." For firms, designation as a "national interest" enterprise carried a series of benefits, including the possibility of state-enforced expropriation of lands necessary for production facilities; tax reductions of up to 50 percent; a guaranteed minimum profit of four percent, up to a billion pesetas; tariff reductions on imports of machinery and raw materials; and, if necessary, "imposition on national consumption of a minimum quantity of the product at a determined price."[73]

In return, national interest firms would be supervised by a state-appointed inspector (*interventor*) and a government representative on the company board and would be taxed at a rate of 50 percent of any profits above seven percent.[74] The

1939 laws also required firms to obtain state permission to "establish, expand or transfer" productive facilities; restricted foreign participation in new ventures to 25 percent of total capital; imposed import licenses and local content requirements; required management to be Spanish nationals in national interest industries; and allowed the state to nationalize enterprises in national interest sectors.[75] In addition to these measures, of course, were the various government controls on the allocation of inputs instituted during the years of "autarky" in the 1940s.

To what extent were these measures able to stimulate private sector investment and production in the desired industrial sectors? There was certainly an increase in private sector investment in Spain during the 1940s. Although industrial investment was financed more by bank credit than by shareholder capital, increases in shareholder capital still testify to the large investments of the 1940s: Altos Hornos de Vizcaya, by far Spain's largest steel conglomerate, issued 250,000 new shares beginning in 1940, and between that year and 1950 the firm's total share capital increased by 150 million pesetas; the figure for Euskalduna, the Basque shipbuilding firm, more than doubled from 20 million pesetas in 1943 to 50 million by the end of the 1940s. Both firms were linked to several of Spain's large banks—Bilbao, Vizcaya and Urquijo, in the case of Altos Hornos.[76]

Whether the private sector—namely, existing industrial conglomerates linked to the major banks—was responsible for the direction of Spain's industrialization *strategy* in what became the "Spanish Miracle," however, is a matter of debate. Both the "free-market" and "monopoly capitalism" approaches discussed in the introduction downplay the role of the state in Spanish economic development. The "monopoly capitalism" interpretation held that it was the private conglomerates, and especially the "financial aristocracy" that controlled them, that dictated the direction of the Spanish economy during essentially the entire Francoist period. Insofar as the state had a role in the Spanish economy, it was closely interpenetrated with private capital and ultimately served the latter's interests. Thus, as Sofía Pérez argues, the monopoly capitalism interpretation was "geared almost exclusively toward explaining away the significance of interventionism" in the Spanish economy.[77]

The free-market interpretation shares with the "monopoly capitalism" school the view that it was the private sector, linked to major banks, that spearheaded Spain's industrialization process and dictated the industrialization strategy. It differs in seeing the state not as an instrument of private capital but as an *obstacle* to it. Embodying this view are the works of economic historians Antonio Gómez Mendoza and Elena San Román, who argue that in the 1940s and 1950s the Spanish private sector was subjected to "unfair" competition from state-owned enterprises; that the public sector underwent a "vicious" cycle of expansion; that the Nationalist regime tried to institute a "totalitarian and centrally planned economy"; and that the state intervened in the private sector with "arbitrariness and favoritism," ultimately suffocating private investment.[78]

Arguments attributing initiative to the state rather than private capital in post-Civil War Spanish economic development are much more scarce. The main proponents of this view have been economic historians Pablo Martín Aceña and

Francisco Comín, who argue that ultimately the creation in the 1940s of a state holding company charged with promoting direct industrial investment by the state, the INI, responded to the *failure* of state efforts to promote *private* investment in the strategic direction that the regime desired.[79]

To what extent was the industrialization strategy that took shape during the "Spanish Miracle" imposed by the state in the face of private sector reticence? Answering this question requires an examination of the INI's origins and its activities in the sectors which the regime saw as critical to the industrialization strategy it envisioned. In what follows, I concur with Martín-Aceña and Comín's arguments that the INI must indeed be seen as the manifestation of the Francoist state's efforts to adopt a particular rapid industrialization strategy. Moreover, I suggest that INI played a critical role in the 1940s in setting the groundwork for later industrial growth, particularly through its investments in capital goods and inputs production.

The Birth of INI

In 1930, the ten largest corporations in Spain, with the exception of the central bank, were all railroads and utilities linked to foreign capital (see Chapter 2). As Table 6.4 shows, by 1948 the composition of the top ten Spanish enterprises had changed significantly. While three foreign firms remained, including two power companies and a British-owned shipbuilding firm, by now four private Spanish firms had made their way into the top ten. None of these, however, were manufacturing firms; one was an electric company (Iberduero) and three were major banks (Hispano Americano, Banesto and Bilbao). In addition, among the top ten firms were now three state-owned firms, two of them occupying the top two places on the list. Yet none of these, again, were manufacturing firms, nor were any of

Table 6.4 Top Ten Firms in Spain by Assets, 1948

Rank	*Enterprise Name*	*Industry*	*Type*
1	Red Nacional de Ferrocarriles Españoles (RENFE)	Railroads	Nationalized
2	Compañía Telefónica Nacional de España	Telecom	Nationalized
3	Compañía Hispano Americana de Electricidad	Electricity	Belgian
4	Riegos y Fuerzas del Ebro	Electricity	Canadian
5	Hidroeléctrica Iberia (Iberduero)	Electricity	Private Spanish
6	Compañía Arrendataria del Monopolio de Petróleos (CAMPSA)	Petrochemicals	State-owned, non-INI
7	Banco Hispano Americano	Banking	Private Spanish
8	Sociedad Española de Construcción Naval (SECN)	Shipbuilding	British
9	Banco Español de Crédito (Banesto)	Banking	Private Spanish
10	Banco Bilbao	Banking	Private Spanish

Carreras and Tafunell, "National Enterprise," 20.

them linked to the major state industrial holding company, INI, founded seven years prior. Instead, they were products of nationalizations of precisely the foreign firms that dominated the top ten list in 1930. The *Red Nacional de Ferrocarriles Españoles* (RENFE) resulted from the nationalization of Spain's railroads in 1941 and the Telefónica from the state's acquisition of International Telephone and Telegraph's (ITT) holdings in Spain in 1945. The third state-owned firm, *Compañía Arrendataria del Monopolio de Petróleos* (CAMPSA), was the state-owned monopoly for commercial petrochemical distribution that had been established in the 1920s.[80]

As shown in Table 6.5, however, by 1960 the panorama of the top ten firms had changed significantly yet again; only four of the firms from 1948—the three state-owned monopolies and Iberduero—remained. In addition to the large private Spanish steel conglomerate Altos Hornos de Vizcaya, four INI companies had made their way into the top ten firms, of which three were major manufacturers: *Empresa Nacional Siderúrgca* (ENSIDESA), a steel producer; *Empresa Nacional Calvo Sotelo*, a petrochemical manufacturer; and *Empresa Nacional Bazán*, a shipbuilding firm. Not only did INI firms constitute four of the top ten largest firms in Spain by 1960, they also accounted for significant portions of production in major industrial sectors, as illustrated in Table 6.6. INI's importance extended not only to key inputs whose consumers would typically be other industrial firms—such as steel and aluminum—but also to products marketed directly to consumers, such as automobiles.

While INI's crucial importance in the Spanish industrial sector may have only become clearly visible by 1960, the formative period behind the emergence of this important role was the 1940s. According to Pedro Schwartz and Manuel-Jesús González, authors of one of the two authoritative histories of INI, there are two alternative origin stories for the institution. One is that Franco himself called for its formation in 1941 after he heard about the *Istituto per la Ricostruzione Industriale* (IRI), the Italian state enterprise holding company founded in the early 1930s under Mussolini. The other is that Juan Antonio Suanzes, who would come to lead INI

Table 6.5 Top Ten Firms in Spain by Assets, 1960

Rank	*Enterprise Name*	*Industry*	*Type*
1	RENFE	Railroads	Nationalized
2	Empresa Nacional Siderúrgica (ENSIDESA)	Steel	INI
3	Telefónica	Telecom	Nationalized
4	Empresa Nacional Calvo Sotelo	Petrochemicals	INI
5	Hidroeléctrica Española	Electricity	Private Spanish
6	Iberduero	Electricity	Private Spanish
7	CAMPSA	Petrochemicals	State-owned, non-INI
8	Empresa Nacional Bazán	Shipbuilding	INI
9	Altos Hornos de Vizcaya	Steel	Private Spanish
10	Empresa Nacional de Electricidad	Electricity	INI

Ibid.

Table 6.6 INI Share of Production in Various Industries, 1960

Sector	*% Production*
Refined petroleum	58.1
Electricity	12.3
Steel	21.7
Aluminum	77.6
Automotive	78.3
Shipbuilding	46.8
Nitrogenous fertilizers	38.1

Martín-Aceña and Comín Comín, *INI: 50 años*, 56–57.

until 1963, had already proposed its constitution as Minister of Industry in the Nationalist zone during the Civil War.[81] In either case, IRI had a clear influence on the founding of INI. Suanzes explicitly mentioned IRI in his notes on INI's founding in 1941, and the original draft of the law founding the institution, in a remarkable slip, was first published in September 1941 with a reference to the "*Instituto de Cambios y Divisas*"—the name of the Italian institution in charge of foreign exchange, not the Spanish one; evidently entire sections of INI's founding law had been lifted verbatim from the IRI charter.[82]

INI was chartered with cabinet-level status, placed directly under executive control rather than under the Ministry of Industry and funded directly from the treasury. As of 1947, almost all of the institution's nearly 1.5 billion pesetas of financial resources came directly from the state budget. INI's president from its founding until 1963, Juan Antonio Suanzes, was childhood friends with Franco, and apparently one of the only people to refer to the dictator with the familiar pronoun *tú.* He had entered the navy at the young age of 18 and later became an engineer; in 1932, he had taken advantage of the Republic's new early-retirement law for military officers (an effort to reduce the power of the military caste). He then worked for the *Sociedad Española de Construcción Naval* (SECN), the Spanish shipbuilding subsidiary of the British Vickers, but quit after the Spanish firm received a contract to build warships for Brazil, only for Vickers to move the manufacturing operation to Britain. Suanzes's ideology, according to Schwartz and González, was a combination of *regeneracionista* nationalism, Catholic corporatism and a confidence in the transformative capacity of engineers.[83]

As Schwartz and González explain, the rationale given for the formation of INI by its creators in the early 1940s was clear: Spanish industrial development was short of capital and short of capitalists. INI's founders argued that long-term credit for industrial investments was not amply available and that the large universal banks connected to industrial subsidiaries channeled savings into these subsidiaries only for the funding of the investments that would make the largest short-term profits.[84] The problem, in other words, involved not just the availability of capital but also the willingness to invest. As Carlos Moya argues, moreover, the Franco

regime's decision to have the state intervene directly in industrial investment also replaced the other possible solution to the problem of insufficient investment and financing, that of attracting foreign direct investment in desired sectors. The latter would have been considered unacceptable from the standpoint of national economic independence.[85]

This was a move beyond simple indicative planning, where the state incentivized private actors to invest in certain sectors through its control of credit and fiscal incentives. As the INI's 1941–1942 annual report stated,

> "the State no longer resigns itself to the simple role of issuing a program or aspiration, and offering more or less indirect incentives, so that private initiative might decide whether or not to satisfy the felt need… it should have at its disposal an institution capable of guaranteeing in all cases the fulfillment of its programs, to the degree it considers vital or necessary."[86]

To what extent was INI able to "fulfill" the state's program of industrialization based on local capital? To begin an answer to this question the following section examines INI's economic program at a key early stage of its development, when the institution paid particular interest to fomenting domestic production of capital goods and industrial inputs in response to the economic conjuncture of the 1940s.

Capital-Intensive Industrialization

The economic situation of Spain in the 1940s was characterized by a decline of international trade, a fall in export earnings and a bottleneck in production caused by the inability to import key inputs. As a result, the focus of INI's activities in the 1940s was the production of intermediate inputs. Indeed, of the six major enterprises created by INI in the first half of the 1940s, four of them were inputs manufacturers, producing petrochemicals and fertilizers, electricity and aluminum.[87] The production focus of INI in the 1940s was consonant with a broader focus during this period on industrial investment, rather than production for consumer consumption. In what follows, I analyze INI's activities in the areas of fertilizer, petrochemical, aluminum and electricity production. In all four cases, INI entered these sectors *alongside* existing private firms. Although its share in production varied, I argue that in all four sectors INI played a key role in increasing production, including through programs of investment that translated into production increases only after the normalization of international trade relations in the early 1950s.

One of INI's first priority sectors was fertilizer production. As we have seen, pre-Civil War domestic nitrogenous fertilizer production was very low in Spain, as a result of both a glutted international market providing cheap imports and the strength of agricultural interests which successfully resisted protective tariffs. Thus, before the Civil War only roughly 3,000 tons of the yearly consumption of over 100,000 tons of nitrogen for fertilizer was produced domestically.[88] As the Second World War and subsequent international isolation resulted in a dramatic decrease in the availability of imported fertilizers, increasing domestic fertilizer

production became a high priority for domestic agriculture and the national economy as a whole.

Already in 1939, the Nationalist regime had come up with a *Plan del Nitrógeno*, which called for 112,000 tons of domestic nitrogen production for fertilizer. The Plan was developed in coordination with the private sector, and it resulted in the declaration of the nitrogenous fertilizer industry as a "national interest" one in 1940. Private sector representatives in the 1939 meetings to draw up the Plan included the metallurgical conglomerate Altos Hornos de Vizcaya and the *Sociedad Ibérica del Nitrógeno* (SIN), the latter founded in the prewar period with links to the French *Air Liquide*. Over the course of 1940 and 1941, four private enterprises—*Sociedad Ibérica del Nitrógeno* (SIN); *Sociedad Española de Fabricaciones Nitrogenadas* (SEFANITRO), linked to Altos Hornos; *Nitratos de Castilla*, linked to the private electricity firm *Iberduero*; and *Hidronitro*—were accorded benefits as "national interest" firms. In addition, INI took direct participation in the sector, both by acquiring a minority stake in SIN in 1942 and ultimately through its petrochemical companies *Empresa Nacional Calvo Sotelo* (ENCASO), founded in 1942, and *Refinería de Petróleos de Escombreras* (REPESA), founded in 1949.[89]

Unsurprisingly given the presence of both private and state sector plans for nitrogenous fertilizer production in the 1940s, there has been debate about the role of the state in the sector and about where the real productive "initiative" lay. Adherents of the free-market interpretation of economic development have argued that state intervention in this context strangled potential private capacity in nitrogen production by favoring state enterprise in an economically "irrational" fashion. Gómez Mendoza and San Román argue, for example, that three out of the seven private sector proposals to receive "national interest" government support for nitrogen production were declined, not because of their lack of feasibility but because they competed with state-owned enterprises involved in the sector. Moreover, the argument goes, while the state-owned enterprises involved in the nitrogen sector did not begin producing until well into the 1950s, the private ones, despite the oppression and hostility of the state, were producing by the late 1940s.[90]

The reality, in fact, is that not much of any nitrogen production took off until the 1950s. In 1951, for example, while ENCASO was not yet producing, none of the four firms originally designated for "national interest" benefits in the early 1940s were even close to achieving their production goals as laid out in the Plan del Nitrógeno: they were producing a total of only 6,500 tons of nitrogen of the 51,250 tons originally projected.[91] As Buesa and Robles Teigeiro explain, efforts to start up nitrogen production in the 1940s suffered from difficulties in obtaining the necessary capital goods, as well as a lack of financing and foreign technology. By the late 1950s, American capital goods and technology imports had begun to flow, and production had increased significantly. If anything, this was evidence of the contradictory reality that even import substitution industrialization must ultimately be import-intensive. In the decade between 1953 and 1963, domestic production of nitrogen as a percentage of total consumption doubled, from 22 percent to 44 percent, with a particularly sharp spike from 27 percent in 1959 to 37 percent in 1960. By this time ENCASO, the "inefficient"[92] state-owned firm, had an annual

production capacity of 38,000 tons of nitrogen, about 22 percent of total national production capacity, making it the largest domestic producer.[93]

What were the effects of direct state participation in the fertilizer sector in competition with private actors? It is difficult to know for sure the extent to which the competitive presence of state-owned firms was able to bring about the productive expansion of the Spanish fertilizer industry. What is clear, however, is that by the 1960s production was rapidly approaching national consumption, that about 20 enterprises were involved in fertilizer production as opposed to just four in 1951 and that the possibility of overproduction began to loom and state planners began to call for greater industrial concentration.[94] Ramón Tamames, usually apt to emphasize the importance of monopoly in the Spanish economy, pointed out that in the 1960s the Spanish fertilizers sector was composed of a healthy amount of competition between three major conglomerates—an INI production complex, centered on petrochemical firms ENCASO and REPESA; a private Spanish conglomerate including *Nitratos de Castilla* and SIN; and a foreign conglomerate constituted by US capital.[95]

A second priority sector for INI in the 1940s was aluminum production. Aluminum production began in Spain in 1927 with the formation of the company *Aluminio Español* by French, Swiss and American capital. However, production was interrupted during the Civil War and afterwards because of the scarcity of inputs, such that national aluminum production was unable to meet demand. In 1941, the regime designated aluminum production as a national interest sector; in 1942, INI established an aluminum project; and in 1943, it founded the *Empresa Nacional de Aluminio* (ENDASA) to address existing supply difficulties and the desire to decrease import dependence. In this process, the state deliberately refused to approve investments in new production proposed by Aluminio Español, because the latter was controlled by foreign capital and the regime's intent was to advance production by domestic firms. Instead, ENDASA was able to obtain foreign collaboration on its own, from the Norwegian *Electrokemist* and the French *Pechiney*, for technology and machinery.[96]

The commencement of production at the ENDASA factory in 1949, by which time national aluminum production had declined to 800 tons vs. 1,300 in 1940, more than tripled production by the next year, to 2,800 tons, and increased INI's share of production to 50 percent. The latter figure peaked at 87 percent in 1955, by which time national production had reached nearly 10,800 tons; however, it fell to 61 percent in 1963, by which time production was nearly 46,000 tons. Undoubtedly, this decline in INI's share in the latter half of the 1950s and early 1960s was the product of the entry of new firms into the sector. These included *Aluminio Ibérico*, founded in 1951 with Canadian and private Spanish capital; the French group Pechiney; and *Aluminio de Galicia*, founded in 1957 by several Spanish banks and Aluminio Español.[97]

Another sector of intermediate input production deemed to be of strategic interest by the regime in the 1940s was petrochemicals. The *Empresa Nacional Calvo Sotelo* (ENCASO) was created in 1942 to operate in this sector in Puertollano, La Mancha. In response to a collapse of oil imports in the midst of the Second World War, the project was meant to produce synthetic fuels from shale oil using

German technology bought from IG Farben and other companies. This collaboration fell apart by the middle of the Second World War; immediately after the war, the shale oil project was able to obtain technology from a British company, but then diplomatic isolation stalled the project again. As a result, the ENCASO plant did not reach full production until the mid-1950s, by which time normal trade, including in regular petroleum, had resumed. Thus, as San Román and Sudrià point out, "the improvement in Spain's foreign relations which made the project feasible also raised serious doubts about its usefulness"—synthetic fuel production using shale oil could be useful in the case of oil shortages, but it was more expensive than traditional oil refining. Already by 1951, 2.2 billion pesetas had been invested in the Puertollano facilities. Ultimately, with a fiscal reform that changed the way fuel prices were controlled and taxed in 1957, ENCASO began to turn a profit. However, as the advantages of synthetic fuel production disappeared, the synthetic oil plant was finally closed in 1961 and replaced with a traditional oil refinery.[98]

Although the success of ENCASO's original mission was limited in the 1940s, its production profile was diverse, and the firm succeeded in other sectors. In addition to its Puertollano plant, additional plants in Escatrón (Aragon) and Puentes de García Rodríguez (Galicia) had facilities for the production and processing of lignite coal. Moreover, all three plants had fertilizer and thermal energy production facilities.[99] As we have seen, ENCASO came to account for a significant fraction of Spain's nitrogenous fertilizer production by the early 1960s. In the shorter term, ENCASO was also responsible for virtually the entirety of the 14 percent increase in lignite coal production between 1947 and 1951—lignites were also the fastest-growing coal subsector—during which it increased its share of national production from 0 to 14 percent.[100]

The *Refinería de Petróleos de Escombreras* (REPESA), founded in 1948 in Murcia as a conventional oil refinery, was more immediately successful. It involved a collaboration with Caltex, a US corporation that had shipped oil to the Nationalists during the Civil War. Between 1950 and 1952 alone—a period coinciding with the normalization of United States–Spain relations—refined petroleum production more than tripled from 269,000 to 884,000 tons.[101] In 1949, the entirety of Spain's 850,000 tons of refining capacity were in the hands of one private firm, the *Compañía Española de Petróleos* (CEPSA). REPESA's commencement of production in 1950 resulted in national refining capacity almost tripling to 2.4 million tons by 1953, by which time REPESA accounted for 64 percent of national production. CEPSA's share, in turn, had sunk to 36 percent, and its production capacity remained at 850,000 tons. Over the second half of the 1950s, however, CEPSA increased its production such that by 1960 the two firms each took about half of market share; in the process, national refining capacity tripled again, from 2.4 million tons in 1953 to 7.2 million in 1960.[102]

During the 1940s the Franco regime also focused a significant amount of attention and investment on the production of electricity. Throughout the decade, the state kept the price of electricity low and intervened in its allocation— as it did with other inputs. Free-market scholars have argued that these policies disincentivized production.[103] Yet total electricity production did increase during the late 1940s,

from an average of about 4.2 billion kilowatt hours per year in 1943–1946 to 8.7 billion in 1951, with particularly significant jumps in production in 1949–1950 and 1950–1951.[104]

Curiously, the state did not nationalize the entire electricity sector, as occurred in other Western European countries during the post-Second World War period, such as in France with the creation of *Électricité de France*. Instead, INI firms—in the 1940s and early 1950s, these included the *Empresa Nacional de Electricidad* (ENDESA), founded in 1944, as well as ENCASO—entered the electricity sector *alongside* existing private firms. INI was particularly interested in increasing electricity production in standard thermal power plants as opposed to the prevailing hydroelectric power. In 1951, the Ministry of Industry claimed that

> the lack of initiative on the part of private enterprises in constructing large thermal power stations that might use fuels heretofore unused or sparingly used— anthracites and lignites— led to the Plan being executed by the Instituto Nacional de Industria [INI].

Between 1946 and 1954, Spain's annual electricity production increased from 5.2 billion kwh to 9.7 billion. INI's mostly thermal power plants accounted for roughly a quarter of this increase, such that by the latter year INI accounted for 12 percent of national production as opposed to virtually 0 at the beginning.[105]

Overall, then, the economic importance of INI in the 1940s was in setting the groundwork, both in terms of policies and in terms of particular sectors, for Spain's industrialization process in the following two decades. While over the course of the 1940s overall GDP grew only modestly, at an average annual rate of 2.9 percent, such that prewar levels of real GDP per capita were not recovered until the early 1950s,[106] industrial production grew faster, at an annual rate of 3.6 percent. Sectors of particularly fast growth during the 1940s were concentrated in the area of intermediate inputs: copper, with an average growth rate of around 10 percent, lignite coal (9 percent), aluminum (6 percent), petroleum refining (12 percent), rubber (7 percent) and electricity (6.5 percent).[107] It was not a coincidence that these sectors overlapped substantially with the focus of INI activities in the 1940s.

Conclusion

The 1940s were a period of primitive accumulation in Francoist Spain in which, as in the classical case of primitive accumulation in England, an environment of tremendous suffering among the wage-earning working class was favorable for later capitalist industrial growth. In the Spanish case, two main processes are worth highlighting which led to the formation of such an environment. First of all, the 1940s saw the transfer of agrarian surplus into industrial investment. This transfer was the product of a variety of conditions specific to the period immediately following the Civil War. The repression of wages coupled with the growth in agricultural prices, both products of the policies of the new regime, created a large financial surplus, particularly in the technologically backward estates of southern

Spain. The state's monopoly of agricultural procurement in the 1940s in response to the conditions of scarcity outlined in the previous chapter, even if only partial in practice, guaranteed that a large part of this surplus was channeled through the banking system into industrial investment, which was in turn incentivized among private conglomerates by the regime's industrial policies.

Second, the 1940s also saw the emergence of a pattern of state participation in the economy that guaranteed the fulfillment of the regime's industrial policies. Through the formation of INI, the regime was able to overcome the problem of private sector confidence by entering production directly either in new sectors which the regime desired to develop but where private sector investment was not forthcoming, or in existing sectors where production by the private sector was deemed insufficient. The establishment of this particular model of state-led industrialization was only possible because of the conditions of state autonomy explained in Chapter 4.

In concert, these two patterns combined to produce a capital-intensive model of industrialization in the 1940s. The Spanish economy experienced both substantial investments in the expansion of productive capacity, particularly in the production of capital goods and machinery, as well as a significant expansion in the production of intermediate inputs. These trends created the conditions for a rapid expansion of industrial production once international economic relations were normalized. International normalization, as well as the pattern of domestic market-oriented industrial growth that resulted from it, are the focus of the following chapter.

Notes

1 Carreras, "La producción industrial española," 145.
2 García Delgado, "Notas sobre el intervencionismo económico del primer franquismo," 143.
3 Marx, *Capital*, 1:873.
4 On the origins of the concept of "primitive" or "previous" accumulation in classical political economy and its radical repurposing by Marx, see Wood, *The Origin of Capitalism*, 11–13.
5 Marx, *Capital*, 1:875.
6 Moore, *Social Origins of Dictatorship and Democracy*, 29.
7 Polanyi, *The Great Transformation*, 93.
8 Marx, *Capital*, 1:932.
9 Sorní Mañés, "Aproximación a un estudio de la contrarreforma agraria," 198.
10 Barciela López, "La contrarreforma agraria," 357.
11 Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 78.
12 The definition of an "agricultural enterprise" (*explotación agrícola*) in the 1962 Census was "any extension of land, in one or more plots, contiguous or not, that form part of the same technical-economic unit, and from which agricultural, forest, livestock or a mix of these products are obtained under the direction of an entrepreneur [*empresario*]." Agricultural entrepreneurs were defined as "any natural or juridical person that, acting toward these ends with freedom and autonomy, assumes all or part of the risk of an agricultural enterprise, managing it directly or through another person." See INE, *Primer censo agrario... cuadernos provinciales*, VIII.
13 Sorní Mañés, "Aproximación a un estudio de la contrarreforma agraria," 196.

14 Malefakis, *Agrarian Reform and Peasant Revolution*, 13–14.
15 As defined in Pascual Carrión's seminal analysis of land tenure in southern Spain, *Los latifundios en España*, table 2, opposite p. 55. These provinces included Albacete, Alicante, Badajoz, Cádiz, Castellón, Ciudad Real, Córdoba, Granada, Jaén, Madrid, Málaga, Murcia, Sevilla and Toledo.
16 Malefakis, *Agrarian Reform and Peasant Revolution*, 26.
17 Martín Martín, "Sobre las causas del subdesarrollo del sur de España," 96.
18 Nieto Ostolaza, "Precios agrícolas y sus repercusiones," 53.
19 Leal et al., *La agricultura en el desarrollo capitalista español*, 48.
20 Ibid., 51–52.
21 Nieto Ostolaza, "Precios agrícolas y sus repercusiones," 47.
22 Ibid., 52–53. The work cited by Nieto is Manuel María de Zulueta Enríquez, *Derecho agrario* (Barcelona: Salvat, 1955).
23 Martínez Alier, *La estabilidad del latifundismo*, 61.
24 Naredo, *La evolución de la agricultura en España*, 30, note on pp. 159–160.
25 See Brenan, *The Spanish Labyrinth*, 119, 118.
26 On the classic "triad" of agrarian capitalism, see Wood, *The Origin of Capitalism*.
27 García-Badell, "Estudio sobre la distribución de la extensión superficial," 184–185.
28 García de Oteyza, "Los regímenes de explotación del suelo nacional," table 1, pp. 53–54.
29 Espinoza et al., "Estructura social del campo español," 332–333. This source provides an excellent analysis of the Censo Campesino.
30 Naredo, Ruiz-Maya Pérez, and Sumpsi Viñas, "La crisis de las aparcerías," 11–13, 26–27.
31 Christiansen, *The Reason Why*, 43–44. By 1939 the list of "intervened" products included wheat, rice, barley, oats, rye, corn, peas, garbanzos and several other legumes. See García González and Mira Izquierdo, *El trigo*, 29–32.
32 Simpson, *Spanish Agriculture*, 224. For the failure to deal with overproduction in Spain in the 1930s, see Simpson and Carmona, *Why Democracy Failed*, 148, 215.
33 See, for example, Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 82–83.
34 Hence the idea of a "burguesía estraperlista," or "black market bourgeoisie"—see, for example, Catalan, "Economía e industria," 127–128. Michael Richards has similarly argued that the regime "colluded" to create a black market—see Richards, "Falange, Autarky and Crisis," 547.
35 For example, Richards argues that bread rationing during this period helped the state achieve a "hold on the country"—Richards, "Falange, Autarky and Crisis," 544. A similar argument is made in Gómez Oliver and del Arco Blanco, "El estraperlo."
36 Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 33–35, 90. On Fuentes Quintana, see Love, "Structuralism and Dependency in Peripheral Europe," 124n.
37 García González and Mira Izquierdo, *El trigo*, 181.
38 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 65. By the time of Pérez Díaz's survey, the SNT had reduced the scope of its intervention outside of the wheat sector.
39 Suanzes, *The Spanish Commercial and Industrial Policy*, 24–25.
40 Christiansen, *The Reason Why*, 255. This was the strategy ultimately taken by the Cuban state during the 1990s in a similar conjuncture, in response to shortages ensuing from the collapse of the Soviet Union, the ongoing US embargo and the consequent "Special Period"—see CEPAL, *La economía cubana*, 213, 233–234, 241–242; and Enríquez, *Reactions to the Market*, 125–144. China also enacted a "dual track" price system during its gradual transition to a market economy in the 1980s—see Weber, *How China Escaped Shock Therapy*.
41 Christiansen, *The Reason Why*, 45–46.
42 Naredo, "La incidencia del 'estraperlo,'" 98, 116. In total, between 1943 and 1949, 1,678 hectares were planted in wheat, while 1,427 were declared; real yields averaged

954 kg/ha, while the reported average was 800 (see pp. 99, 102). Naredo relied on interviews and the farm accounts from the period provided to him by farmers themselves.

43 Ibid., 92.

44 Christiansen, *The Reason Why*, 42.

45 Leal et al., *La agricultura en el desarrollo capitalista español*, 23, 20; Cavestany y de Anduaga, "Menos agricultores y mejor agricultura," 16, 18. The latter is a speech by Spain's minister of agriculture in the 1950s.

46 Leal et al., *La agricultura en el desarrollo capitalista español*, 86. Very interestingly, and not coincidentally, to this effect Leal et al. cite a publication of the Instituto Torcuato di Tella in Argentina on the fact that export earnings from agriculture are not enough *per se* to finance industrialization, a fact presumably illustrated by the Argentine case—see 87n.

47 On the requirement of farmers to have a bank account to receive SNT payments, see García González and Mira Izquierdo, *El trigo*, 58.

48 Lorenzo Espinosa, *Dictadura y dividendo*, 213–214, 218–219, 212, 101–103, 132.

49 Plaza Prieto et al., *El ahorro y la formación de capital en España*, Vol. 1, 506, 546. On the *Cajas de Ahorro* themselves, see 539–544.

50 Ibid., Vol. 2, 27.

51 Pérez has the total number of banks declining from 200 to 107 between 1940 and 1962, while Muñoz has the figure decreasing from over 250 to 103 during the exact same period—see Pérez, *Banking on Privilege*, 60; and Muñoz, *El poder de la banca en España*, 64, respectively.

52 The Banco Urquijo disappeared from the top commercial banks not because it ceased to be an important bank but because in 1944 it turned exclusively into an industrial investment bank through a pact with Banco Hispano Americano, the Pacto de Jarillas. Urquijo took over the industrial investment activities of the latter, while Hispano Americano took over Urquijo's commercial banking activities—see Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 44; Muñoz, *El poder de la banca en España*, 145.

53 Muñoz, *El poder de la banca en España*, 65.

54 de la Sierra, "La situación monopolística de la banca privada," 7.

55 Pons, "Capture or Agreement?," 28. Pons's data from 1946 suggest that much of the process of concentration that took place in the 1940s occurred during the first half of the decade.

56 Pérez, *Banking on Privilege*, 61.

57 González Temprano, Sánchez Robayna, and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 36.

58 París Eguilaz, *Diez años de política económica en España*, 116.

59 More specifically, in addition to the 30–40 percent that came from stocks, about 50–60 percent came from the normal private banking system, 10–15 percent from the parastatal banks (EOCs), and 1–5 percent from the *Cajas de Ahorro*, savings institutions juridically distinct from the banks (these became increasingly important in industrial finance in the 1960s and will be discussed later)—González Temprano, Sánchez Robayna and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 41; Pérez, *Banking on Privilege*, 61.

60 Loriaux, *France after Hegemony*, 59.

61 González Temprano, Sánchez Robayna and Torres Villanueva, *La banca y el estado en la Espãna contemporánea*, 38–39. Lorenzo Espinosa similarly finds that as of 1941 the Bank of Bilbao had 648 million pesetas lent out in credit, vs. 767 million in portfolio investments of which 558 million were in public debt—see Lorenzo Espinosa, *Dictadura y dividendo*, 210.

62 Muñoz, *El poder de la banca en España*, 66–67; Sardá, "El Banco de España (1931–1962)," 460.

63 París Eguilaz, *Diez años de política económica en España*, 110; Martín-Aceña and Comín Comín, *INI: 50 años*, 115.
64 U.S. Office of International Trade, "Economic Review of Spain-1946," 8.
65 Sardá, "El Banco de España (1931–1962)," 452–453; Velasco Murviedro, "El pensamiento autárquico español," 975–976; Pons, "Capture or Agreement?," 34–35; Muñoz, *El poder de la banca en España*, 66–67.
66 Pérez, *Banking on Privilege*, 48.
67 Singh, "How East Asia Grew so Fast?," 47.
68 Loriaux, *France after Hegemony*, 108.
69 Pérez, *Banking on Privilege*, 72.
70 Loriaux, *France after Hegemony*, 106. Moreover, the French petty bourgeoisie often profited from inflation; as Loriaux mentions, one of the reasons deflationary policies were not politically viable in the immediate postwar was that, "after all, peasants and small merchants were foremost among the 'profiteers' that were targeted by monetary stabilization"—p. 105. As we have seen, Spanish farmers, including small farmers, also benefited from the marked increase in prices for agricultural goods during the 1940s, while wage workers and others with fixed incomes were devastated.
71 Ibid., 113.
72 de Vries and Hoeniger, "Post-Liberation Nationalizations in France," 639–641.
73 See the detailed description of the "national industry" laws, with provisions quoted in the original Castilian Spanish, in Ribas i Massana, *L'economia catalana sota el franquisme*, 113–115.
74 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 29.
75 Ibid., 42–43; Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 700; Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada," 91. Note, however, that nationalization under the "national interest" provisions was never carried out.
76 Lorenzo Espinosa, *Dictadura y dividendo*, 101–103, 132.
77 Pérez, *Banking on Privilege*, 78.
78 Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 696, 698, 699, 700, 705. The ideas of the anti-interventionist school are also summarized in Gómez Mendoza, *De mitos y milagros*. The volume uses a name originally considered for what became the *Instituto Nacional de Industria* (INI), the *Instituto Nacional de Autarquía*, presumably to tie the institution's entire existence to the pursuit of "autarky." For a poignant critique, see Comín, "Los mitos y los milagros de Suanzes."
79 As argued in their impressive history of INI, Martín-Aceña and Comín Comín, *INI: 50 años*. For a defense of the notion of a dearth of private investment against the arguments of Gómez Mendoza, see Comín, "Los mitos y los milagros de Suanzes," 235.
80 On CAMPSA, see San Román and Sudrià, "Synthetic Fuels in Spain," 82. On RENFE and the Telefónica, see Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 698.
81 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 15–16, including note. According to Schwartz and González, the latter account was recalled by Mariano Sebastián, director of studies at the Bank of Spain at the time of INI's founding. Despite Schwartz and González's mention of this second possibility, Gómez Mendoza claims that both major histories of INI erroneously trace the idea of INI to Franco in 1941 and thus frames as a completely novel discovery the notion that INI was originally conceived by Suanzes in 1938—see Gómez Mendoza, *De mitos y milagros*, 17, 33. Which account is true or "more" true is not really relevant to our discussion here.
82 Martín-Aceña and Comín Comín, *INI: 50 años*, 84; and Schwartz and González, *Una historia del Instituto Nacional de Industria*, 16. The official name of the Spanish foreign exchange agency was the *Instituto Español de Moneda Extranjera* (IEME).

83 On INI's institutional autonomy, see Martín-Aceña and Comín Comín, *INI: 50 años*, 78–79. On INI's 1947 budget, see Schwartz and González, 10; on Suanzes's biographical information, see ibid., 16–28. Suanzes's main biography is Alfonso Ballestero's *Juan Antonio Suanzes, 1891–1977*.
84 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 39–41.
85 Moya Valgañón, *El poder económico en España*, 208.
86 Martín-Aceña and Comín Comín, *INI: 50 años*, 82.
87 Ibid., 135. The petrochemical and fertilizer firms were ENCASO and Adaro; the electricity producers were ENCASO and ENDESA; and the aluminum firm was ENDASA.
88 International Emergency Food Council, *Report of the Secretary-General to the Fourth Meeting of the Council*, 68.
89 Robles Teigeiro, "La industria de fertilizantes," 191–192; Buesa, "Industrialización y agricultura," 232–233, 235, 237–238.
90 Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 702–705.
91 Buesa, "Industrialización y agricultura," 242.
92 Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 705.
93 Buesa, "Industrialización y agricultura," 242, 246, 239–240; Robles Teigeiro, "La industria de fertilizantes," 192–193, 199–200.
94 Bustelo, "La concentración industrial en la industria de los fertilizantes," 32. For the number of firms in 1951, see Buesa, "Industrialización y agricultura," 244–245. Bustelo was Vice-President of the Fertilizers Group of the Chemical Industries section of the SV at the time of his writing the article above. One might think that this position in a corporatist institution would make him favor concentration in the industry, but actually he was wary of it, expressing concern over possible greater vulnerability to disruptions in production—see Robles Teigeiro 201–202, and Bustelo, 33–34.
95 Tamames, *La oligarquía financiera en España*, 191–192.
96 García Pérez, "Historia de la industria española de aluminio," 133; Martín-Aceña and Comín Comín, *INI: 50 años*, 177–179.
97 Buesa, "Industrialización y agricultura," 294; García Pérez, "Historia de la industria española de aluminio," 134.
98 San Román and Sudrià, "Synthetic Fuels in Spain," 74–79, 83–85.
99 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 52.
100 For ENCASO's role in lignite production, see the table in Buesa Blanco, "El estado en el proceso de industrialización," 195. For coal production in general in the 1940s and early 50s, see ibid, 192, and Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 49.
101 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 52–54, 69.
102 Buesa Blanco, "El estado en el proceso de industrialización," 250.
103 Catalan, "Economía e industria," 130; Catalan, "Francoist Spain under Nazi Economic Hegemony," 260.
104 U.S. Office of International Trade, "Economic Review of Spain-1946," 4; Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 47, 55–56.
105 Buesa Blanco, "El estado en el proceso de industrialización," 214, 221–222. By 1954, more than 90 percent of INI's electricity production came from thermal rather than hydroelectric plants.
106 Catalan, "Francoist Spain under Nazi Economic Hegemony," 261; Catalan, "Franquismo y autarquía," 263–268; Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 6, 97.
107 Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada," 102–104.

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7 Acceleration, 1951–1957

The isolation of the Franco regime and the "autarkic" economy to which it was intimately connected came to an end in the early 1950s. In 1951, a normalization of diplomatic relations and the establishment of military pacts with the United States lifted the economic isolation and related bottlenecks that had plagued the Spanish economy in the previous decade, leading to several years of industrialization and economic growth. The normalization of international economic relations, which led to a flow of imports of agricultural and industrial inputs and capital goods, allowed for the "primitive accumulation" of the 1940s to translate into rapid increases in production. A resurgence of the labor movement and rising wages, combined with incipient mechanization of the agricultural sector, meant that the resulting industrial growth was mostly oriented inward, toward the domestic market.

Indeed, the early 1950s were not only a moment of diplomatic normalization. They were also a moment of popular struggles, as successful strikes engulfed Spain's most industrialized regions. The interaction of these domestic struggles with changes in international relations shaped the pattern of industrial development in the years that followed. Meanwhile, patterns of agrarian change during the 1950s, which included not only a first wave of migration from the Spanish countryside to the cities but also the beginning of limited efforts to implement agrarian reform, also set the groundwork for industrialization. While the former provided workers to the cities and lifted wages in the countryside, the latter facilitated increases in agricultural production, tempered regional patterns of migration and enhanced linkages between agriculture and industry.

Finally, the National Institute of Industry (INI) continued to play a central role in the Franco regime's industrialization strategy. If in the 1940s the agency's activities had concentrated in the areas of intermediate inputs production, in the 1950s INI consolidated this role with an entry into the steel sector but also began to enter into the production of finished goods like ships and automobiles. In these sectors as well, INI's activities followed a familiar pattern: they substituted private-sector activity where it was not forthcoming or supplemented it when it was deemed insufficient. As in the 1940s, private capital's activity usually followed INI, resulting in the entrance of multiple firms into a given sector, the emergence of conditions of competition and rapid increases in production.

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Rapprochement with the United States

The diplomatic isolation of Spain in the second half of the 1940s was a product of an international order in which the geopolitics of the Second World War had not yet given way to those of the Cold War. It was not until the early 1950s that the geopolitical urgencies of the Cold War finally translated into a full normalization of relations between Spain and the Western Powers, and most particularly the United States. In the case of the United States, normalization was the result, as in the French rupture of relations in 1946, of a combination of internal political pressure and geopolitical considerations.

Internally, several voices within the US government began calling for the normalization of relations with Spain beginning in the late 1940s. A State Department historical report published in the 1990s claimed that already by the end of 1947 there was an effort within the Department to push for the "normalization of US-Spanish relations" and for the "relaxation… of our restrictive economic policy."[1] A pro-Spanish pressure group also emerged in the US Congress. This group included several congressmen from the South, not likely a pure coincidence with the fact that the United States was the principal foreign supplier of cotton for Spain's textile industries.[2] Already in May of 1949, various US congressmen were publicly expressing concern over the economic consequences of a lack of diplomatic relations with Spain. Owen Brewster, a Republican Senator from Maine, claimed that "while the British were selling $400,000,000 worth of goods to Spain last year Americans were having great difficulty carrying on trade there." Kenneth Wherry, Senate Minority Leader and a Republican from Nebraska, "told his colleagues he had been advised that the sale of more than 300,000 bales of cotton by American cotton producers was blocked because of US policy toward Spain," while Democratic Senator Tom Connally of Texas complained that "we have been practically excluded from the Spanish market."[3]

Another steadfast supporter of normalizing relations was Senator Dennis Chávez of New Mexico. Of Hispanic New Mexican background, Chávez acted as a sort of mediator in Congress with the Hispanic American world and as a representative of Hispanic interests in the United States during his tenure in the Senate from 1935 to 1962. This cultural positioning, as well as his Cold War hawkishness, evidently extended to support for relations with Francoist Spain, as by 1949 Chávez was also already openly arguing that "Spain would be valuable to us from the strategic standpoint: I can't see any reason why neutral Sweden and Ireland and Italy, which was an enemy country, are helped and Spain is not."[4] Indeed, the Franco regime openly acknowledged support from a whole contingent of pro-Spanish congressmen. In a 1950 speech to the Cortes on Spain's international isolation, published in English for international distribution, Foreign Minister Alberto Martín Artajo recognized "the many American Senators and Representatives who constituted themselves [sic] into champions of our truth."[5]

With this pressure from within the US government came a gradual resumption of diplomatic relations and extension of economic aid beginning in the late 1940s. In 1949, Chase Bank of Manhattan was allowed to extend a 30 million dollar loan

to Spain, and Citibank extended a 20 million dollar credit.[6] In December 1950, US President Harry Truman named Stanton Griffis as ambassador to Spain, the first man to occupy the post since 1946.[7] In 1952, the US Export-Import Bank (Eximbank) extended a 62.5 million dollar credit to Spain, which was used to pay for imports of badly needed food and raw materials including wheat, cotton and coal as well as to finance industrial investments in various sectors including fertilizers, electricity and transport equipment.[8]

The most important shift in international relations for Spain in the early 1950s, however, was geostrategic, involving the country's incorporation into the Cold War anticommunist alliance. The United States had an interest in a military presence in Spain, which was located at the crossroads between the Mediterranean, the Atlantic, Western Europe and Africa. In 1951, Spain conceded permission to the United States to maintain air bases in Zaragoza, Seville and Torrejón, naval installations in Cádiz, Murcia and Galicia, and seven radar stations throughout the country, all of which involved an American military presence of 12,000 men.[9]

An examination of the US government record reveals the multiple and often contradictory ways Francoist Spain was seen, both economically and culturally, as a new partner in the Cold War order. In a hearing at the US embassy in Madrid on July 12, 1951, recently appointed ambassador Griffis expressed skepticism of Spain's efforts to industrialize. "This country," he claimed, "is primarily an agricultural country. It is no more fitted to become another Detroit or Pittsburgh than I am to grow their wheat." He also voiced "population bomb" concerns typical of those expressed at the time regarding developing countries: "they can't feed themselves. Yet they breed, how they breed."[10]

Senator Chávez would express exactly the opposite sentiment in a 1954 Senate report: he insisted that "the possibility of industrial progress should not be precluded," that "the chemical industry could well become Spain's most important national product" and that "capital improvements and technical assistance should go far toward increasing agricultural production and improving Spain's outmoded industrial and business structure."[11] John Foster Dulles, now US Secretary of State, also marked quite a change of tune. While in a 1949 letter he had denounced the Franco regime as "Fascist in inspiration and character," he now stated in 1957, at the opening of the Torrejón air base, that the event was "symbolic of our close relations and our determination to stand together to defend our independence and our Western civilization from the menace of a materialistic and atheistic despotism."[12]

Much larger in scale than the several bank credits conceded to Spain by US institutions in the late 1940s and early 1950s was the foreign aid package granted as part of the military agreements. As a result of a "mutual aid agreement" signed in 1953, Spain received some $437 million in financial transfers from the United States between 1954 and 1957, including $260 million in "defense support" and $178 million in agricultural surplus. This was in addition to some $126 million in various forms of aid channeled through the National Catholic Welfare Conference between 1954 and 1959, a $20 million credit to Spain's national railway corporation, RENFE, from the Development Loan Fund, and $8 million for the Spanish state's agricultural resettlement program, the *Instituto Nacional de Colonización*

(INC).[13] The US defense funds were spent primarily on imports of food, strategic raw materials like cotton, and capital goods for the transport, infrastructure and electricity sectors. They were also matched, as part of the agreement, by corresponding amounts of domestic government spending in pesetas which financed infrastructure improvement projects.[14]

Overall, the normalization of relations with the United States and the defense pacts signed in the early 1950s had two major effects. First of all, they provided a large injection of foreign exchange which assuaged Spain's balance of payments problems, at least temporarily, and financed needed imports of raw materials and capital goods.[15] Second, they reactivated Spain's trade relations with the Western capitalist countries. Between 1950 and 1953, Spanish-origin imports increased in value as a percentage of Italian-origin imports from 10 percent to 43 percent in Germany, from 66 percent to 85 percent in Britain and from 26 to 74 percent in France.[16] The 1951 and 1953 agreements with the United States constituted a key turning point in the economic history of the Nationalist regime.

Labor Strikes Back: The Spring of 1951

The changes that shifted the course of the economic policies of the Franco regime in the early 1950s were not simply a result of events in the realm of international relations, however. The normalization of relations with the United States was accompanied by internal social struggles that erupted within Spain during the early 1950s and particularly by the resurgence of the labor movement. We have already discussed the conditions of agricultural wage laborers in the 1940s in Chapters 5 and 6. In general, those of urban wage workers in manufacturing and services were similar, although wages were somewhat higher than in the agricultural sector. Overall, the conditions of labor for the Spanish working classes in the 1940s were characterized by two trends typical of labor-repressive authoritarian regimes: low unemployment and low wages.

Class struggles in the 1930s, in the countryside at least, resulted both in higher wages for laborers as well as attempts by landlords to keep employment at a minimum, which in turn resulted in high levels of unemployment that were already generally characteristic of the latifundio economy. Conditions in the 1940s were exactly the reverse. On the one hand, the average number of non-transitory unemployed in a given month in Spain decreased substantially from 674,000 in 1935 to 474,000 in 1940 and 106,000 in 1952. On the other hand, real wages declined significantly, in the urban sector as well as the rural sector. In the industrial sector, real wages averaged 60–70 percent of their 1935 levels throughout the decade of the 1940s.[17] In the Basque Country, one of the two main clusters of industrial activity along with Catalonia, the working week was increased from 44 hours—a conquest of the Republican period—to 48. In the largest metallurgical conglomerate, Altos Hornos de Vizcaya, the real purchasing power of the average frontline factory worker or miner decreased by 42 percent between 1936 and 1938, in the wake of the Nationalist takeover of the Basque Country.[18]

The first half of the 1940s was a period of utter defeat for the Spanish working classes. It was not until 1946–1947 that the first sparks of labor resistance began to be felt in the major industrial regions. In January 1946, women in Barcelona's textile factories struck in response to a forced unpaid day off in celebration of the Nationalist conquest of Barcelona in 1939; they were successful and also exacted a wage hike from the Ministry of Labor. A strike of some 30–50,000 skilled metallurgical workers in the Basque Country on May Day of 1947, in contrast, was unsuccessful.[19]

Yet it was not until 1951 that Spain's industrial working classes experienced their first major victories since the Civil War. The eruption of the labor movement in 1951 was preceded by several important major developments in the late 1940s that changed the landscape of labor resistance. First of all, the victory of the Allies in the Second World War caused a shift in power within the Franco regime in 1945. While the Falangists lost power and prestige as the regime faction most closely associated with the defeated Axis, the political Catholics gained as the faction that had been most friendly toward the Allies. One of the many results of this shift was the creation, in 1946, of the *Hermandad Obrera de Acción Católica* (HOAC), a Catholic workers' organization, by *Acción Católica*, one of the principal organizations of political Catholicism. The HOAC's expressed goal was proselytization among workers, but it ended up performing many of the functions of a labor union. The HOAC thus encroached on the territory of the Falangist-controlled SV, which was supposed to hold a monopoly on "union" functions.[20] A second result of the Allied victory in the Second World War was the accentuation in the late 1940s and early 1950s of tensions within the Falange. Although they often involved personal rivalries, these tensions also reflected political rifts between "radical" sections of the Falange that were more populist and hostile to capital and more conservative factions.[21] Finally, the third important development of the period following the Second World War was the decision of the left-wing opposition, and particularly the Spanish Communist Party (PCE), to infiltrate the workers' (or "social," rather than the employers' or "economic") sections of the official state syndical organization, the SV. Beginning with the first official elections in 1948 for workers' representatives in the SV, this policy ultimately resulted in the creation of what today is the largest trade union organization in Spain, the PCE-affiliated *Comisiones Obreras* (CC.OO.).[22]

Here we should also note another important aspect of labor politics during this period: the fact that between 1944 and 1948 among all firms and between 1948 and 1956 among firms with 50 or more employees, the Ministry of Labor had complete control over setting wages and firms were required to obtain Ministry permission to raise wages above government-set levels. In the late 1940s, the Ministry of Labor expressly tried to keep wages down in an environment of inflation. This both accentuated existing miserable wage conditions and inevitably gave a centralized, national nature to any act of labor resistance. Indeed, as Francisco Bernal notes in his history of the SV, several attempts were made by the workers' ("social") sections in various sectors to request wage and benefit increases around the year 1950, but these requests were repeatedly rebuffed or ignored by the employers' ("economic") sections and the state.[23]

In the wake of their failure to use "official" channels to improve their living conditions, workers turned to more traditional methods. The spark came in December 1950, when the central government approved a hike in tram fares in Barcelona, from 50 to 70 cents. On February 8, flyers began to circulate in Barcelona calling for a boycott of the trams starting on March 1. The "chain" method through which the flyers were distributed—each one called on its recipient to make more copies and distribute them—was associated not with the traditional leftist organizations but with the HOAC.[24]

Scattered protests began on February 22. Employing a repertoire of contention that stretched all the way back to the late nineteenth century in Barcelona, protestors attacked trams—in order for a strike to succeed, transport had to be halted. The University of Barcelona also became a center of strike action, and its rector let the armed police (*Policía Armada*) onto campus on February 26. On March 1, the day of the boycott, nearly everyone in the city walked to work; between that day and March 5, the trams of Barcelona transported between 0.1 and 3 percent of their normal traffic. In this milieu, clandestine left opposition groups formed a "strike committee" on March 2. However, analysts of the tram boycott tend to emphasize its spontaneous nature, organized both by non-affiliated groups of citizens as well as those within the "official" opposition—the HOAC and radical Falangists.[25]

Barcelona's capitalist class attempted to take independent initiative in settling the boycott with the city's workers. Fearing the possibility of a general strike, representatives of the Catalan bourgeoisie's official organizations—the *Cámaras de Industria*, *Fomento del Trabajo*, among others—asked the Civil Governor of Barcelona, Eduardo Baeza, for a return to previous tram fares on the afternoon of March 4. Baeza, previously Civil Governor of his native Zaragoza and thus not a member of the Catalan ruling class, refused. Here was a clear illustration of the Nationalist regime's roots in an anxious petty bourgeoisie caught in the middle of class struggles between workers and capitalists. Baeza, rather than an *a priori* opponent of lower tram fares, was refusing here to cede to Catalan capitalists the initiative that the Civil War had conquered for that petty bourgeoisie. Ultimately, the order to return to the previous tram fares came from on high in a telegram from the Ministry of Public Works sent on March 6. That day, 50 percent of typical users were still boycotting. Fares would not be raised again until 1954.[26]

The social movement unleashed by the tram strike accelerated, however, after a meeting of syndical representatives on the evening of March 6. Perhaps some 2,500 representatives attended, with only 500 in the auditorium of the main meeting and the rest in the street outside. Many of the delegates were communist militants elected as part of the new infiltration policy. Calls by syndical leaders for the representatives to take the lead against the tram boycott by riding the trams were met with hostility. The syndical leadership was booed out of the building, after which the representatives themselves, calling for the release of all those arrested during the boycott and associated protests, took over the meeting and called for a general strike beginning on Monday, March 12.[27]

That day, *Agence France-Presse* estimated that 300,000 workers struck in Barcelona; the *New York Times* correspondent put the figure at over 500,000. The

strike affected virtually all of the manufacturing sector as well as key utilities. In response to the general strike, on March 13 3,000 police reinforcements were called into the city, and three warships entered the port of Barcelona carrying 2,000 marines. Still, on Tuesday there were an estimated 150,000 workers on strike and 70,000 on Wednesday. By Thursday the strike was over, and an estimated 1,000 people had been arrested in connection with it. Yet, as Ferrí et al. note, "most Catalan employers—the medium and petty bourgeoisie in particular" ignored the Civil Governor's orders to fire workers who were arrested and not pay hours taken off during the strike. In fact, on March 19, officials allowed for the readmission of those arrested to their workplaces and the payment of wages for hours not worked during the strike. Ferrí et al. argue that the collaboration of at least part of the Catalan bourgeoisie, particularly the petty bourgeoisie, with the strike was a product of Catalan elites' own dissatisfaction with the government and with discrimination and unfairness associated with the rationing system of the 1940s.[28]

Barcelona was not the only region to go on strike in the spring of 1951, however. In late April, some 250,000 workers, perhaps as much as 85 percent of the workforce, left work in the Basque provinces of Vizcaya and Guipúzcoa, demanding a 50 percent wage increase and controls on price increases. Firms affected included giants such as Altos Hornos de Vizcaya, Euskalduna, General Electric and Firestone, and the HOAC collaborated with the left opposition in organizing the strike. In early May, 15,000 workers in Álava—a quarter of the province's workforce—went on strike. On May 8, 30,000 workers in the traditionally Carlist stronghold of Pamplona struck in response to rumors about an increase in the price of eggs; by May 10, a strike committee was demanding price reductions, improved rations, the release of arrested workers and promises against retaliation. In all of these cases, local officials appointed by the central government threatened retaliations, firings, blacklists and withheld wages; in all of them, authorities and employers ended up conceding most of the workers' demands. And, as in Barcelona, workers were often accorded sympathy, particularly by local petty bourgeoisies and small manufacturers.[29]

The political-economic landscape faced by the Franco regime was thus not only altered in the early 1950s by the normalization of trade relations with the United States in particular and the Western capitalist world in general, it was also shaken by a series of revolts from below, which erupted across the most industrialized parts of the country in the spring of 1951. These revolts, which we have briefly summarized here, had two major commonalities. The first was that they all centered around the issue of inflation, purchasing power and the cost of living. The Spanish working classes had seen their living standards erode significantly over the course of the 1940s, in a context both of repression of the organized class power of workers and of a dire international trade situation that produced shortages and rationing. The timing of the final eruption of widespread protests, which followed several years of gradual rapprochement between the Franco regime and the United States, suggests that workers were attuned to shifts in the geopolitical order and in Spain's international relations. The normalization of trade with the United States and Western Europe had produced concrete improvements in the Spanish

economy. This visibly improving economic conjuncture made further erosions of purchasing power—through a combination of rising prices and continually stagnant wages—unacceptable.

The second commonality among the protests of the spring of 1951 was that they brought together, at least to a certain extent, the interests of some capitalists with those of industrial workers. The petty bourgeoisie and small manufacturers seem to have often sided with workers in both Catalonia and the greater Basque Country, either by joining protests themselves or by refusing to turn over lists of striking workers to authorities, paying wages for hours not worked during general strikes and readmitting arrested workers to their former workplaces. Thus, strangely enough, state administrators and bureaucrats were more hostile to worker demands than many capitalists were. What explains this strange convergence of interests, besides shared adherence among some Basque and Catalan workers and capitalists to pre-Civil War ideologies of regional nationalism, is an understanding of the Franco regime as the representative of a petty bourgeoisie made anxious by class struggles between workers and capitalists and desiring to suppress and manage these struggles. The Spanish Civil War brought the "traditional middle class" to power, and the "autarkic" economic conjuncture of the 1940s reinforced this power by giving the state more direct control over prices, wages and the distribution of production inputs. Capitalists, particularly small-scale capitalists without the state connections required to benefit under economic controls, resented this situation and likely saw concessions to labor in the form of higher wages as an acceptable sacrifice if it meant an end to strict controls. In analyzing the strikes of 1951, it is thus important to distinguish between the small-scale manufacturers of Catalonia and the Basque Country, also "petty bourgeois" but often aligned with industrial workers for the reasons outlined above, and the "traditional" petty bourgeois, mostly from the towns and small cities of Castile and the Spanish "interior," that were in control of the Francoist state.

Acceleration of Economic Growth

The protests of the spring of 1951 were followed by two major policy changes in July 1951. The first was economic. We have seen how the Ministry of Labor possessed broad power to set wages in the late 1940s and 1950s. In response to the wave of general strikes, the Ministry mandated an across-the-board wage hike of 25 percent.[30] The second change was political: Franco proceeded to reshuffle his cabinet, a type of change that is often viewed within the literature on the regime as comparable to a change in government—as an election shifts the balance of power between parties, so did Franco's reshuffles shift the balance of power between the regime "families."

Juan Antonio Suanzes, Minister of Industry and Commerce and champion of state-led import substitution industrialization, was removed from his post as minister, although he maintained an important position as the head of INI. Dissident Falangists in particular had called for Suanzes's removal from the cabinet in the Barcelona tram strike for his perceived association with the tram company.[31] After

his removal, the Ministry of Industry and Commerce was split in two. Joaquín Planell, who worked under Suanzes during the latter's years as minister and thus promised policy continuity, was appointed Minister of Industry. Manuel Arburúa, somewhat less interventionist in economic doctrine, replaced Suanzes as the new Minister of Commerce.[32] Francisco Gómez del Llano, a lawyer whose civil service career stretched back to the 1920s and who advocated balanced budgets and better tax collection, took the helm of the Treasury Ministry.[33] Rafael Cavestany, a Falangist agronomist committed to capitalist productivism, was appointed Minister of Agriculture.[34]

The cabinet reshuffle of 1951 did not exactly represent a tectonic shift in the ideological orientation of the regime. Virtually all of the new economic ministers—Planell, Benjumea, Cavestany—were regime "insiders" approved by their predecessors. Other ministers in prominent areas, moreover, like Alberto Martín Artajo in Foreign Affairs, remained in place. Overall, however, the fact of the reshuffle itself represented an acknowledgment by the regime that something had changed, in view of the labor upsurges of 1951 and the shift in international relations. Joan Clavera and colleagues, in their seminal economic history of Francoist Spain, argue that "in general terms, the ideology of the Government of 1951 can be qualified as liberal, at least in relation to the economic convictions prevailing until then"; overall, "the strategy of the new economic policy was to reestablish market mechanisms domestically and open the Spanish economy to international commerce."[35] This assessment perhaps underemphasizes, as is common, the role of a shift in international trade relations as an *independent* variable dictating a shift in government economic policies (e.g. the lifting of rations) rather than a *dependent* variable resulting from changes in regime ideology. Nevertheless, it remains a point well taken that the cabinet changes reflected and reinforced the notion that the Spanish political economy was undergoing a shift, whatever the fundamental causes.

The warming of diplomatic relations with the United States and the reignition of the labor movement both had positive effects on the Spanish political economy. The first alleviated the acute shortage of inputs that stunted the Spanish productive apparatus in the 1940s. A reflection of this change, which was already evident in the late 1940s when relations with the United States began to warm, was the replacement of a single, overvalued exchange rate with a multiple exchange rate system in 1948. As a result, whereas in 1947 the CIA had observed that the official exchange rate was 10.95 pesetas per dollar while the unofficial rate in Tangier was 39 pesetas per dollar, by 1954 the average official exchange rate of 39 pesetas was in line with the "free market" rate.[36] The normalization of trade relations with the Western Allies, in turn, further facilitated an expansion of industrial production.

On the other hand, the renewed activism of the labor movement increased domestic purchasing power, which had been incredibly weak in the 1940s, and directed the industrialization process toward import substitution and the domestic market. The labor spring of 1951 led the Ministry of Labor to mandate a 25 percent across-the-board hike in wages; nevertheless, in 1954, average real wages were still 20 percent below their 1936 levels. Indeed, Clavera and colleagues note that by

1953 the textile sector faced a crisis of overproduction as increased output resulting from renewed access to inputs was not met with sufficiently increased consumption. In 1954, the Ministry of Labor mandated another 10 percent wage hike and a 100 percent increase in fringe benefits. By 1957, average real wages were 42 percent higher than their 1950 levels in the industrial sector and 64 percent higher in the agricultural sector.[37]

All of these changes had immediate effects on the Spanish economy. The decade of the 1950s came to be defined by rapid domestic market-oriented industrialization and high rates of economic growth. The year 1951 saw 10 percent GDP growth; between 1950–1951 and 1957–1958, GDP growth averaged 7.9 percent per year. Industrial sectors experiencing particularly rapid average annual growth between 1950 and 1960 included transport equipment (18 percent), chemicals and petrochemicals (14 percent), metals and steel (9–10 percent) and nitrogenous fertilizers (35 percent). Meanwhile, the industrial sector increased its share of total GDP from 26 to 35 percent over the course of the decade. In 1941, national production supplied just under 33 percent of total Spanish consumption of capital goods; this figure had already increased to 47 percent by 1951, but by 1958 it reached 70 percent.[38] In other words, as the flow of international trade and foreign exchange was normalized and purchasing power increased with rising wages, the brutal process of "primitive accumulation" of the 1940s began to bear fruit in the 1950s in the form of rapid increases in industrial production.

The First Wave of Rural-Urban Migration

In tandem with the industrial transformation of the 1950s came the first significant pattern of rural to urban migration since the end of the Civil War. The Civil War itself had actually caused a pattern of *ruralization* of the population, with the percentage of the labor force employed in agriculture increasing from 44.6 percent in 1935 to 50.3 percent in 1945.[39] In contrast, this figure decreased from about 50 percent to 40 percent over the course of the 1950s; in the meantime, the same decade saw a net inter-provincial migration of around 1.1 million people. The provinces with the largest relative net immigration—where net immigration in the 1950s exceeded 10 percent of the total population—were Madrid and Barcelona as well as the Basque provinces of Vizcaya and Guipúzcoa. Barcelona and Madrid alone received the lion's share of Spain's internal inter-provincial migrants in the 1950s—about 42 and 36 percent, respectively.[40]

However, two important facts are of note regarding the internal migration of the 1950s, and particularly the first migration wave of the early 1950s. First of all, the migration was mainly one of rural proletarians from Spain's southern latifundio regions: as Roy Bradshaw noted in the early 1970s, "the areas of highest out-migration were the latifundio provinces, especially Badajoz, Cáceres, Córdoba, Jaén and Granada"—all of these were provinces of Extremadura and Andalusia.[41] A second key aspect of the migration of the first half of the 1950s was that it was often construction, rather than manufacturing, into which former rural proletarians entered as they migrated to urban areas. The relative importance of

construction as a source of employment for latifundio migrants is evident in comparisons with migrants from non-latifundio areas, who began to move in larger numbers in the second half of the 1950s and the 1960s. For example, in a survey study of emigrants from the region of Tierra de Campos in Old Castile, a non-latifundio region, in the mid-1960s, Víctor Pérez Díaz found that 9 percent of the region's emigrants went to work in the construction sector, while 24 percent went to work in the services sector. In contrast, another survey published at the time found that 38 percent of emigrants from Extremadura went to work in construction, while only 8.5 percent went to work in services.[42] This prevalence of construction employment among emigrants from latifundio regions in the 1950s, as George Aspbury argues, was likely at least in part a ripple effect of an expansion of tourism in the 1950s, which stimulated construction projects. Tourist visits to Spain increased from 700,000 in 1950 to 2.1 million in 1960, and revenues from the tourist sector increased rapidly from 94 million dollars in 1953 to 213 million in 1957.[43] The prevalence of construction employment also demonstrated, on the other hand, the relatively low living standards that drove these migrants out of the countryside, as working conditions in construction were worse than those in other urban sectors.

The classic study of the first wave of rural-urban migration from Spain's latifundios, carried out in real-time, was conducted by Miguel Siguán and published in 1959.[44] Siguán focused only on Madrid, conducting a detailed survey of 100 migrant households in 1957. Of these 100 households, 71 were originally from Andalusia, Extremadura or southern La Mancha—the main latifundio regions—including 29 from Jaén, the most heavily represented province. The general socio-economic profile of the migrant households also fits the patterns described above. Fifty-four of the 100 heads-of-household had previously been rural wage laborers (jornaleros), 18 had been urban wage laborers (*obreros*), and only 16 had been farmers (*labradores*). Twenty percent of men and 44 percent of women in the sample were illiterate—higher than the average in Spain at the time. In Madrid, 60 heads-of-household were construction workers—by far the most common occupation—and 22 were factory workers.[45]

Factory work was the better type of employment. A typical factory worker in Madrid, Siguán estimated, might earn about 2,180 pesetas a month or 2,500 including productivity bonuses for skilled workers, totaling between 26,000 and 30,000 pesetas a year, roughly.[46] In contrast, Siguán estimated that a construction worker in Madrid might make a daily wage of about 37.40 pesetas a day—minimum wage. Including various kinds of bonuses might make for a monthly salary of between 1,500 and 1,700 pesetas. This was considerably less than the estimated minimum adequate income for a family with two children in Madrid at the time, around 3,200 pesetas a month. However, the resulting annual salary of 18,000 to 20,000 pesetas would be an increase in the 1950s over the prevailing wages for agricultural workers. For comparison, Víctor Pérez Díaz found in his studies of Tierra de Campos in Castile that as late as 1963, permanent agricultural laborers there made an average of about 16,000 pesetas a year, and the vast majority of rural wage laborers in the region were not permanent but seasonal.[47]

Regarding the migrant population in Madrid overall, Siguán had a very interesting general observation:

> we can distinguish two types of rural immigrant: the young, single man, who goes to the capital to broaden his horizons [*abrirse camino*], and the married man, with children, who goes to the capital fleeing from misery. The emigration from certain regions of the North of Spain is typically of the first type, while from the South the second predominates. Now, the young and single man tends to be employed in small-scale industry, in commerce or in independent activities, while what we have called the second type ends up in construction and industrial enterprises.[48]

A comparison of two individual cases illustrates this point. "Family number ten"—Siguán gave an individual description of every single one of the 100 families he interviewed—was originally from Badajoz, Extremadura, consisting of a married couple, Manuel and Paca, and five children aged 3 to 16. In Badajoz the family had worked as rural laborers and had also occasionally sharecropped some lands; however, when lands in the area began to be converted to pastures for grazing, work began to become more scarce, and the whole family moved to Madrid in 1955. In contrast, Lorenzo (25), Gabriel (23) and Inés (27), from a small town of 20 families in the Castilian province of León, constituted a completely different case. Their parents had not moved to Madrid with them, and in fact they came from a "relatively comfortable" household in their town which owned both land and livestock. When the three siblings came to Madrid, Lorenzo had apprenticed as a butcher before starting his own butcher shop, and their family sent them produce from the family farm.[49]

The case of Manuel and Paca points toward another trend causally intertwined with the migration of Spanish rural proletarians into the cities: the so-called "transition to direct cultivation." As discussed in the previous chapter, numerous scholars have suggested that there was a widespread process of evictions of sharecroppers and tenant farmers in the 1940s, who then became wage laborers on estates which landlords began to manage as large-scale enterprises. This study was unable to corroborate an increase either in the relative spatial prominence of such "direct" cultivation or in the relative size of the rural proletariat as against the smallholding peasantry in the 1940s. However, it seems that a "transition to direct cultivation" did indeed occur in the 1950s. In 1952, of a total of about 21 million hectares of land under cultivation in Spain, about 64 percent was held under "direct cultivation" rather than tenancy or sharecropping arrangements.[50] The agricultural census of 1962, meanwhile, found that of 44,650,089 total hectares in "agricultural enterprises," 75.8 percent were under direct cultivation, 12.3 percent were under cash tenancy and 7.3 percent were under sharecropping arrangements.[51] It is difficult to compare these two sets of figures, because the latter referred to total land in "agricultural enterprises" and the former only to land under cultivation. In the 1930 cadastre at least, "direct cultivation" occupied similar proportions of total land in farms and cultivated land—65 percent and 62 percent, respectively. If this level of

correspondence remained around 1960, then it would imply a significant decrease in the percentage of land held under tenancy and sharecropping arrangements over the course of the 1950s.

Anecdotal evidence further corroborates the notion of a transition from tenancy and sharecropping to "direct cultivation" in the 1950s. On the 1,500-hectare latifundio in Seville studied by Naredo and colleagues, it was in the 1950s rather than the 1940s that such a transition occurred. In this case, the transition was more a product of the challenges of mechanization than of the relative profitability of direct production over sharecropping *per se*. Although initially tenants were successful in implementing mechanization themselves, forming groups to share agricultural machinery, they eventually ran into issues of scale. The transition from sharecropping to direct cultivation was gradual, beginning before 1962. Before that year, most of the sharecroppers had actually moved off the farm into the nearest town of 35,000, and farm work had become less appealing, especially for the young, such that the final agreement to transition fully to wage labor on the farm, which involved compensation for the remaining sharecroppers, was "amicable."[52]

Whether the bulk of the "transition to direct cultivation" was a *response* to emigration caused by the "pull" of industrialization and higher wages, as in the "amicable" agreement above, or a *cause* of emigration that "pushed" former tenants and sharecroppers into the cities, as in the case of Manuel and Paca, is a matter of debate. In all probability, both processes were at work and fed off each other. To complicate an already complex interaction between agrarian change, migration and industrialization in the 1950s, the decade also saw the beginnings of the closest the Franco regime came to real agrarian reform. This agrarian reform process was regionally concentrated and incomplete. Nevertheless, it was a crucial part of the broader process of economic development because it enhanced linkages between agriculture and industry, accelerated agricultural yields and production, and intervened in processes of rural-urban migration. It is to this partial agrarian reform that the analysis turns in the following two sections.

Agricultural "Colonization"

As we have seen, the Second Republic saw an attempt at a redistributive land reform led by the left Republican-Socialist alliance, which was stalled by both divisions in the left coalition and the opposition of the right. More characteristic of the agrarian policies of the Republic were efforts to improve the wages and working conditions of rural proletarians. The Nationalist regime, in contrast, had little by way of a program for rural proletarians, and insofar as it had a plan for land reform its goal was to turn tenant farmers into proprietors. The change in regime was reflected in agrarian policy in the shift from agrarian "reform" efforts to the rhetoric and practice of agricultural "colonization," embodied in a newly created organization, the INC, or the National Colonization Institute.[53]

The INC was created in 1939; a law in December of that year provided for the designation of "areas of national interest" scheduled for agricultural colonization and farmer resettlement. A government decree in June 1942 allowed the INC to

buy lands and create "colonization nuclei" (*núcleos de colonización*), but it relied on large landowners to voluntarily offer up land. It was not until April 1946 that the regime finally issued a law providing for the expropriation of land in the "national interest," although it stipulated that the INC had to pay for lands immediately upon expropriation and in cash; the INC was then allowed to issue up to 2.5 billion pesetas in bonds to finance expropriations. The final legal landmark in the formation of the colonization program came in April 1949, when the regime codified a colonization model which involved the expropriation of lands from private owners in exchange for irrigation of some of their land.[54] Despite these formal steps, however, the 1940s saw little by way of actual expropriation or "colonization"; over the course of the decade, barely 10,000 of a total of 576,891 hectares of land declared of "national interest" were actually irrigated, and the state paid a total of 460 million pesetas to buy less than 140,000 hectares of mostly non-irrigable dryland from 232 farms.[55]

In the 1950s, however, colonization accelerated, in the context of a general acceleration of agricultural growth. Thus, as indicated in Table 7.1, between 1950 and 1962, net agricultural production in Spain, measured in 2000 US dollars, grew by a cumulative total of 50 percent, compared to an average of 44 percent among Western European countries, 40 percent in the Mediterranean countries and Central and Eastern Europe, and 11 percent in Northern Europe. This growth in agricultural production allowed for a significant decrease in food imports over the course of the 1950s, from an average of 1.1 billion tons in 1946–1948 to 870 million in 1950–1952 and to 685 million in 1955–1957. The decrease in food imports, in turn, freed up foreign exchange for imports of machinery and capital goods, which spiked in the 1950s in the process of import substitution industrialization.[56]

Although Spanish agriculture continued to be poorly mechanized by Western European standards in the 1950s, the decade did see a general increase in mechanization. While between 1947 and 1950 the total number of tractors in Spain barely increased, from 9,598 to 10,395, between 1950 and 1953 the figure shot up to

Table 7.1 Agricultural Production Indicators in 1962 as Percent of 1950 Figures

Country	*Production in US Dollars*	*Tractors/ 100 Workers*	*Arable Land*	*Land Equipped for Irrigation*	*Average kg Fertilizer/Ha*
Spain	150	612	105	151	327
Western Europe	144	479	100	106	198
Mediterranean Europe	140	625	99	116	225
Northern Europe	111	553	99	108	154
Central and Eastern Europe	140	504	103	121	613
Europe	137	510	101	115	211

Martín-Retortillo and Pinilla, "Patterns and Causes of Growth of European Agricultural Production," 135, 140, 142, 144, 145.

almost 17,800. By 1959, the total number of tractors in the Spanish countryside was over 43,000.[57] However, this advance in mechanization was still not much faster than the European average. In 1962, the number of tractors per hundred people employed in agriculture in Spain was 612 percent of its 1950 level. Although this figure was impressive, it was still lower than 890 percent in France and 783 percent in Italy and not that much greater than the 510 percent average in Europe overall. Moreover, the number of tractors per 100 workers in 1962, at 2.02, was still much lower than 19.49 in France, 5.17 in Italy and 7.34 in all of Europe.[58] Agricultural output per male worker in 1957–1962, meanwhile, was 39 percent higher than its 1950 level in Spain; but the figures were 102 percent in France, 133 percent in Italy and 48 percent in Ireland, and of all major European capitalist countries, only in Denmark, Norway and Britain was growth in agricultural labor productivity slower than in Spain during the 1950s.[59]

If mechanization and the growth of labor productivity both proceeded at a slower pace in Spain than among its European neighbors, how was it that growth in agricultural production was higher? The answer, as illustrated in Table 7.1, seems to have been an increase in *land* productivity through the intensification of cultivation and an expansion of irrigated land. For example, Obrien and Prados estimate that between 1950 and 1960, agricultural output per hectare increased by 23 percent in Spain, as opposed to 10 percent in France, 16 percent in Germany and 22 percent in Italy.[60] Similarly, fertilizer consumption per hectare of cultivated land—a better measure of land productivity than tractor use, which indicates labor productivity—increased rapidly after the resumption of normal trade in 1951. As shown in Table 7.1, Spanish fertilizer consumption per hectare of cultivated land was 327 percent of its 1950 levels in 1962; only in Central and Eastern Europe was the comparable figure higher. Also linked to the intensification of cultivation in Spain were shifts in patterns of land use. Spain was something of an exception in Europe in the 1950s in that the total amount of arable land actually increased slightly during the period, by 5 percent, compared to just 1 percent in Europe overall and a negative 1 percent in Mediterranean and Northern Europe. More striking was the evolution of total land equipped for irrigation, which increased by 51 percent in Spain, far higher than the European average of 15 percent.

The expansive trends listed above are arguably attributable in large part to the acceleration of the Spanish state's "colonization" policy in the 1950s. During that decade, 200,000 hectares were "colonized," as opposed to barely 10,000 in the 1940s.[61] By 1969, the INC had acquired 491,137 hectares of land, of which about 250,000 had been expropriated under the provisions created in the 1940s. Of these 491,000 hectares, about 230,600 were newly irrigated lands and the rest were "improvable" drylands. By that same year, the INC had settled over 50,000 families on these lands, roughly evenly distributed between irrigated and non-irrigated lands.[62]

The "colonization" program itself constituted the outcome of conflicting tendencies within the regime. On the one hand was a clear technocratic, productivist tendency linked to an understanding of agricultural development

as a technical rather than social problem. Embodying this tendency was the new Minister of Agriculture, Rafael Cavestany, who took office in the cabinet reshuffle of 1951. Miguel Bueno has argued that the Spanish agricultural program of the 1950s had "its own name, Cavestany."[63] Cavestany very clearly had no problem with large-scale agriculture or with the agrarian capitalist class of Southern Spain, as long as this class was a "productive" one. Thus, for example, in an interview with Juan Martínez Alier in the 1960s, one major Cordovan landowner claimed that in a conversation he had with Cavestany the minister had insisted that the minimum "optimal scale" of a landholding in drylands was no less than *1,000 hectares*.[64] Meanwhile, in a speech to agronomists in 1955, Cavestany argued that the latifundio constituted a problem not of scale itself, but of the productive use of land: "when full use is made of land productivity, of the modern factors of production, and each of these receives the just remuneration for the services it lends, there is no latifundio, regardless of the size of an agricultural enterprise."[65]

On the other hand, the "colonization" program also incorporated a redistributionist tendency, rooted in the regime's social base among smallholders. Thus, the colonization program implemented beginning in the 1950s was accompanied by both "revolutionary phraseology" on the part of the regime and considerable resistance on the part of large landowners. The head of the INC, Ángel Zorrilla Dorronsoro, claimed that some

> landowners who were very influential in the Ministry of Agriculture also attacked the [colonization] law and the tenancy law, for if the former did not affect them, the latter did, and, definitely, what they wanted was to paralyze the progress of the [National Colonization] Institute.[66]

The tension in the INC was thus between "improvement" and redistribution, between agrarian modernization and agrarian reform.[67]

The colonization program also illustrated the Francoist state's relative autonomy from the interests of large landowners and its ability to impose certain modernization strategies on them. In fact, the effects of the agrarian reform program may have been felt more in the realm of agricultural production than in agrarian social structure, because the state could use the *threat* of expropriation under the "colonization" program in order to exact production increases from agrarian capitalists. Cavestany himself summarized the logic of this strategy in a speech he made in Seville in 1952:

> to those landowners who are not possessed by the spirit of enterprise, a warning that is not a threat. As long as they do not violate the law of nations [*derecho de gentes*] and the laws of the country, there will be no reason to sanction them, but they will be looked at with indifference, if not contempt. And of course; let them forever give up hope. For them not one tractor, not one basket of fertilizer. And I am sure that if… it were necessary to expropriate lands, theirs would be the first.[68]

The threat of expropriation does seem to have had tangible effects. In addition to the 200,000 hectares irrigated directly by the state in the 1950s, for example, another 200,000 were irrigated by landowners themselves with state aid. Rather ironically, given the politically disastrous effects of the expropriation inventory of the Republican land reform, placement on the new regime's *Catálogo de Fincas Expropiables*—literally, the "catalogue of expropriable farms"—and the consequent threat of expropriation likely motivated landowners to irrigate their lands. Much of the expansion of irrigated lands during this period was likely conducted by capitalist farmers themselves in response to the threat of state expropriation, since irrigating land made it exempt from expropriation.[69] Irrigation by landowners was a response not only to a carrot but also to a stick.

A Case Study of "Colonization": The Badajoz Plan

Insofar as agrarian reform was a reality—in the regime's so-called "colonization" policy—how did it actually work in practice? One of the more notable examples of the "colonization" policy, because it was executed as part of a consolidated program, was the "Badajoz Plan," implemented in one of the two provinces of Extremadura. An initial "Organizing Plan" (*Plan de Ordenación*) for agrarian reform in Badajoz was followed by a full "Plan" along with the colonization law of 1949, and a further law in 1952 allocated five billion pesetas for a program of irrigation, redistribution, infrastructure and agro-industrial projects in the province between 1952 and 1965.[70]

As of 1950, only about 6,500 of the roughly 795,000 hectares under cultivation in Badajoz were irrigated. Among the agricultural labor force were perhaps some 57,000 *yunteros*—tenant farmers and sharecroppers with their own agricultural implements and work animals—with access to no lands or to insufficient lands and over 66,000 rural casual laborers. Underemployment was a chronic problem, with the average agricultural work year being only 180 days; the 1947 *Plan de Ordenación* had found an average of 110,000 people in long-term or temporary unemployment in Badajoz over the course of the year, including 40,000 *yunteros* and 60,000 laborers. Thirty percent of the rural population over the age of 10 was illiterate, and 88 percent of the population made less than the average national income.[71] Data provided by municipalities in 1957 through the *Delegación Nacional de Sindicatos* and the *Delegaciones Provinciales* on 68,000 *yunteros* and sharecroppers in Badajoz found that while 25.5 percent had access to "sufficient land," 52.8 percent had "not enough land" and 21.6 percent had no land.[72] Meanwhile, in 1950, farms of over 250 hectares occupied 51 percent of total land in farms.[73] In short, Badajoz exhibited the typical problems associated with the latifundio economy: an unequal distribution of land, widespread landlessness and chronic underemployment.

Settlement in the Badajoz Plan followed the common INC pattern. If an area was slated for irrigation by the state, land already under irrigation by landowners was exempted from expropriation; a certain amount, proportional to the size of each farm, was set aside for the owner and was required to be irrigated; and

the rest was expropriated at dryland prices. Irrigated land was then divided into five-hectare plots and distributed to *colonos* ("settlers"),[74] who paid for them on 30-year mortgages that covered the cost of the land as well as part of the cost of infrastructure projects and improvements. In addition to the five-hectare plots, smaller plots, usually of about half a hectare, were distributed as kitchen gardens or *huertos familiares* to laborers who would presumably work for wages on irrigated lands and live in the Badajoz Plan settlement communities—the Plan stipulated, however, that there should be no more than one *huerto familiar* distributed for every 20 hectares under irrigation.[75]

Thus, class divisions were built even into the land distribution program. That the regime even envisioned a role for rural proletarians at all in the Badajoz Plan—albeit rural proletarians with better working conditions—reveals the extent to which the Franco regime's agrarian reform program was rooted in its base of support. The Nationalist regime's land reform program was one that was intended for tenant farmers and small proprietors with insufficient lands. It envisioned giving "land to the tiller" and making the conditions of the small agricultural producer, the pillar of the regime's constituency, more secure. The regime evidently did not, however, have room in its imagination for a rural society without agricultural wage laborers. The rural middle class should be strengthened and even expanded, but there should continue to be a wage-earning proletariat below it.

This did not mean, however, that the beneficiaries of the land reform were always tenant farmers or struggling proprietors in practice, or that rural proletarians did not receive land. To qualify for land as "settlers" (*colonos*) through the Badajoz Plan, candidates had to be aged 23–50 and be married or widowers with children. Yet in practice, as José Pérez Rubio suggests, the actual selection of candidates was a complex political affair. The INC wanted settlers who were *yunteros*, who had previous experience with agricultural production and possessed their own production implements or work animals but lacked sufficient land. However, these criteria were often overridden for political reasons. In addition to the INC, local agricultural sections of the SV played an important role in the selection of candidates, and the provincial government had the final say. People could also be "recommended" for candidacy; Pérez Rubio finds that recommenders in 1965 among *colono* applications included governors of both Badajoz and other provinces, wives of governors, high functionaries (*altos funcionarios*), clergy, "relevant personalities belonging to important families," mayors and local heads of the state-sponsored agricultural associations, the *Hermandades de Labradores*.[76] Writing in the 1960s after performing fieldwork in Badajoz Plan areas, French geographer Christian Béringuier claimed that *colonos* were initially largely selected from among rural laborers but that sharecroppers increased in prominence among selected candidates over time.[77]

One would assume that these relationships of patronage reproduced class hierarchies; curiously, the intervention of "political" rather than "technical" criteria in the selection of candidates seems to have resulted in the selection of candidates from a *lower* class background than the INC desired. Thus, for example, an engineer and administrator in the Badajoz Plan wrote the following to the governor

of Badajoz explaining the elimination of certain candidates from consideration as potential Plan beneficiaries:

> among the causes that motivated the elimination of some of the petitioners, it can be proved that certain *Hermandades Sindicales* continue to recommend for installation as *colonos* applications from cultivators that lack means of production, jornaleros and *braceros*, who clearly cannot properly operate the irrigated agricultural enterprises established in the Zone [of irrigation].[78]

Between 1952 and 1964, about 52,874 hectares were put under irrigation as part of the Badajoz Plan and distributed to 4,865 *colonos*, as well as to about a thousand laborers in *huertos familiares*. These *colonos* and laborers lived in town communities, or *núcleos de población*, that totaled 27,000 people in 1960 and 43,000 by 1970, or 1.9 percent and 3.7 percent of the total population of Extremadura in those respective years.[79] The average farm size was small, with 80 percent of *colonos* possessing four to five hectares. As a result, these farms used family labor intensively and relied relatively little on hired wage labor. For example, in the early 1960s, three-quarters of the working-age sons of *colonos* worked on their parents' farms. A 1963 survey by the Ministry of Agriculture estimated that 86 percent of labor performed on the *colono* farms was family labor.[80] Similarly, government data cited by Pérez Rubio found that over 90 percent of labor on *colono* farms was done by family members. In comparison, even among the smallest category of the *reservistas* or landowners on the Badajoz lands that had retained their land on condition of irrigation—those owning less than 15 hectares—the corresponding figure was only 28 percent.[81]

The Badajoz Plan *colonos*, in other words, were genuine small family farmers that relied on family rather than hired wage labor. This makes the inclusion, although limited by statute, of garden plots for wage laborers in the Badajoz Plan all the more remarkable. Evidently, the relatively small farms distributed by the Plan were capable of absorbing the labor of a family—not much more and not much less. Likely, much of the Plan laborers' wage work was done on the lands of the *reservistas*, who were *not* family farmers but rather capitalist employers. Nevertheless, the varying degrees of reliance on wage labor required on the irrigated lands created by the Badajoz Plan provide further evidence of the extent to which agrarian reform reproduced the fine lines of class division in Spanish rural society.

Colonos provided a deeper domestic market for manufactured products than their non-*colono* neighbors. For example, in the early 1960s, average net income among *colono* households was about 80–120,000 pesetas a year. Their yields averaged 11,200 pesetas per hectare compared to 8,500 among neighboring farms under irrigation and 1,640 pesetas in nearby dryland farms. In 1958, average spending in towns of less than 10,000 people in Badajoz was 2,000 pesetas a month per family, with 62 percent dedicated to food costs (75 percent among jornaleros); among Badajoz *colonos,* the figures were 2,500 to 5,000 pesetas per month, with 51–55 percent dedicated to food costs.[82] John Naylon claimed in 1966 that "the I.N.C.

colonists have bought 8-10 times more industrial products for their farms than is customary under *secano* [dryland], and the pattern of personal spending has been similar."[83]

Equally as important as the Badajoz Plan's program of land redistribution was its industrialization program linked to the area's agricultural production. This included food processing, tobacco processing, production of textile fibers from cotton and flax, meat processing and dairy facilities as well as breweries and producers of fertilizers and cement for the agricultural complex. As of 1962, 31 factories had been constructed, employing 3,400 workers; construction projects themselves at that point employed an additional 12,000 people. While meat, dairy and textile production supplied the domestic market, vegetable and fruit production, including their processed versions, targeted export markets.[84] Production targets in the principal industrial projects were exceeded. While the 1952 Plan envisioned 15,000 metric tons of canned vegetable production, 21,000 tons of processed meats and 50,000 tons of fertilizers, in 1963 production in these areas was at 78,000 tons, 56,000 tons and 57,000 tons, respectively. As a result, the Plan underwent a "readjustment" in industrial production targets that year to accommodate these differences.[85]

The Badajoz Plan was seriously flawed in many respects: most importantly, it did not create as much employment as it set out to create, and it failed to prevent the re-emergence of sharp inequalities in land tenure. The Plan aimed to create 70,000 new jobs by 1967; as of 1965 it had created only 40,000. This was also only a fraction of the 110,000 found to be unemployed or underemployed over the course of the year in the original 1947 study drawn in preparation for the Plan.[86] The implementation of the Plan in the 1950s and early 1960s was followed by a process of land accumulation among *reservistas* and other large landowners, resulting in the re-emergence of inequalities the Plan had originally tempered. Between 1960 and 1970, *colono* holdings as a percent of total irrigated lands in the Badajoz areas decreased from 44 percent to 32 percent, while the percentage held by *reservistas* holding more than 35 hectares increased dramatically from 7 percent to 35 percent. As *colono* families were squeezed by larger landowners, their lands became insufficient to fully absorb their labor, which they had to begin hiring out for wages.[87]

On the other hand, it is interesting to analyze the positive overall economic impacts of the Badajoz Plan in comparative perspective. Of course, the Badajoz Plan itself constituted only one part of the general INC "colonization" program, and the latter itself affected only a fraction of the Spanish peasantry. Nevertheless, such an analysis gives us a hint as to the kind of unique social and political factors that were at work in the Badajoz Plan. While between 1949 and 1955 Badajoz's economy grew at the same rate or slower than comparable neighboring latifundio provinces, it grew much faster between 1955 and 1960. Similarly, between 1950 and 1960, real income per capita grew by 52 percent in Badajoz; this was considerably lower than in the booming industrial centers of Barcelona (102 percent) and Madrid (99 percent) during the same period, but it was higher than, for example, the neighboring provinces of Salamanca (19 percent) or Huelva (11 percent). And,

perhaps most significantly given the exodus from the latifundio provinces during the 1950s, Badajoz witnessed a cumulative population increase of 2.3 percent over the course of the decade; this compared favorably with –0.9 percent in neighboring Cáceres, –1.5 percent in Salamanca, –8.7 percent in Huelva and –3 percent in Ciudad Real (see Table 7.2).

The above figures seem to validate the idea that the rural-urban migration of the 1950s was one of rural proletarians, driven to the cities primarily by the push factor of rural poverty and not by the pull factor of higher industrial wages. When opportunities for land ownership and additional lines of employment opened up in their own communities, rural proletarians did not emigrate in such large numbers. Indeed, the effects of agrarian reform in Badajoz on levels of migration from the province are further illustrated by a comparison with the case of Albacete, a latifundio province in southern La Mancha. Over the course of the 1950s, Albacete experienced the second highest rate of outmigration of all Spanish provinces—17.8 percent.[88] As José María Gómez Herráez has explained in detailed research on the province, this outmigration caused great concern among large landowners interested in maintaining easy access to a dependent labor force. In this context, some voices within local branches of the SV and *Hermandades* began to advocate for the distribution of small garden plots (*huertos familiares*) to wage laborers. These plots, which would be held in tenancy or sharecropping arrangements, would presumably keep wage laborers employed during the agricultural dead season from November to May and thereby guarantee large landowners a supply of labor. Yet in fact, even this program produced pitiful results.[89] Moreover, between 1939 and 1959, the INC distributed only 2,500 hectares in Albacete, a miniscule amount compared to the Badajoz Plan. Gómez Herráez attributes this pathetic performance to the successful resistance of large landowners, acting through channels such as the SV, who were hostile even to the *huertos familiares*.[90]

The comparison of Badajoz and Albacete is thus a revealing one in analyzing the Francoist regime's land redistribution programs, as it suggests that the level of autonomy and correlation of power between the state and landowners was not uniform across Spain but rather varied by region. Why did so much more redistribution occur in Badajoz? Here we can only suggest hints of an answer. First of

Table 7.2 Comparative Effects of the Badajoz Plan on Economic and Population Growth, 1950–1960

Province	*Economic Growth, 1949–1955*	*Economic Growth, 1955–1960*	*Population Growth, 1950–1960*
Badajoz	22.6%	26.5%	2.3%
Cáceres	33.9%	10.5%	0.9%
Ciudad Real	40%	7.5%	-3%
Huelva	26.9%	1.1%	-8.7%
Salamanca	21.9%	1.0%	-1.5%

Béringuier, "Colonisation et développement régional," 181, 183, 205.

all, it is possible that the landowners in Badajoz whose lands were to be expropriated more closely fit the profile of the absentee *señorito*, the target of much of the regime's "radical" agrarian discourse, than those in other regions. Indeed, in their 1977 study of the 1,400 largest farms in Spain, Manuela Leal and Salvador Martín found that aristocrats still owned 36 percent of the land in these farms that was located in Extremadura, compared to 16 percent in Spain overall.[91]

Second of all, Extremadura was a region of both highly unequal land tenure *and* widespread tenancy and "indirect" cultivation. As we have mentioned, the Francoist agrarian program was amenable to efforts to turn tenant farmers into proprietors, but offered almost nothing by way of a program for laborers. As a region with a high proportion of sharecroppers and tenant farmers, Extremadura was particularly amenable to the *kind* of redistributive agrarian reform that the regime was interested in. Yet data on land tenure in Spain in 1950 suggest that tenancy was also very prominent in Albacete, which saw minimal agrarian reform. In Spain overall, 64 percent of cultivated land was in "direct cultivation," while the figure in Badajoz was 57 percent and in Albacete it was even lower, at 36 percent. A major difference between the two provinces, though, lay in the prevailing *kinds* of tenancy. In Albacete, 34 percent of land in cultivation was under sharecropping arrangements and 29 percent was under insecure or "non-permanent" cash tenancy, while only 1.7 percent was under permanent or "protected" tenancy. In contrast, in Badajoz, 23 percent of cultivated land was under sharecropping arrangements and 18 percent under "protected" tenancy, but only 2.3 percent was under "non-protected" tenancy.[92] The relative prominence of "protected" tenancy in Extremadura may also help explain the fact that cash tenancy was more resilient in the region during the 1950s than it was in Spain overall. In Spain, cash tenancy went from accounting for 22 percent of cultivated land in 1950 to 12 percent of farm land in 1962, while in Extremadura, cash tenancy decreased much less during the same period, from 24 percent to 19 percent.[93]

The best explanation might be that, on top of the factors outlined above, Extremadura was a region with a robust history of peasant struggles. Indeed, as Pascual Carrión notes, Badajoz saw particularly high levels of peasant activism in the wake of the Popular Front victory in 1936.[94] And, as we saw in Chapter 3, no less than 75 percent of the spontaneous peasant land occupations during the Second Republic occurred in Extremadura.[95] In this context, as José Pérez Rubio explains with respect to the perpetuation of stable tenancy in Extremadura, landowners opted "for the attainment of maximum profitability *taking into account as well the limitations imposed by the social structure*."[96] This suggestion can be extended to the relative magnitude of land redistribution in Extremadura and especially in Badajoz; it may be that the Badajoz Plan was undertaken in response to the specter of previous peasant struggles. Whatever the main cause of the implementation in Badajoz in particular, the main point to emphasize is that agrarian reform under the Franco regime, just like agrarian social structures before the Civil War and agrarian class struggles during it, was a regionally varied phenomenon, and all three were intertwined.

The initiation in the 1950s of limited agrarian reform, whose execution was very likely influenced by pre-Civil War patterns of class conflict in addition to

variations in land tenure, expanded the domestic market and hastened rural industrialization where it did occur. But perhaps most importantly, the specter of expropriation facilitated state "discipline" in the agricultural sector, resulting in rapid growth of national agricultural production. By reducing reliance on food imports, this expansion in agricultural production in turn helped free up foreign exchange to serve the requirements of industrialization. Having established how the normalization of international relations, domestic labor struggles and varying patterns of agrarian change impacted general trends of industrialization in the 1950s, it is now time to analyze the particular pattern of industrial development that took shape during the decade and examine the state's role in shaping this pattern.

From Inputs to Finished Goods

If the 1940s saw the establishment of an INI presence in sectors that produced basic inputs that were in short supply, the 1950s saw INI's entry into sectors where it challenged strong existing oligopolies and others where it produced final consumer products. The three most important of these sectors were steel and shipbuilding—in which INI's entry challenged the Basque industrialist class—and automobiles, INI's first true mass consumer sector.

One of INI's first and most important ventures of the 1950s was in the steel industry. As we have seen, Spain had already developed a steel industry before the Civil War. Concentrated in the Basque Country, the sector had consolidated in the conglomerate Altos Hornos de Vizcaya, and steel industrialists had succeeded in gaining a protective tariff. The Basque industrial bourgeoisie crippled the Republican government during the first months of the Civil War with a capital strike, while after the Nationalists took Bilbao, production ramped up to meet the war needs of the Francoist cause, with the result that steel production became highly dependent, during the war years and immediately after, on state demand.

In 1940, the year after the Civil War ended, the condition of monopoly in Spain's steel industry became even more acute after Altos Hornos purchased *Compañía Siderúrgica del Mediterráneo*—an enclave of steel production outside of the Basque industrial complex in Sagunto, Valencia.[97] In the years following this merger, as shown in Table 7.3, Altos Hornos came to control around 60 percent of Spanish steel production and 85 percent of pig iron production. Meanwhile, steel production stagnated in the 1940s, moving from around 700,000 tons at the beginning of the decade to 800,000 by its end. This performance was all the more unremarkable given the fact that steel output had reached a peak of one million tons in 1929.[98] As a result of this stagnation, domestic steel production was unable to meet demand during the 1940s, resulting in higher prices.[99]

In part, this stagnation was due to the "autarkic" conjuncture of the 1940s. As José María Lorenzo points out, over the course of the 1940s Altos Hornos increasingly protested government controls on key inputs for steel production—fuel, coke and coal—and during every year of the decade the firm had access to smaller amounts of fuel than it did in 1929.[100] However, insofar as these input controls were a necessary response to extraordinary shortages, there is no sign that the state

Table 7.3 Evolution of Steel Industry Production, 1940–1960

		1940/1941	*1950/1951*	*1960/1961*
Pig Iron	Total Production, Spain (Tons)	535,000	656,000	2.1 million
	Share of Nat'l Production, Altos Hornos	85%	68%	37%
	Share of Nat'l Production, ENSIDESA	—	—	40%
Steel	Total Prodution, Spain (Tons)	683,000	818,000	2.4 million
	Share of Nat'l Production, Altos Hornos	58%	61%	31%
	Share of Nat'l Production, ENSIDESA	—	—	27%
Rolled Steel	Total Production, Spain (Tons)	498,000	577,000	2.2 million
	Share of Nat'l Production, Altos Hornos	59%	59%	25%
	Share of Nat'l Production, ENSIDESA	—	—	19%

Garmendia and González Portilla, "Crecimiento económico y actitudes políticas," 185; Quílez Pardo, *La siderurgia de Sagunto*, 83, 87; Chilcote, *Spain's Iron and Steel Industry*, 95. Note that for pig iron and steel, production totals are for 1951, while ENSIDESA/Altos Hornos shares are for 1950.

treated Basque steel production with any particular discrimination. For example, Albert Ribas finds that between 1942 and 1946, steel producers in the province of Biscay, where Altos Hornos's production facilities were located, received between 73 and 92 percent of the coal quota set for them annually by the state; in contrast, producers in the (albeit much smaller) Catalan steel industry only received between 58 and 79 percent.[101]

It is thus highly likely that the degree of monopoly that one firm, Altos Hornos, held in the Spanish steel industry played some role in the stagnation of production during the 1940s. As Schwartz and González point out, one avenue to resolving this problem and increasing competition in the steel industry would have been to eliminate the tariff barriers protecting the sector and opening it to foreign competition; this would, however, have been unacceptable given the regime's strong commitment to a *national* process of industrialization.[102] The road first chosen by the head of INI, Juan Antonio Suanzes, was to approach Spain's major

steel industrialists and propose a joint project for a new steel enterprise funded jointly by INI, domestic Spanish and foreign capital. Suanzes was rebuffed.[103] INI thus proceeded on its own. Its steel enterprise, *Empresa Nacional Siderúrgica* (ENSIDESA), was founded in June 1950, with a factory planned in the town of Avilés in Asturias, strategically located near coal and iron deposits and with easy access to the coast. ENSIDESA had a projected yearly production of 600,000 tons of steel, and a billion pesetas in issued capital; the Avilés factory finally opened in 1957.[104]

Perhaps more than any other project, ENSIDESA illustrated the degree of autonomy the Spanish state had achieved, at least with respect to Spain's *industrial* bourgeoisie as it had existed in the prewar period; Altos Hornos was Spain's industrial conglomerate *par excellence*. As Schwartz and González note, "the private steel oligopoly, constructed behind the parapet of tariff protection, was to be broken thanks to State intervention."[105] Franco seems to have approved of the project himself, as illustrated by a revealing anecdote provided by Schwartz and González, likely based on later interviews with state officials:

> In the year 1950 Franco and Suanzes were attending the closing ceremony of a celebration of the fiftieth anniversary of the School of Industrial Engineers [*Escuela de Ingenieros Industriales*]. The speeches of the great men of private industry expounded one after the other upon the impossibility of surpassing the production levels of 1929, the uncertain expectations of steel demand etc. Suanzes, it appears, called the Chief of State's attention to what most conflicted with both of their plans, by poking him lightly with his elbow. It is said that upon their exit Franco whispered to him: 'Carry on, Juan Antonio, carry on [*Tú sigue, Juan Antonio, tú sigue*],' with which the gates to the state steelworks were opened.[106]

Here were all of the ramifications of private control over investment in a capitalist economy: investment pessimism and a private sector unwilling to comply with the state's industrialization strategy. But these ramifications were overcome by direct state participation in production through a state-owned enterprise. Indeed, the effects of ENSIDESA's founding were felt rapidly. In response to its challenge, in 1956 Altos Hornos began a program to increase its steel production to 1.5 million tons by 1967.[107] As a result, as indicated in Table 7.3, by 1960 Spain's steel production had nearly tripled from its 1950 levels to 2.4 million tons, by which time ENSIDESA accounted for 40 percent of pig iron, 27 percent of steel and 19 percent of rolled products production in Spain.

Steel was a general exception, however, to INI's general strategy of industrialization in the 1950s, in which the focus shifted from production of intermediate inputs to the production of finished goods.[108] One of the most important sectors in the latter category was shipbuilding. Immediately after the end of the Civil War, the Franco regime made a priority of reconstructing both the navy and the merchant marine. However, INI also saw shipbuilding as a unique sector around which Spanish industry could improve its productivity and technical capacity. Suanzes

himself emphasized in 1943 that "in tackling the daunting challenge of constructing a fleet, it is the entire industrial question of a country that comes into play."[109] In order to pursue this goal, the regime first established the shipping firm Elcano under INI as a state-owned enterprise aimed at the expansion of the merchant marine. It also established a program of subsidized credits of up to 750 million pesetas for the construction, expansion and updating of both the military and merchant fleets.[110]

In the early part of the 1940s, Elcano's purchases—which accounted for 47 percent of the national total of ship orders between 1943 and 1954[111]—came exclusively from private Spanish shipbuilding firms. However, given the high industrial and national security importance of the sector in the eyes of the regime, INI decided to enter shipbuilding directly. It did so through two principal firms. The first, legally decreed into existence in 1942 but not formally established until 1947, was the *Empresa Nacional Bazán*, which took over existing state-owned naval shipyards and whose primary mission was production for military procurement but which also was allowed to produce civilian ships. The second, *Astilleros de Cádiz*, was formed in 1952 after INI bought the private firm Echevarrieta, which had entered serious financial straits after an explosion at its shipyards in Cádiz. In purchasing the firm, INI also preempted its acquisition by the British-owned SECN (see Chapter 6).[112]

Undoubtedly, both Astilleros de Cádiz and Bazán benefited from preferential treatment from the state. They were the only shipbuilding firms to be declared "national interest" enterprises and to receive the privileged incentives offered with the designation. They were also at times given preferential treatment in state procurement.[113] Indeed, there was a significant degree of vertical integration among state-owned enterprises. In addition to selling ships to Elcano, for example, Astilleros de Cádiz also sold rails to RENFE, the national railway company, and steel structures to ENSIDESA.[114]

The Spanish state's venture into shipbuilding in the 1950s angered Spanish industrialists already active in the sector, which, besides the foreign-owned SECN, was centered around the Basque industrial complex as was the case with steel. For example, Elcano and the state's shipbuilding operations interfered in the business of the Aznar dynasty, which held major stakes in their own shipping company, Naviera Aznar, and in the shipbuilder Euskalduna. Euskalduna, like Astilleros de Cádiz, also sold railroad equipment and received contracts from RENFE and Elcano. Both of these firms, moreover, were linked to powerful industrial and banking interests like Altos Hornos de Vizcaya and Banco Urquijo.[115] Because it involved direct competition with some of Spain's largest private sector conglomerates, in other words, the state's entry into the shipbuilding sector was another example of its autonomy from the interests of industrial elites.

What were the results of the state's entry into the shipbuilding sector? Ultimately, Spain climbed from producing 1 percent of the world's ships in 1950 to 7 percent in 1970—by which time it had come to occupy fourth place among the major shipbuilding countries of the world, behind only Japan, Germany and Sweden.[116] As with the other sectors discussed so far, much of the important advances in production in the sector occurred in the 1950s. While in 1953 Spanish shipbuilders turned in 36,500 metric tons of shipping capacity in ships of over 100 tons, by 1963 the

figure was 123,000. Meanwhile, the percentage of these vessels that was sold to foreign shipping firms increased from 11 percent to over 40 percent.[117] During the early 1950s, Spanish shipbuilders found success selling to Latin American markets, and as the decade progressed, they began to sell in European markets as well. Astilleros de Cádiz, for example, used its home city's strategic location at the bridge between the Atlantic and the Mediterranean to enter the international market by repairing foreign oil tankers.[118]

In the meantime, INI's participation in the shipbuilding sector began to follow a pattern common to other sectors discussed so far. Starting from a low point in the beginning of the 1950s—8 percent of all tonnage in ships of over 100 tons—INI's production share rapidly spiked to 72 percent in 1954 as its shipbuilding firms began producing, before gradually decreasing back to 25 percent in 1963.[119] This trajectory, as was the case with the steel sector, was consonant with a pattern in which an initial entry into a dominant position in the sector spurred an expansion in production among private producers in response. In an environment in which the state was willing to enter directly into production, a capital strike among shipbuilders in protest of state intervention would have been suicidal; it would have all but turned over the entire sector to state production.

The third major sector into which INI entered in the 1950s was automobile production. INI's role in the sector, as with shipbuilding, really dated back to the early 1940s. The automotive industry had been declared a national-interest one in February 1940, in a law that emphasized the importance of an internally articulated industry developed such that key inputs might be manufactured in Spain in addition to the final product. Private demand for personal vehicles was minimal in the 1940s for a variety of reasons—foremost among them decreased purchasing power and fuel shortages. Instead, industrial policy in the early part of the decade focused on the production of trucks, military and industrial vehicles, as well as engines and vehicle inputs. Four initial proposals came from private firms for "national interest" designation: Ford Motor Ibérica, Ford's Spanish subsidiary; Daimler Benz; FIAT Hispania and Hispano Suiza, the latter the only domestic automotive firm at the time, based in Barcelona, which relied in its proposal on the collaboration of the Italian firms Lancia and Alfa Romeo.[120]

During the early 1940s, as José María López Carrillo explains, there developed, in addition to a rivalry between INI and private firms, another rivalry between INI and the Ministry of Industry over jurisdiction in the state's role in industrialization. In this milieu, the relationship between INI, the Ministry of Industry and private firms alternated between collaboration and competition. INI began to negotiate with Hispano Suiza, Lancia and Alfa Romeo over a possible collaboration, but these negotiations were blown out of the water when Italy was invaded by the Allies in July of 1943. A proposal by Suanzes in early 1942 to create a *Sociedad Ibérica de Automóviles de Turismo* (SIAT), to produce passenger vehicles in collaboration with FIAT, met the same fate. Negotiations with *Ford Motor Ibérica* fell through as well, as INI refused anything less than majority participation in a joint venture—ultimately, Ford withdrew from the Spanish market in 1954, leaving Motor Ibérica as a purely national private firm.[121]

Ultimately, with negotiations with foreign automotive firms stalled for various reasons, technological possibilities basically lay with Spain's only existing domestic firm, Hispano Suiza. Negotiations with Hispano Suiza over the course of 1946 ended with INI acquiring the firm's productive facilities in Barcelona and "practically sealed the disappearance" of the firm from the automotive sector. The result was the establishment of the *Empresa Nacional de Autocamiones* (ENASA), whose main mission was to produce larger industrial vehicles and trucks. Besides Hispano Suiza's Barcelona plant, INI opened an additional factory in Madrid in 1954. The firm's initial plans were to produce 1,500 diesel 6-cylinder trucks a year. It did not surpass this initial production target until 1958. However, as López Carrillo says of ENASA's first phase from 1946 to 1954, if the firm was unsuccessful in one sense—in not being able to reach its initial production targets—it was successful in a longer-term sense in advancing production in an environment in which there was evidently little private initiative.[122]

INI's action in the automotive sector included a second firm, established in 1950 for the production of passenger vehicles. In 1948, INI entered negotiations between the Spanish Banco Urquijo and the Italian FIAT over the establishment of a joint automotive venture. The standard free-market narrative of INI's entrance into the automotive sector portrays the agency barging in on existing negotiations pioneered by Urquijo to the detriment of a deal that was already going smoothly.[123] These arguments ignore the fact that INI itself had already entered negotiations with FIAT before the end of the Second World War. Moreover, INI's entrance into the negotiations with FIAT actually slightly improved the terms, reducing the royalty paid for manufacturing FIAT's 1100 passenger model from 3 percent of sales value to 2.7 percent and deducting the price of inputs bought from FIAT from these royalties.[124]

The result, as agreed in 1948, was the formation of the *Sociedad Española de Automóviles de Turismo* (SEAT), with a plan to produce 10,000 units a year—the main product would be a FIAT 4-cylinder car, with a planned sale price of 50–60,000 pesetas. In 1949, SEAT received the "national interest" designation and was formally established in 1950 with INI holding a 51-percent stake and the Urquijo, Hispano Americano, Bilbao, Vizcaya and Banesto banks as well as FIAT dividing the remaining 49 percent into equal 7-percent shares.[125]

The 1950s saw significant increases in production for both of INI's firms in the automotive sector: ENASA increased its production of industrial vehicles from 376 units in 1951 to 2,146 in 1960, while SEAT's production of passenger cars increased from 1,345 in 1953 to 31,000 in 1960. In the meantime, the Spanish automotive industry as a whole both grew and became internally articulated, manufacturing at all stages of the production process. Between 1946 and 1965, the value of automobile inputs production as a percentage of total automotive production almost doubled, from 28 percent to 54 percent. The 2,500th unit of SEAT's 1400 model, produced in 1954, was 60 percent domestically produced; by 1958, the figure had risen to 93 percent.[126]

Undoubtedly, the growth and vertical integration of the Spanish automotive industry were due in large part to the entry of a number of new private

firms—especially Spanish ones—into the sector in the 1950s, including Motor Ibérica, IMOSA, SAVA, Barreiros, FASA and Autonacional. As a result of the entry of these new firms, SEAT's share of the passenger cars produced in Spain decreased from 69 percent in 1961 to 56 percent in 1972. Nevertheless, as Jordi Catalan notes, SEAT's profitability during this period was on par with major Western European automotive firms and better than other INI firms and the Spanish private sector. It is also important to emphasize that automotive production during the 1950s and 1960s was oriented almost completely inward toward the domestic market. Although the sector would come to be an exporting powerhouse in later decades, as of 1967, when SEAT's annual production surpassed 180,000 cars, barely 1,000 were exported.[127]

INI's activities in the 1950s represented an evolution in strategy with respect to the 1940s. While the INI program in the 1940s was largely reactive, responding to acute shortages of basic inputs, in the 1950s it was proactive, venturing into more complex finished industrial products. In the cases of steel and shipbuilding, there was already private-sector production in Spain. In these cases, INI's entry into each sector, which placed it in a dominant position, elicited an expansion in productive capacity by these private-sector firms in response, resulting in impressive increases in production. In the case of the automotive sector, INI's project was followed by the entry of private-sector firms into what was largely a virgin sector. In all cases, INI activities were crucial to the regime's sector-wise industrialization strategy.

Conclusion

A combination of international rapprochement and the ignition of the labor movement around the year 1951 radically changed the basis of the Spanish political economy. On the one hand, as the geopolitical alliances of the Cold War hardened, the United States normalized relations with the Franco regime, thereby inserting Spain into the anticommunist North Atlantic network of economic and security ties. Along with this rapprochement came a large flow of financial aid and foreign exchange, which provided Spanish industry and agriculture with needed inputs that could transform the previous decade's "primitive accumulation" into rapid increases in production. On the other hand, the year 1951 also saw the first major wave of strikes since the end of the Civil War, particularly in Barcelona and the Basque Country, in response to severe decreases in real wages and living standards. The significant wage increases that resulted from this upswing in the labor movement provided an expansion of domestic purchasing power that helped fuel a model of domestic market-oriented industrialization.

In a context in which almost half of the Spanish labor force still worked in agriculture, the process of industrialization in the 1950s was intimately linked with transformations in the countryside. As industry and construction expanded in the cities, rural proletarians began to flow out of the areas of southern latifundio Spain and into the cities, a process which constituted the first wave of a step-wise migration from rural to urban areas. Meanwhile, Spain saw the beginning of a regionally concentrated process of redistributive agrarian reform in some areas of the south,

which deepened the domestic market for industrial products and enhanced linkages between agriculture and industry, including export industry. Equally if not more significant, however, was the "discipline" which the threat of expropriation through agrarian reform, even if unfulfilled, helped bring about. This "discipline" resulted in significant increases in land productivity and intensive agriculture, while increasing domestic food production, decreasing food imports and freeing up foreign exchange for industrialization-related imports in the process.

Finally, the evolution of the Franco regime's industrialization strategy in the 1950s reflected a transition from primitive accumulation to domestic market-oriented industrialization. Whereas in the 1940s the state's activities had concentrated on the production of intermediate production inputs, in the 1950s the regime's industrial strategy turned to the production of finished goods. This did not preclude INI from entering one of the most important inputs industries, steel, a highly monopolistic sector where the agency's entrance translated into significant production growth over the course of the decade. However, the centrality of growth in such complex sectors as shipbuilding and the automotive industry represented a qualitative leap in Spanish economic development. Although the sectors had changed, however, one aspect of development remained the same in the 1950s: the state remained the central protagonist of rapid industrialization, both through its sophisticated industrial policies and its direct presence in the productive economy.

Notes

1 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 81.
2 The United States provided 59 percent of Spain's cotton imports in 1935 and 52 percent in 1950, and in 1946 cotton constituted the largest single US export to Spain, at a value of $14 million out of a total of $42 million. See Puig Raposo and Álvaro Moya, "La guerra fría y los empresarios españoles," 396; and U.S. Office of International Trade, "Economic Review of Spain-1946," 7.
3 "U.S. Boycott of Spain Hit by Connally," *Los Angeles Times*, May 11, 1949.
4 "U.S. Help for Spain Is Urged by Chavez," *The New York Times*, November 2, 1949. On Chávez's role in US relations with Hispanic America as well as in US policies toward the Spanish language in the United States, see Lozano, *An American Language*, 232, 234–235, 245–252. See also Chávez official congressional biography—*History, Art & Archives, U.S. House of Representatives*, "CHAVEZ, Dennis," https://history.house.gov/People/Listing/C/CHAVEZ,-Dennis-(C000338)/ (March 26, 2022). It seems possible that Chávez held Francoist sympathies even before his push for normalization of relations. For example, a Spanish-language editorial in the newspaper *Pueblos Hispanos* published during Chávez's visit to Puerto Rico in 1943, which went poorly due to the Senator's insistence that Puerto Ricans learn English, proclaimed "fuera de Puerto Rico el falangista Chávez"—see Lozano, *An American Language*, 250. However, I have been unable to find further details on whether Chávez was indeed a Falangist sympathizer.
5 These Senators and Representatives included "Messrs. MacCarran, Brewster, Pawley, Farley, MacCormick, Connolly, Green, Bridges, Chavez, O'Connor, Taft, Richards, Tydings, Murphy, Cain, Ellender, Keogh, Vandenberg"—see Martín Artajo, *The Policy of Isolation of Spain*, 33.
6 Slany and Eizenstat, *U.S. and Allied Wartime and Postwar Relations*, 82–83.

7 Chávez, *Special Report on Spain and Morocco*, 18.
8 Puig Raposo and Álvaro Moya, "La guerra fría y los empresarios españoles," 405, inc. note 34. Curiously, the two largest recipients of Eximbank credits during this period were Spain and Yugoslavia (see ibid., p. 30n)—two countries that had in common their exclusion from the Marshall Plan and political unpalatability to the United States but simultaneous hostility to the Soviet Union.
9 González García, "Las fuerzas armadas," 79.
10 Senate Committee on Foreign Relations, *Hearings Before a Subcommittee*, 127–128. The meeting was conducted in the presence of US Senators Theodore Francis Green (Rhode Island), Bourke Hickenlooper (Iowa) and Brien McMahon (Connecticut), as well as Assistant Secretary of State Jack McFall. In fact, Spain's average population growth rate in the 1950s and 1960s, between 0.8 and 0.9 percent, was in line with the Western European average—see Urban and Trueblood, "World Population by Country and Region, 1950–2050," 44.
11 Chávez, *Special Report on Spain and Morocco*, 15, 16, 13.
12 "Statement by the Honorable John Foster Dulles Upon Arrival at Torrejon Joint Air Base," December 20, 1957, Box 122, Reel 48, John Foster Dulles Papers, Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library, https://findingaids.princeton.edu/catalog/MC016_c6036. The 1949 letter is to UN ambassador Warren Austin: John Foster Dulles to US Ambassador to the United Nations Warren Austin, "Franco Spain," April 13, 1949, Box 46, Reel 15, John Foster Dulles Papers, Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library, https://findingaids.princeton.edu/catalog/MC016_c2032.
13 Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 193.
14 Puig Raposo and Álvaro Moya, "La guerra fría y los empresarios españoles," 405, inc. note 37.
15 Martín-Aceña and Comín Comín, *INI: 50 años*, 113; Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 176, 192–193, 196; Clavera et al., *Capitalismo español*, 1:70.
16 Guirao, *Spain and the Reconstruction of Western Europe*, 5, 153, 158–159. Guirao argues that this trend was the *most* important result of the changes of the early 1950s.
17 Chávez, *Special Report on Spain and Morocco*, 18–19; Catalan, "Economía e industria," 134–135.
18 Garmendia and González Portilla, "Crecimiento económico y actitudes políticas," 182.
19 U.S. Office of International Trade, "Economic Review of Spain-1946," 8; Richards, "Falange, Autarky and Crisis," 546–547; Garmendia and González Portilla, "Crecimiento económico y actitudes políticas," 190–195.
20 Bernal García, *El sindicalismo vertical*, 191–195.
21 Ramos Ramos, "Tranvías y conflictividad social en Barcelona," 211–213.
22 Ruiz, "De la supervivencia a la negociación," 63–64.
23 Bernal García, *El sindicalismo vertical*, 367, 370–371, 363, 223, 227.
24 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 151–152; Richards, "Falange, Autarky and Crisis," 555–556. Ferri, Muixí and Sanjuán's *Las huelgas contra Franco* is a concise history of the labor movement under the Franco regime during the 1950s and 1960s. However, much as the pre-Civil War Spanish left, it suffers from some key weaknesses. Note the racist cartoon on p. 41 of the book, published in *Franc Tireur*, originally the newspaper of the French Resistance, in Paris in March of 1951, regarding the strikes in Spain. Titled "Le réveil du taureau" ("the awakening of the bull"), it depicts a bull, representing the Spanish working class, jumping out of the bullpen and charging at a terrified Franco. Behind Franco there are two soldiers wearing turbans, clearly supposed to be Maghrebi, depicted in racist caricature as helpless defenders of the Generalissimo. The caption written by the authors naturally makes no reference to this racist caricature, only to the Spanish workers: "The worker did not cease to be for the new regime a bull that needed to have its horns cut off and be converted into a

tender domesticated animal"—p. 41. The authors thus denounce the dehumanization of the Spanish worker while having no problem with the dehumanization of the Moroccan colonial subject. It is this racist myopia of the Spanish left, its failure to extend solidarity to colonized peoples including especially those colonized by Spain and France, that Miguel Martín denounces in his book *El colonialismo español en Marruecos*.

25 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 154–155, 161; Ramos Ramos, "Tranvías y conflictividad social en Barcelona," 207; Richards, "Falange, Autarky and Crisis," 557, 560.

26 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 162–163; Ramos Ramos, "Tranvías y conflictividad social en Barcelona," 215–216, 211; Richards, "Falange, Autarky and Crisis," 561–562.

27 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 163–164; Richards, "Falange, Autarky and Crisis," 562–563.

28 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 166, 171–173; Richards, "Falange, Autarky and Crisis," 564, 567–568.

29 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 178–184, 186, 188.

30 Ibid., 208.

31 Ibid., 165; Richards, "Falange, Autarky and Crisis," 563.

32 González, *La economía política del franquismo*, 25; Gómez Mendoza, "El fracaso de la autarquía," 310.

33 Miguel Martorell Torres, "Francisco Gómez del Llano. Madrid, 22.X.1896-31.X.1970. Abogado del Estado y político," in *Diccionario Biográfico electrónico (DB~e)* (Madrid: Real Academia de la Historia, n.d.), https://dbe.rah.es/biografias/25337/francisco-gomez-de-llano.

34 Barciela López, "La contrarreforma agraria," 381–382.

35 Clavera et al., *Capitalismo español*, 1:42, 48.

36 CIA, "The Current Situation in Spain," ORE 53 (Washington, D.C.: National Security Council, Central Intelligence Agency, Office of Reports and Estimates, November 5, 1947), Records of the Central Intelligence Agency, 1894–2002 (Record Group 263), Intelligence Publication Files, 1946–1950, National Archives, https://catalog.archives.gov/id/6924268; Chávez, *Special Report on Spain and Morocco*, 19.

37 Clavera et al., *Capitalismo español*, 1:62–63, 27; Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 208–209.

38 González, *La economía política del franquismo*, 47; Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 40; Martín-Aceña and Comín, *INI: 50 años*, 112–114; Braña, Buesa, and Molero, "El estado en los procesos de industrialización atrasada," 105. Prados et al. gave an average per capita growth rate of 4.4 percent in Spain between 1952 and 1958 vs. 3.9 percent in Western Europe overall, while Martín Aceña and Comín put the average per capita GDP growth rate at 4.9 percent between 1950 and 1960—see Prados de la Escosura, Rosés, and Sanz-Villarroya, "Economic Reforms and Growth," 48, note 4; and Martín-Aceña and Comín Comín, *INI: 50 años*, 112. The figures on domestic production of capital goods suggest that the years of "autarky" in the 1940s did indeed see a successful process of import substitution.

39 Simpson, *Spanish Agriculture*, 248.

40 Roman, *The Limits of Economic Growth in Spain*, 30; Pérez Díaz, *Emigración y cambio social*, 83; Tamames, "Los movimientos migratorios," 134, 118–119; Aspbury, *Marriage and Migration*, 163.

41 Bradshaw, "Internal Migration in Spain," 73.

42 Pérez Díaz, *Emigración y cambio social*, 156. Roughly equal percentages—48 percent from Tierra de Campos and 42 percent from Extremadura—went to work in the manufacturing sector. The source of the data from Extremadura, cited in Pérez Díaz, is *Informe sociológico sobre la situación social de España* (Madrid: Euramérica, 1966).

43 Aspbury, *Marriage and Migration*, 159–160; Roman, *The Limits of Economic Growth in Spain*, 41, 43.
44 Miguel Siguán was actually a psychologist by profession, teaching at the University of Barcelona, whose research on migration in the 1950s has been described as a work of "labor psychology" (*psicología laboral*)—see Carpintero et al., "Miguel Siguán en la psicología española," 327; and "Miguel Siguán: currículum personal."
45 Siguán, *Del campo al suburbio*, 45–46.
46 Ibid., 235, 241.
47 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 60.
48 Siguán, *Del campo al suburbio*, 44.
49 Ibid., 68, 83–84.
50 García de Oteyza, "Los regímenes de explotación del suelo nacional," table 1, pp. 53–54.
51 INE, *Primer censo agrario... resúmenes nacionales*, 9.
52 Naredo, Ruiz-Maya Pérez, and Sumpsi Viñas, "La crisis de las aparcerías," 15–17, 32–34.
53 This shift in rhetoric and policy was summarized in 1978 with a surprisingly critical eye by Emilio Gómez Ayau, an agronomist during the Francoist period—see Gómez Ayau, "De la reforma agraria a la política de colonización."
54 Barciela López, "La contrarreforma agraria," 364–368.
55 Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 80.
56 See tables XI and XII in Clavera et al., *Capitalismo español*, 1:36–37.
57 Naredo, "El proceso de mecanización en las grandes fincas del sur," 71.
58 Martín-Retortillo and Pinilla, "Patterns and Causes of Growth of European Agricultural Production," 145.
59 Hayami et al., "An International Comparison of Agricultural Production," 13.
60 O'Brien and Prados de la Escosura, "Agricultural Productivity and European Industrialization," 531.
61 Barciela López, "La contrarreforma agraria," 383.
62 Instituto Nacional de Colonización, *Memoria de actividades, año 1969*, 36–37.
63 Bueno, "La reforma de las estructuras agrarias," 146.
64 See Martínez Alier, *La estabilidad del latifundismo*, 327–332.
65 Cavestany y de Anduaga, "Menos agricultores y mejor agricultura," 10.
66 Barciela López, "La contrarreforma agraria," 377–378.
67 Martínez Alier, "La actualidad de la Reforma Agraria," 233; Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 79.
68 Barciela López, "La contrarreforma agraria," 385.
69 Ibid., 385–386; Naredo, "Ideología y realidad en el campo de la Reforma Agraria," 213.
70 Béringuier, "Colonisation et développement régional," 199; Barciela López, López Ortiz, and Melgarejo Moreno, "La intervención del Estado en la agricultura," 90; Barciela López, "La contrarreforma agraria," 387.
71 Naylon, "The Badajoz Plan," 47–48; Béringuier, "Colonisation et développement régional," 199.
72 Pérez Rubio, *Yunteros, braceros y colonos*, 226–227.
73 Naylon, "The Badajoz Plan," 47.
74 The word *colono* has had various meanings in the Spanish language. In this case, it was directly related to the process of "colonization" that the Spanish state's projects aimed to complete. However, *colono* also had a specific meaning in agrarian class relations. In the late Roman empire, the *coloni* were free tenants cultivating lands on the large latifundia—see Wickham, "The Other Transition: From the Ancient World to Feudalism," 8–9. In the nineteenth and twentieth century Spanish Caribbean, *colonos*

were sugar cane farmers, either proprietors or tenants, who sold their cane to sugar mills but did not grind it themselves; see Chapter 5, "The Colonos," in Ayala, *American Sugar Kingdom*, 121–147. In the Spanish context, the word *colono* could also refer to tenant farmers.

75 Naylon, "The Badajoz Plan," 51; Pérez Rubio, *Yunteros, braceros y colonos*, 494–495.
76 Pérez Rubio, *Yunteros, braceros y colonos*, 486, 492–493.
77 Béringuier, "Colonisation et développement régional," 164.
78 Pérez Rubio, *Yunteros, braceros y colonos*, 489.
79 Ibid., 498, 501.
80 Béringuier, "Colonisation et développement régional," 132.
81 Pérez Rubio, *Yunteros, braceros y colonos*, 515.
82 Béringuier, "Colonisation et développement régional," 148, 153, 166.
83 Naylon, "The Badajoz Plan," 58.
84 Béringuier, "Colonisation et développement régional," 193–195; Naylon, "The Badajoz Plan," 53–55, 57, 59.
85 Barciela López, López Ortiz, and Melgarejo Moreno, "La vertiente industrial del Plan Badajoz," 72–73.
86 Naylon, "The Badajoz Plan," 58; Béringuier, "Colonisation et développement régional," 201.
87 Pérez Rubio, *Yunteros, braceros y colonos*, 502, 505.
88 Tamames, "Los movimientos migratorios," 119.
89 Gómez Herráez, *Ideologías e intereses sociales*, 271–279.
90 Gómez Herráez, "Patrimonios y huertos familiares," 157, 170.
91 Leal Maldonado and Martín Arancibia, *Quiénes son los propietarios de la tierra*, 49, 33.
92 García de Oteyza, "Los regímenes de explotación del suelo nacional," table 5, final page.
93 Pérez Rubio, *Yunteros, braceros y colonos*, 247, 223.
94 Carrión, *La reforma agraria de la Segunda República*, 133.
95 Carmona and Simpson, "¿Campesinos unidos o divididos?," 123, 129, 136; Simpson and Carmona, *Why Democracy Failed*, 188–189, 196–197.
96 Pérez Rubio, *Yunteros, braceros y colonos*, 238, 243.
97 Chilcote, *Spain's Iron and Steel Industry*, 97.
98 Quílez Pardo, *La siderurgia de Sagunto*, 83.
99 Chilcote, "Spain's Iron and Steel," 250; Cavallé Pinós, *El sector siderúrgico español*, 137.
100 Lorenzo Espinosa, *Dictadura y dividendo*, 99.
101 Ribas i Massana, *L'economia catalana sota el franquisme*, 140.
102 "It is true that one of the forms of disciplining the oligopolists would have been to reduce tariff protection; however… such a measure was considered impossible, for political reasons"—Schwartz and González, *Una historia del Instituto Nacional de Industria*, 70.
103 Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 81.
104 Fuentes Quintana and Plaza Prieto, "Perspectivas de la economía española," 59; Chilcote, *Spain's Iron and Steel Industry*, 103; Cavallé Pinós, *El sector siderúrgico español*, 138.
105 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 70.
106 Ibid.
107 Chilcote, *Spain's Iron and Steel Industry*, 99. As Chilcote explains, "impetus was given to the Spanish iron and steel industry with the establishment of ENSIDESA. The oligopoly of the private firms was challenged in the 1950's, and the relatively inefficient firms found it expedient to merge as well as to expand and replace antiquated and inefficient machinery and plants. There was the realization that the Spanish iron and steel

industry might have to become competitive with the rest of Europe and the rest of the world"—Chilcote, *Spain's Iron and Steel Industry*, 119.

108 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 68.

109 Valdaliso, "Programas navales y desarrollo económico," 152.

110 Buesa Blanco, "El estado en el proceso de industrialización," 163–164.

111 Ibid., 168.

112 Martín-Aceña and Comín Comín, *INI: 50 años*, 221, 223; Cáceres Ruíz, "La actividad del Instituto Nacional de Industria en el sector naval," 1–2, 3–4.

113 Valdaliso, "Programas navales y desarrollo económico," 160, 158.

114 Cáceres Ruíz, "La actividad del Instituto Nacional de Industria en el sector naval," 5–6, 19.

115 Valdaliso, "Grupos empresariales," 592–593, 598, 600–601, 610; Lorenzo Espinosa, *Dictadura y dividendo*, 128–131.

116 Valdaliso, "'Moving up in the League' with a Little Help from the State," 490. Japanese shipbuilding accounted for the bulk of production increases in the 1960s—see Cáceres Ruíz, "La actividad del Instituto Nacional de Industria en el sector naval," 25, including note.

117 Buesa Blanco, "El estado en el proceso de industrialización," 172.

118 Valdaliso, "'Moving up in the League' with a Little Help from the State," 191–193; Cáceres Ruíz, "La actividad del Instituto Nacional de Industria en el sector naval," 11. In 1952, the year of its opening, Astilleros de Cádiz delivered a ship to Chile—see Ibid., 7.

119 Buesa Blanco, "El estado en el proceso de industrialización," 172.

120 López Carrillo, "Los orígenes de la industria de la automoción," 72–74, 76–79.

121 Ibid., 80–81, 71. On the plans for SIAT and the collaboration with FIAT in 1942–1943, see Martín-Aceña and Comín Comín, *INI: 50 años*, 228; and San Román, "El nacimiento de la SEAT," 145, 147–149. Martín-Aceña and Comín argue that Suanzes's plan for a collaboration with FIAT fell through because a minority of cabinet ministers saw the project as "premature" and that the "Government [Franco?] sided with the opposing minority." San Román attributes the initiative in the veto of Suanzes's proposal to the Ministry of Industry in particular. However, neither mention the fact that the collaboration with FIAT was ultimately vetoed in July of 1943, the same month that Italy was invaded by the allies.

122 López Carrillo, "Los orígenes de la industria de la automoción," 89, 96–97, 104. The disappearance of Hispano Suiza as an actor in the automotive industry seems sudden as described in the historiography—however, note that the agreement with INI allowed the firm to continue its operations independently outside of the automotive sector; moreover, López Carrillo claims that by September and October 1946, toward the end of negotiations with INI, Hispano Suiza "only aspired to obtain good treatment in the fixing of the price" to be paid for its automotive facilities—the price was ultimately set at about 84 million pesetas; see López Carrillo, 98, 102–103. We might also add that Hispano Suiza, unlike foreign multinationals, was a small private Spanish firm and thus much weaker in its negotiating position vis-à-vis the Spanish state.

123 See, for example, Gómez-Mendoza and San Román, "Competition between Private and Public Enterprise in Spain," 705.

124 On the terms, see Catalan, "La SEAT del Desarrollo," 145.

125 Ibid., 145, 148–149.

126 Martín-Aceña and Comín Comín, *INI: 50 años*, 228, 230; López Carrillo, "Los orígenes de la industria de la automoción," 105; Catalan, "La SEAT del Desarrollo," 153.

127 López Carrillo, "Los orígenes de la industria de la automoción," 105; Catalan, "La SEAT del Desarrollo," 153, 158–159; Ferraro and Rastrollo, "Life Is a Dream," 190.

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8 Takeoff, 1957–1973

The Spanish Miracle is often dated solely as a phenomenon of the 1960s, with many scholars marking the year 1959 in particular as the key turning point between a political economy of archaic interventionism and one of modern growth.[1] The 1960s themselves occupy only one chapter of this book in part because one of its major arguments is that the Spanish Miracle cannot be understood without taking into account critical developments in Spanish political economy during the preceding decades. Nevertheless, it was during the 1960s that Spain saw its economy grow at the most rapid pace in its history, with GDP growth averaging seven percent over the course of the decade; and it was during this period that Spanish economic development became a phenomenon acknowledged widely by foreign observers. For these reasons, this chapter concurs with many existing analyses in dubbing the 1960s a period of economic "takeoff."

Just like the period of transition around the year 1951, the years 1957–1959 saw domestic labor struggles and changes in international economic relations combine to produce another shift in economic policy. The continuing rigidity of the regime's labor policy over the course of the 1950s prevented wages from sufficiently outpacing increases in the cost of living. In response, workers engaged in another wave of strikes in 1956, which coincided with new disputes within the regime coalition as the Falangists attempted to shore up their power. On top of these domestic struggles, the paradoxically import-intensive nature of domestic market-oriented industrialization—the development of domestic industries required the importation of large amounts of inputs and capital goods—ultimately led to a balance of payments crisis which came to a head beginning in 1957.

The result was another wave of economic policy changes. These attempted to address both prongs of the crisis. On the one hand, the regime legalized firm-level collective bargaining in response to labor mobilization, such that in the 1960s increases in industrial productivity translated into higher wages and further expansion of the domestic market. On the other, in consultation with the capitalist international organizations, the regime implemented a "Stabilization Plan" to address the balance of payments crisis. This plan involved a liberalization of international trade and the lifting of many internal economic controls. Tourism, remittances from a wave of emigration to Western European countries, and European integration prevented the development of another balance of payments crisis. Overall, however, the changes of the 1957–1959 period did not necessarily imply

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a *quantitative decrease* in the amount of state intervention in the economy. While the state liberalized international trade, it also nationalized major credit institutions, implemented a series of indicative economic plans, and implemented export subsidies, among other measures—all of which implied a *retooling* rather than a retrenchment of state intervention.

What follows is an integrated analysis of the causes of rapid economic growth in the 1960s and the *particular pattern* of growth that resulted. The first section examines the roots of the "Stabilization" program of the late 1950s in an intersection of renewed labor struggles and a balance of payments crisis. The following section analyzes the relationship between rural economy and society and economic growth during the 1960s. After the emigration of rural proletarians and rising wages produced a "crisis" of Spanish agriculture in the late 1950s and early 1960s, particularly in the north of the country, the regime responded by promoting a program of land consolidation and the formation of agrarian cooperatives, which strengthened the role of Spanish agriculture as a domestic market for national industry.

Finally, the last two sections reflect on how all of these factors produced a particular model of economic development. This model was based, first and foremost, on the Spanish domestic market; the "takeoff" did not imply a shift to "export-led" growth. Although exports expanded rapidly during the 1960s, they served mainly as one of several sources of foreign exchange rather than as the main driving force of economic growth. Second of all, the model was fueled by transfers of technology from other Western European countries that were also playing catch-up with the United States; Spain was thus able to successfully harness the industrial "product cycle" to its advantage. Finally, the takeoff of the 1960s involved a retooling of industrial policy. Increased state intervention in the financial sector was coupled with decreased direct state participation in industrial production. Parallel to this shift was a process by which bureaucratic elites replaced older economic elites at the commanding heights of the Spanish private sector.

"Stabilization," Internal and External

By the end of the 1950s, Spain was facing a balance of payments crisis. This was a result of the fact that domestic market-oriented industrialization in Spain, as everywhere else in the developing world, was paradoxically an import-intensive process. Between 1951 and 1957, the total value of imports increased from 1.3 billion gold pesetas to 2.6 billion, but the value of exports stayed flat, at 1.5 billion gold pesetas. Meanwhile, the share of total imports taken by machinery and capital goods increased from 16 percent to 23 percent, despite the fact that domestic production of capital goods increased significantly as a percentage of total consumption.[2]

In order to address the import-intensive nature of industrialization oriented toward the domestic market, authorities planned an expansion of industrial exports, but this was necessarily a long-term affair, contingent on increases in the productivity and competitiveness of Spanish manufacturing. In the short term, the regime expected to rely on American aid and restrictions on capital flight to address the foreign exchange gap. American aid did finance much of the imports of the 1950s,

particularly during the earlier part of the decade; however, its ability to address the balance of payments problem diminished over time.[3] Tourism earnings also helped—the number of foreign tourists visiting Spain increased from just 75,000 in 1950 to 6 million in 1960, and tourist revenues increased from 94 million dollars in 1953 to 450 million in 1960.[4] Remittances from Spaniards abroad would eventually become another source of foreign exchange, but they did not really kick in until the 1960s, since emigration greatly accelerated in the first half of that decade.[5]

In short, neither US aid, tourism, remittances nor exports were able to fully finance the rapidly rising tide of imports of the 1950s. As a result, Spain faced a balance of payments crisis between 1957 and 1959, which culminated in a new reshuffling of Franco's cabinet and in a "Stabilization Plan" developed in consultation with the capitalist international organizations. As with the political-economic shifts of 1951, the "stabilization" period of 1957–1959 would be shaped by an intersection of shifting international relations—now defined by Spain's inclusion in the project of European integration—and domestic social struggles. While the former process now included a wider range of actors—the World Bank, IMF, OEEC/OECD and the European Economic Community—the latter now featured a variety of forms, including general strikes, student protests and factional conflicts within the regime coalition.

Although the "stabilization" of the late 1950s had a major international component, it really began with internal social struggles and domestic reforms. If the first several years after the spring of 1951 had brought sorely needed wage increases and relief to the standard of living of the working class, by the middle of the decade wages were struggling to keep up with prices again, a situation exacerbated by a system in which firms were not allowed to exceed the wages set by the central government without permission. In 1955, a Spanish worker on the average national wage needed to work an hour to buy a kilo of bread; 4 hours for a dozen eggs; 2 hours for a kilo of sugar; 5 hours for a kilo of lamb, 6 for a kilo of pork, 7 for a kilo of beef and almost 37 hours for a pair of shoes.[6]

As the wage increases of 1951–1954 dried up, workers returned to the streets in 1956. The beginning of the year saw small protests of a few thousand in Barcelona for living wages, and syndical representatives in the textile sector, many of them members of clandestine leftist organizations, began to organize for an 8-hour day and a minimum wage of 500 pesetas a week. In March, the government declared a 16 percent wage hike and promised another hike of 6 percent for the fall. Yet this was not enough. On April 9–10, some 4,000 workers in Pamplona went on strike for a 75 pesetas per day minimum wage. Many firms, circumventing central government regulations, conceded wage increases of 40 to 50 percent. That week, the strikes spread to other parts of the Basque Country, although this time firms were more hostile to worker demands than they had been in 1951, with some threatening lockouts. By April 12–13, the strikes in the Basque Country had spread to Barcelona. In total, perhaps some 140,000 workers participated in strikes during the Spring of 1956.[7] Added to the worker movements of 1956 were student protests in Madrid surrounding the SV's student union, the *Sindicato Español Universitario* (SEU), which led to clashes and to Falangist violence.[8]

These labor upsurges were followed by a series of labor provisions enacted by the central government. In June 1956, the regime abrogated the 1948 law prohibiting firms from increasing wages beyond the rates set by the Ministry of Labor without permission; henceforth the Ministry-set rates would in effect be *minimum* wages. In October 1956, the Ministry, led by Falangist José Antonio Girón de Velasco, declared a 30 percent increase in the minimum wage. Finally, in April 1958, the government enacted a new *Ley de Convenios Colectivos*, which legalized firm-level collective bargaining agreements.[9]

The labor mobilizations and student protests of 1956 also occurred in the context of a shifting balance of power within the different factions of the regime itself. José Luis Arrese, Secretary General of the National Movement, led a last-gasp effort to shore up the political primacy of the party in 1957 when he proposed a series of *Leyes Fundamentales* ("Basic Laws") inspired by the system of party-government in, of all places, Yugoslavia. The Leyes Fundamentales, opposed by both Carlists and political Catholics and ultimately defeated, attempted to shore up the power of the Falange and allowed the National Council of the FET-JONS to veto possible successors to Franco—a move that was a clear challenge to the monarchist program of other regime factions.[10]

It was these domestic political mobilizations, rather than the international trade conjuncture, that were the main driver behind a shift in the Franco regime. As Charles Anderson notes, the period 1953–1955 was one of general satisfaction with economic conditions among elites in the wake of the diplomatic normalization and policy changes of the early 1950s. The first publicized appearance of discontent or trepidation among private capitalists came with the Banco Urquijo's 1956 report *La economía Española: 1954–1955*, in which the bank made veiled policy complaints through international comparisons: the success of "free economic activity" in places like England and Germany contrasted, according to the bank, with the economic problems faced by the Peronist regime in Argentina, which were attributed to excessive intervention. The first expression of concern in the business newspaper *España Económica* came in October 1956, the month of major wage hikes, over the specter of inflation.[11] In other words, concerns among the capitalist class first arose around *domestic* policy concerns, not international ones.

The environment became ripe again, then, for another change of government. Concerned by the social mobilizations of 1956, Franco replaced his principal ministers in February 1957. Mariano Navarro Rubio replaced Francisco Gómez del Llano at the head of the Treasury Ministry, Alberto Ullastres replaced Manuel Arburúa as Minister of Commerce and Laureano López Rodó, a rising star and confidant of Franco's right-hand man Luis Carrero Blanco, took a cabinet position without portfolio.[12] Two interpretations often appear in the existing literature about the importance of these three new ministers. One argues that the new ministers were "neoliberals" determined to implement a free-market paradigm in Spain. Another, which sometimes overlaps with the former, places emphasis on the fact that all three men were members of the Catholic lay organization Opus Dei, that they expressed a particular "technocratic ethic" and that they were parachuted into the administration more or less as *arrivistes*.[13] In these descriptions,

the role of the Opus Dei ministers resembles the role played by so-called "technocrats" in implementing neoliberal economic policies in Latin America, particularly in the Southern Cone and Mexico, in the last quarter of the twentieth century. Indeed, Brazilian political scientist Hélio Jaguaribe referred to the Argentinian and Brazilian dictatorships of the 1970s as representing the "Opus Dei technocratic neoliberalism" of the Spanish model.[14]

In fact, the new Opus Dei ministers were by no means all liberals in the economic sense. Ullastres was an economics professor and was indeed a strong believer in the "free" market. Navarro Rubio, on the other hand, was friends with the former Falangist leader José Luis Arrese and had good relations with the syndical organizations; influenced by the "ethical-social doctrines of the Church," he was more "conscious of the defects of the market" than Ullastres.[15] So was López Rodó, who, in a speech in May 1960, made references to Franklin Delano Roosevelt's New Deal, John Maynard Keynes's *Essays in Persuasion* and the French and Japanese economic planning agencies while emphasizing that

> "the Public Administration acquires an ever greater projection in the area of the economy. The Administration is at once an economic subject—first among the enterprises that exist in the country—and an ordering agent in the economy whose conduct constitutes the principal conditioning factor of its development."[16]

These were not words typical of latter-day neoliberal technocrats.

Moreover, neither the new "technocratic" ministers nor the Opus Dei were outsiders to the Spanish state apparatus. Quite to the contrary, both had grown from within it. Both Ullastres and López Rodó were university professors. Professors were a key pillar of the Spanish civil service corps. They were also about a third of the ministers in Franco's cabinet between 1962 and 1969 and about a fifth of undersecretaries in the administration between 1957 and 1962.[17] The success of Opus Dei, meanwhile, cannot be understood outside the context of factional struggles between the "families"[18] of the regime, where each "family" controlled particular ministries and sections of the state. In this context, Opus Dei made a concerted effort to make the universities its particular fiefdom within the civil service, using the state's research organization, the *Consejo Superior de Investigaciones Científicas* (CSIC), as a vehicle. As a result, between 1939 and 1951, roughly a quarter of professorship vacancies went to Opus Dei members.[19]

In short, it was domestic social conflict that catalyzed the cabinet changes of 1957, while the incoming administration, although "new" in that it provided the regime with fresh faces, still ascended from within the Spanish state apparatus itself. It is perhaps not surprising, then, that the first economic policies enacted by the new government, the "pre-stabilization" of 1957, in reality constituted an "internal" stabilization.[20] The one major measure related to international economic relations taken in 1957 was the elimination of multiple exchange rates and a 275 percent devaluation of the peseta to 42 pesetas per dollar. Then, the government proceeded to implement a series of reforms in Spain's domestic political economy.

It made moves to eliminate the budget deficit, it froze public sector salaries and it tightened the supply of credit. Moreover, it implemented a reform of the tax system, which was suspected of being plagued by evasion problems. A new corporate taxation system involved tax assessments for entire economic sectors, which were then to be distributed among individual firms by the official syndicate of each sector.[21]

Measures like the freezing of public salaries and the tax reform addressed the fundamental *domestic* policy concern of inflation. As González points out, the new policymakers' preoccupation with inflation may have been motivated by, in addition to a desire to repress the assertiveness of workers, a concern with *relative* trends in inflation, which averaged 3 percent between 1951 and 1955—the lowest in the post-Civil War era—but accelerated to an average of 11.7 percent between 1955 and 1958. Although 11.7 percent inflation was still lower than the average rate in the 1940s, it was seen as a problem because it followed a period of price stability.[22] Nevertheless, the real principal problem faced by the Spanish economy in the 1950s was the balance of payments. This problem hit a breaking point by 1956, with a frost that significantly decreased citrus exports—Spain's exports were still primarily agricultural in origin. By 1957, reserves had essentially run out; in 1959, the IEME, the government agency in charge of foreign exchange, suspended all foreign payments.[23]

Clearly, economic changes were necessary that addressed not simply domestic economic policy but also Spain's economic relations with the rest of the world. The ultimate shape taken by such changes was fundamentally influenced by the course of Cold War geopolitics in Europe and particularly by the progress of European integration throughout the 1950s. The possibilities offered by joining the European integration project and consequent access to European markets helped solidify the project of the regime's new "liberalizers," who favored European integration and trade liberalization (the Falangist and military "old guard" were skeptical of further integration with Europe). In 1958, Spain joined the Organization for European Economic Cooperation (OEEC), one of the main organizations of European integration, as well as the World Bank and the IMF. An OEEC team visited Spain in late 1958 to "diagnose" the country's economic problems and recommend solutions, and it was followed by an IMF team in February 1959. That year, upon the request of Treasury Minister Navarro Rubio, the World Bank also agreed to conduct a report on Spanish economic conditions.[24]

The recommendations of all three international economic organizations were essentially the same. The OEEC's first report on the Spanish economy, published in March 1959 after the visit in late 1958, remarked positively on the "internal" stabilization of the previous two years and urged further measures to contain inflation: restrictions on credit, balanced budgets and restraints on investment. Once inflation was contained,

> the deterioration of the balance of payments can be halted. An essential corollary of such financial reform should, however, be a general overhaul of the system of trade and external payments with a view to unifying the rates

> of exchange and abolishing special import and export arrangements, whose disadvantages have been proved.[25]

In the wake of the Stabilization Plan, the IMF applauded trade liberalization while recommending further internal deregulation of investment.[26] The World Bank Report, meanwhile, which was much more detailed and was published in full in 1963, recommended tariff reductions, the gradual removal of import quotas and an end to the favorable treatment of state-owned enterprises.[27]

Nevertheless, these were not harsh austerity measures of the kind that the international economic organizations would impose in the Global South, particularly in Latin America, in the 1970s and 1980s. Note that the World Bank advocated for *gradual* liberalization of such measures as tariffs and quotas, not shock therapy. Moreover, the Spanish were perfectly willing and able to reject certain recommendations. This was the case, for example, with policy toward state-owned enterprises. The World Bank report stated that "the Government should generally be guided by the principle that INI should not enter into any field in which private enterprise is already operating profitably or which private enterprise has active plans for entering." The law outlining Spain's first four-year economic development plan in 1963, in contrast, clearly provided for the state's ability

> to deem private initiative insufficient and the opportunity to supplement it with public enterprise, among other cases, when the former does not reach in a certain sector the objectives laid out for it, in indicative fashion, in the social and economic Development Plan.[28]

In later decades, neoliberal "structural adjustment" policies were attached as conditions to bailout packages that developing countries were not in a position to refuse or negotiate. In the Spanish case, early European integration did not come with such rigid—or economically disastrous—stipulations.

Two considerations might help explain the relative flexibility of the capitalist international organizations toward Spain in this conjuncture as compared to toward other developing countries in later years. One is the heightened geopolitical considerations—of Western European security in a Cold War context—which, as with US policy toward countries like Japan, Korea, Taiwan and the Western European countries in the post-World War II period, valued economic development over economic orthodoxy. The second, related to the first, is the timing of the "stabilization" period. Spain was lucky, in a sense, to have undergone its major balance of payment crisis in the late 1950s rather than in the 1980s—the neoliberal "Washington Consensus" had not yet arrived, and postwar Keynesianism still reigned supreme under the umbrella of US hegemony.[29]

While the international missions studied the Spanish economy, regime officials went forward with their own plans for economic reform. In January 1959, the new economic ministers sent around a questionnaire to different sectors of the economy, soliciting opinions on European integration and liberalization. Institutions consulted included the Chambers of Commerce, the confederation of nonprofit

savings banks (*cajas de ahorro*), the Bank of Spain, the National Economic Council (CEN), INI, state-sponsored think tanks like the Institute of Political Studies and the Institute of Agro-Social Studies, the economics faculty at the University of Madrid, and the employers' section of the SV. The labor section was not consulted at all—the government's interactions with workers as a class, manifested in reforms like the legalization of collective bargaining in 1958, were conducted through a completely separate channel. The feedback on the questionnaire was entirely positive, and curiously, rather than dealing with sector-specific needs or analyses, responses tended to emphasize the supposed benefits of liberalization and integration for the economy as a whole.[30]

With a green light from international organizations as well as most sections of the bureaucracy and private sector, a "Stabilization Program" was enacted by degree, bypassing even formal consultation with the Cortes, in July 1959.[31] The new law increased the prices of government monopolies, put a cap on increases in bank credit, limited the Bank of Spain's access to the treasury, further devalued the peseta to a rate of 60 per dollar and liberalized foreign investment.[32] It was the first of a series of laws that transformed Spanish economic policy in the early 1960s. During these years, the duty-free list expanded to 70 percent of imports. Between 1962 and 1966, the average weighted nominal protection rate for manufactured goods decreased from 34.3 percent to 17.5 percent. The regime replaced the previous requirement of discretionary state permission for any new industrial investments or expansion of productive capacity with concrete industrial policy requirements applied universally. The limit on foreign capital in joint ventures was raised from 25 percent to 49 percent, with room for a higher figure with government permission. Meanwhile, the state initiated a concerted effort to encourage exports using tax and credit policies; over the course of the 1960s, exporters would receive credit interest rates that were on average four percent lower than those for non-exporting producers.[33]

It is important to note, however, that these liberalization measures did not represent a *decrease* in the state's intervention in the Spanish economy so much as a *shift* in the nature of this intervention. The 1960s saw the implementation, beginning in 1963, of four-year economic development plans on the French model of indicative planning, which used credit, fiscal and other policies to direct investment into industrial development and export expansion, with a special focus placed on historically under-industrialized regions.[34] Moreover, although the decade saw the *direct* state role in the economy through INI reduced somewhat, it also saw an *increase* in state intervention in the financial sector, as well as the nationalization of several credit institutions.

Franco himself approved the "stabilization" policy, but did not really approve *of* it. In his memoirs, López Rodó claims that Franco "ended up conceding" to the plan—evidently after much lobbying by Navarro Rubio—

> but without being fully convinced, as he had a certain suspicion of the international organizations as well as of the new course that economic policy was going to take… When I appeared, on July 21, at El Escorial, to retrieve the

> Decree-Law that Carrero had taken to the Chief of State [Franco] for signing in order to take care of its insertion into the Official Bulletin, I asked the Admiral [Carrero] what Franco's reaction had been toward the Stabilization Plan and whether he was pleased with Spain's accession as a full member to the OEEC and he replied: 'He is not pleased; he is suspicious' [*no está contento; está escamado*].[35]

Nevertheless, the new policies went through. Given the obsession of the stabilization policies with inflation, their effect on GDP and on wages was wholly negative in the near term. Spanish GDP shrank in 1959, and there was zero growth in 1960. Unemployment grew, and the metallurgical, textile, construction materials, mechanical and electrical industries were all particularly hard-hit.[36] However, the 1960s ultimately turned into a period of spectacular economic growth, the years to which the title "miracle" is most often applied by scholars. Between 1959 and 1969, GDP grew at an average rate of 7 percent; growth in the manufacturing sector averaged 10 percent. The decade also saw significant wage gains. While increases in the cost of living averaged 7 percent between 1961 and 1966, growth in wages averaged 13 percent in the industrial and agricultural sectors.[37]

While industrialization in the 1950s had been oriented almost completely toward the domestic market, in the 1960s industrial exports began to grow rapidly. Exports overall grew by an average rate of 15 percent per year during the decade, and the share of manufacturers in the export profile increased to 50 percent. The regime's new export incentives played a key role in this expansion; J.B. Donges estimates that increases in demand explained only 50 percent of the growth in Spain's industrial exports during the decade, with the rest explained by "improvement of supply conditions," particularly the peseta devaluations, tax incentives and export credits conceded by the regime to exporters.[38]

However, the dramatic increases in exports were not enough to close the balance of payments gap. In 1965, for example, exports reached one billion dollars but imports were three billion; the value of exports hovered, on average, at around 40 percent of the value of imports between 1963 and 1966—lower than in other European capitalist countries.[39] Yet Spain did not face another balance of payments crisis. Why not? Two factors besides the growth of manufactured exports helped fill the foreign exchange gap: tourism and remittances from Spanish workers abroad. Tourism income continued to increase rapidly in the 1960s as it had in the previous decade, growing from about 450 million dollars in 1960 to nearly 1.1 billion by 1965.[40]

Meanwhile, the 1960s also saw a dramatic increase in the number of Spanish workers abroad. The 1950s had already seen large migration from the countryside to the cities, but these migrations were largely internal. Emigration to other Western European countries only really began in 1958–1959, functioning in the short term as an "escape valve" from the economic recession caused by the Stabilization Plan.[41] Emigration only grew in the following years. In 1960, some 40,000 Spaniards left the country, mainly for other European countries. In 1961 the figure shot up to over 116,000. Overall, during the first half of the 1960s as many as a million workers,

equivalent to about 20 percent of the agricultural workforce or 12.5 percent of the non-agricultural workforce, emigrated. The remittances these workers sent home were substantial enough that the regime's development plan estimated they could pay for 20 percent of investments expected for the year 1967.[42]

"Crisis" and Consolidation of Agriculture as a Domestic Market

Up to the present point, the discussion of agrarian social structure and development has mainly focused on southern Spain. Less has been said about the northern half of the country. Yet several of the trends discussed so far, such as mechanization and migration, were not confined to the south in the 1950s. While in 1950 western Andalusia clearly led the rest of Spain in terms of agricultural mechanization, with 1,046 hectares per tractor vs. 1,870 in Spain overall, these figures converged to 484 and 703, respectively, in 1955, and to 216 and 235 in 1962.[43] Similarly, emigration was not limited to the south in the 1950s. Over the course of that decade, the Spanish province with the highest rate of outmigration, at –19.5 percent, was not a southern province but actually Soria, Old Castile.[44] However, as should be clear from the analysis so far, rural-to-urban migrants in the first half of the 1950s were *mostly* rural proletarians from the south of the country. In connection with this trend, rates of mechanization in the south were higher than in the north, as the latifundios of the region were the first to lose their usual supply of wage laborers.

In the north, on the other hand, an agriculture of small and medium farmers with relatively low rates of mechanization continued to dominate the landscape. Víctor Pérez Díaz conducted field and survey research in peasant communities in northern Castile in the early to mid-1960s, including in Camino Viejo, a town of 350 in the province of Guadalajara, as well as in Tierra de Campos, a northern agricultural region of 178 villages and 129,000 people at the time, covering parts of Palencia, Valladolid and Zamora. The peasant communities of both areas were dominated by small and medium wheat farms. Among the 22,189 farmers surveyed on 477,268 hectares in Tierra de Campos in 1964, medium farms predominated: farms of 1 to 10 hectares constituted 42.1 percent of all farms but covered only 7.2 percent of total land, while farms of 10 to 100 hectares were 37 percent of farms and covered 60 percent of land. In Camino Viejo land tenure was more equal, with 60 percent of farmers holding 10 to 50 hectares and accounting for 64 percent of total land in farms. Landholdings in Camino Viejo tended also to be heavily fragmented, with the average farm being spread out over 29 plots.[45]

Levels of mechanization in Camino Viejo and Tierra de Campos were very low. In the early 1960s, the harvest was still conducted mostly with traditional tools: mules, the ancient Roman plow (*arado*), scythe (*hoz*) and threshing board (*trillo*). Instead of using chemical fertilizers, farmers rotated their fields and used manure. In 1962, there were 120 mules in Camino Viejo but only two tractors; in Tierra de Campos, there was one tractor for every 416 hectares of cultivated land vs. one for every 235 hectares in Spain overall. The wheat harvest was extremely labor-intensive with traditional implements, involving perhaps 641 hours of work per hectare. In order to perform this labor, the farmers of Old Castile conventionally relied on

a mass of cheap rural labor to assist in the harvest. This included resident laborers; in the early 1960s Camino Viejo had 80 farmer families and 10 families of wage laborers, while the village of Tamara de Campos in Tierra de Campos had 50 farmer families and 20 laborer families. However, these regions also relied on seasonal flows of migrant labor from neighboring Galicia and the latifundio regions. In Tierra de Campos, as late as 1959, permanent agricultural workers earned about 16,000 pesetas a year on average, or 300 USD at the time, but the vast majority of agricultural workers were not permanent but seasonal.[46]

In the late 1950s and early 1960s this panorama changed quickly. Given the migration of rural proletarians from the latifundio regions to industrial centers, the supply of migrant agricultural labor from these regions began to dwindle. Already by 1962, the usual migrant laborers to Castile "were not coming."[47] The migration of rural proletarians from the *southern* regions of Spain, which began in the first half of the 1950s, was followed by a second wave of outmigration of the rural proletarians of the *northern* regions, which began in the second half of the decade. Stanley Brandes, in his 1975 ethnographic study of migration in the small village of Becedas in the northern province of Ávila, argued that the first wave of outmigration from the north developed

> from 1955 to 1965, when it was most common for the eldest children of a couple to pave the way for the entire family. Once out of school, young girls were sent to Madrid as waitresses, chambermaids, or servants in private homes; young men went to work in butcher shops, factories, or restaurants. After several years of work, siblings would have saved enough capital, when pooled, to rent and furnish an apartment for their parents and younger brothers and sisters to join them. With a residential foothold in the city, the father could find employment for himself, thereby sustaining the family in their new home. In this early pattern, the migrants seem to have been drawn preponderantly from a single class—the landless laborers.[48]

Much like their southern counterparts, these early migrants from the north were mostly rural proletarians in origin, and upon settling in urban areas they generally severed economic ties with the countryside completely.

The shortage of agricultural wage laborers produced by outmigration, first from the south and then from the north, resulted in an increase in rural wages. Andalusia was already seeing rural wages rise by the late 1950s. Juan Martínez Alier claimed in his study of Córdoba that for the first time there was full employment in the province during the harvests of 1959–1963, and "between 1961 and 1964 wages in Córdoba, and most probably in all of Lower Andalusia… almost doubled, while the cost of living increased by something like 25%."[49] This increase in wages was long overdue. Overall, average real wages in agriculture in all of Spain increased from a trough of 51 percent of their 1936 levels in 1951 to 77 percent in 1959 and 115 percent in 1965, despite the fact that real levels of GDP per capita had passed their 1936 levels in the early 1950s.[50] Nevertheless, once wages began to rise in the late 1950s, the pace of increase was quick. In 1960, average wages in the

agricultural sector were 50 percent higher than their 1957 levels, and by 1966 they were 3.3 times their 1957 levels.[51]

The effects of the increase in rural wages began to be felt in northern areas around the beginning of 1960s. In the village of Camino Viejo, daily wages in 1962 were "120-150 pesetas plus room and board," while in 1963 they reached 200–250 pesetas a day; "in the district of Austudillo region of Tierra de Campos [sic], the wages for harvesting went up, from 3,000 ptas. in 1958 to 8,000 ptas. in 1964."[52] In certain areas, like Catalonia, this increase in wages constituted a final *coup de grace* for the traditional rentier elite. Jaume Franquesa describes a process affecting the traditional Catalan *senyors* in the 1960s that is similar to the one Artola describes among the landowning *señoritos* of the Spanish interior in the 1940s:

> In every village of Southern Catalonia, one encounters stories about old *senyors* who lost their fortune during the late 1950s and early 1960s. These stories invariably emphasize personal circumstances such as family feuds—"the inheritors were all against each other"—and individual failures—"he spent all his money on women/gambling"—yet a single structural cause looms behind them: the loss of their sharecroppers and wage laborers… these *senyors* preferred moving to the city in search of rent opportunities, typically a combination of public offices and urban property management.[53]

Even the urban sectors the *senyors* moved into—largely rentier sectors with low barriers to entry—reflect those chosen by the *señoritos* a decade earlier.

The logical response to this decrease in the availability of labor was mechanization. But this response was difficult, especially for the small farmers of northern Spain. As Pérez Díaz notes, in the early 1960s, a typical tractor cost about 200,000 pesetas, and the estimated minimum scale necessary to use one profitably in Tierra de Campos was 50 hectares; yet in that region at the time, 89 percent of farmers held less than 50 hectares of land.[54] In this situation—a "crisis" of traditional forms of agriculture[55]—state intervention was clearly necessary to guarantee the continued viability of domestic agricultural production.

The result was perhaps the most wide-ranging agrarian program under the dictatorship. The first element of this program was a project of land consolidation, or *concentración parcelaria*. The problem of land fragmentation was most pressing in northern Spain. The Cadastre of 1959 found that in the areas of greatest fragmentation—the Basque Country, Asturias, Galicia, León, Old Castile and the New Castilian provinces of Guadalajara and Cuenca—which together covered a total of 178,000 square kilometers or 35 percent of Spain's land surface, the average landowner owned a total of 5.2 hectares spread out over an average of 13.6 separate plots. This dispersed land tenure structure made the use of agricultural machinery difficult, and the fact that a higher relative percentage of farm area was taken up by boundaries with neighboring plots reduced the total amount of usable land.[56]

The *Instituto de Estudios Agro-Sociales* (IEAS), a state research institute linked to the Ministry of Agriculture, was an early and enthusiastic promoter of a coherent program for the rationalization of fragmented peasant holdings. In 1952, the regime

passed an Initial Project for Land Consolidation, creating the *Servicio Nacional de Concentración Parcelaria* (SNCP) to administer the program. The SNCP was placed not under the National Colonization Institute (INC) but rather under a cross-ministerial commission linked to the IEAS, before becoming an autonomous state entity in July 1955. According to the new law, land consolidation projects in a given area had to be approved either by a majority of proprietors affected or by proprietors accounting for 75 percent of the land in the area. If proprietors planned to form cooperatives and farm lands collectively after the consolidation project, then the threshold was reduced to 50 percent of the land. After the fulfillment of these conditions, then "experts" from the IEAS came to study project feasibility.[57] Projects were then carried out in consultation with *Comisiones Locales* and *Subcomisiones de Trabajo*, multiclass commissions made up of "large, medium and small farmers and tenant farmers," created to supervise consolidation projects.[58]

The nature of the consolidation program itself and the areas in which it was conducted suggest its profoundly political nature, despite its additional very real economic impact. Revealing in this respect were Minister of Agriculture Rafael Cavestany's words on land consolidation in his speech to agronomists in 1955:

> the dryland of Spain where wheat is grown, *rural Spain par excellence*, is not the Spain of the latifundios in the vulgar sense, but the extremely divided, atomized Spain of the lands of Castile. *And if we do not redeem this Spain from its servitude to a demanding and exhausting agriculture that squanders its toil… we will have done nothing in the social or economic terrains of our agriculture* (emphasis added).[59]

Cavestany's identification of northern Castile as "rural Spain par excellence" (*la España rural por excelencia*) indicates that region's place in the Francoist economic program. As Miguel Bueno has argued, moreover, the program of land consolidation offered a convenient way to restructure Spanish agriculture without intervening radically in patterns of land tenure in the south: it

> "had the double advantage, at the time, of satisfying a need felt by a great number of small and medium farmers of the Northern Meseta, traditionally conservative… and, on the other it did not injure the large landowners of the South, still influential in politics."[60]

Nevertheless, the scale of the consolidation program was massive. Between 1954 and 1976, more than 4.5 million hectares belonging to 905,341 proprietors underwent land consolidation, reducing the total number of plots from 13.2 million to 1.7 million and increasing the average plot size from barely 0.35 hectares to more than 2.5 hectares.[61] By 1985, land consolidation projects had impacted 5.73 million hectares of land or 20 percent of Spain's farmland excluding forests. Of these, 3.4 million hectares were consolidated in Castile and León (Old Castile) and another 1.3 million in Castile-La Mancha (New Castile). No other region even came close to the figure of one million hectares. Another even more revealing figure is the

number of hectares consolidated as a percentage of estimated *potential* land suitable for consolidation: as of 1985, this figure was 59 percent in Castile-León, 33 percent in the Basque Country, 25 percent in Castile-La Mancha, 20 percent in Galicia and 17 percent in Navarre and La Rioja; in Andalusia it was just 0.87 percent.[62] It seems safe, then, to identify the land consolidation project with the smallholder regions of Spain and more specifically with the regions that had supported the Nationalists in the Civil War.

The second major policy response to the "crisis" of agriculture in the early 1960s was state encouragement of the formation of agricultural cooperatives. As we have seen, the Franco regime inherited the organizational structure of Catholic cooperativism of the 1920s and 1930s, embodied in the National Catholic-Agrarian Confederation (CNCA) and the Spanish Confederation of Autonomous Rights (CEDA). In the post-Civil War period, cooperativism continued to expand, even before the "crisis" of the 1960s: between 1948 and 1958, for example, the UNCC—the official successor of the CNCA—grew from 3,758 associated cooperatives totaling 767,000 members to 5,612 cooperatives totaling 1,183,400 members.[63] However, these were generally cooperatives that shared marketing facilities or capital; they were not cooperatives for the joint cultivation of land. It was precisely the latter kind that might effectively overcome the scale problems faced by mechanization efforts.

Cooperativism would not come about automatically, however. In his study of Castilian villages in the early 1960s, Pérez Díaz argued that there was a general skepticism among farmers toward the formation of cooperatives, since the individual family farm was seen as the most legitimate economic and social unit. Although in the case of accidents and emergencies cooperation was common, Pérez Díaz found that farmers saw economic units beyond the family farm as mechanisms to impose particularistic interests of some farmers over others, "or as inefficient and useless."[64]

The first "production cooperative" involving collective cultivation, the *Cooperativa de Santa María*, was established in the village of Zúñiga, southern Navarre, in 1958, involving initially about 20 wheat farming households. In Zúñiga, the crisis of labor supply had come earlier than in other parts of the north of Spain, because agricultural workers, who also depended on the nearby coal mining industry, emigrated in the wake of that industry's collapse in the early 1950s, before outmigration became widespread in the rest of northern Spain. Zúñiga was traditionally very Carlist, conservative and skeptical of cooperatives, but it seems that the blessing of the local clergy and municipal officials helped hasten the project.[65]

The formation of cooperatives involving collective land cultivation thus needed a political "push," and in order to spread cooperativism to the rest of Spain this push needed to come from the central state. The push soon arrived. In 1963, the Ministry of Agriculture instituted a law incentivizing the formation of cooperatives and mechanized wheat farming. It provided credit at 4 percent interest rates for machinery, fertilizer and seeds, as well as 1200, 600 and 300 peseta-per-hectare subsidies for new cooperatives for the years 1963, 1964 and 1965. Requirements included agreements of at least 6 years for collective cultivation, total landholdings

of at least 50 hectares and mechanization indices of at least 0.5 horsepower's worth of machinery per hectare. Following the promulgation of the law, 4,510 cooperatives were formed between 1963 and 1965, covering 58,675 farmers and 360,025 hectares. By 1972, there were 1.5 million hectares under *explotación en común* or "joint cultivation." Joint cultivation cooperatives covered more than 20 percent of cultivated land in the provinces of Burgos, Palencia, Salamanca, Segovia and Soria—all in northern Castile—each of which were provinces where land consolidation projects covered more than 40 percent of cultivated land.[66]

By encouraging mechanization and the intensification of cultivation, the "crisis" of agriculture in the early 1960s accelerated the growing importance of agriculture as a domestic market for Spanish manufacturers. Spanish agriculture's consumption of machinery and other manufactures had already spiked in the early 1950s with the resumption of normal trade relations. While between 1940 and 1950 the total number of tractors in Spain increased by 170 percent, from 4,300 to 11,600, it increased to 30,000 in the following 6 years alone.[67] In monetary terms the increase was even more spectacular, as tractor purchases increased from 360 million pesetas in 1951 to over 1.4 billion pesetas the next year.[68] In the 1960s this pattern continued. In fact, the number of tractors per thousand hectares grew at an average annual rate of 11 percent between 1950 and 1985; similarly, the total amount of fertilizer used in the Spanish agricultural sector's increased "from less than half of the EU-9 average in 1950 to almost the same amount in 1975."[69] To measure mechanization another way, current costs and investment in agriculture went from 16 percent of value added in the manufacturing sector in 1954 to 25 percent in 1970, while in the case of current costs alone the figure doubled from 8 percent to 16 percent.[70]

On the production side, efforts to stimulate the agricultural machinery sector began in earnest in the early 1950s. A 1952 law declared it to be a "national interest" sector, soliciting applications from companies to receive state benefits—including tax benefits, tariff protection and easy access to imported technology—for tractor production. Two companies, *Lanz Ibérica* and *Motor Ibérica*, were chosen as "national interest" companies as a result in 1953, and that same year the INI acquired a majority stake in the struggling machinery company *S.A. de Construcciones Agrícolas* (SACA), which eventually came to play an important role in the production of harvesters. Total tractor production in Spain amounted to just 47 units in 1953; this increased to 1,500 in 1957 and 15,400 by 1963.[71] By 1967, domestic tractor production had reached 95 percent of consumption, while in the previous three years production of harvesters had increased from 15 percent to 25 percent of consumption.[72]

In addition to enhancing Spanish agriculture's role as a domestic market, the "crisis" of the early 1960s also profoundly shaped patterns of migration from the countryside. As a result of the "crisis," smallholders began to follow rural proletarians into the cities. As Pérez Díaz explains, in the early 1960s farmers were still underrepresented in the out-migrant population originating from the Castilian region of Tierra de Campos; he found that farmers (*labradores*) were 10.3 percent of the 4,831 emigrants from the region in his migrant sample vs. 31 percent of the resident population of the region. In contrast, the figures for

agricultural laborers and family help were 59 and 41 percent, respectively. In contrast, a "universal" pattern of migration developed in the 1960s affecting entire families throughout rural society. Moreover, Pérez Díaz found that among emigrants from Tierra de Campos that were farmers, only 8.1 percent sold their lands, whereas 44.8 percent rented them out and another 46.9 percent kept them "in family hands." In other words, unlike proletarian migrants, farmers retained ties to the land in their home communities. Curiously, however, Pérez Díaz found that the occupational profiles of former farmers and former rural proletarians were not that different once they emigrated; 57 percent of emigrants who were former farmers and 65 percent who were former rural proletarians went to work in manufacturing.[73]

Aspects of the Spanish Takeoff: Domestic Market Orientation and Technology Transfer

So far this chapter has examined the origins of Spanish industrial "take-off" in the 1960s in the interaction between internal social struggles and external economic problems during the late 1950s. It has also analyzed the relationship between agrarian change and industrialization in this process of "take-off." However, it has not yetconsidered how all of these processes interacted to produce a particular *pattern* of industrial change. Two major particularities of Spanish development in the 1960s—which were not new to the decade but became all the more notable given the acceleration of economic growth—are of note. First of all, both the nature of labor struggles and the pattern of agrarian change in Spain cemented a model of economic development oriented inward toward the domestic market rather than exports, much like other so-called "southern" political economies like Italy and France but unlike the so-called "northern" economies epitomized by Germany. In this model, exports provided an important source of foreign exchange, but they were not the main driver of industrialization.

Second, Spain's relations with the major capitalist powers in the 1950s resulted in a particular model of technology transfer for economic development that became clearly evident by the 1960s. Spain's geostrategic position within the Cold War order facilitated US transfers of money and technology on relatively favorable terms, particularly in the 1950s—in Spain, these transfers followed the model of the Marshall Plan which had benefited the rest of Western Europe earlier. Additionally, unlike many other parts of the developing world, Spain benefited from its proximity to industrialized countries *other* than the United States that, *unlike* the United States, were undergoing their own process of "catch-up" with the capitalist hegemon. What was beneficial about this proximity is that unlike US foreign investment, which with the exception of US government aid in the early 1950s usually took the form of direct investment by US multinationals and did not involve much transfer of technology, these other countries were much more willing to transfer technology to *local* capital, especially as they moved up the technological ladder in their own processes of industrial growth.

Domestic Market-Driven Growth

Recent literature on "varieties of capitalism" and on the difficulties of European integration has come to conceptualize two kinds of European political economy: one, the "northern" type, epitomized by Germany, is characterized by export-led growth, suppression of domestic demand in collaboration with coordinated labor unions and labor market institutions, and tight monetary policy and low inflation encouraging domestic savings rather than consumption. The other, "southern" type of political economy, characterizing Spain, Italy and France, has relied principally on domestic demand rather than exports, lacking the same kind of "wage-moderating" coordinating labor market institutions and pursuing more inflationary monetary policies encouraging consumption over savings. European monetary integration, according to many observers, has been distinctly bad for the "southern" political economies because they have lost the monetary sovereignty that protected their domestic demand-driven political economies from the competition of the "northern" exporters, resulting in high rates of unemployment.[74]

The key turning points shaping the Spanish Miracle in the early and late 1950s cemented, in my view, a political-economic model centered heavily on domestic demand as the engine of industrial growth. Spain was large enough—with a population of 30 million in 1960—to provide a relatively ample domestic market for its manufacturing sector. Indeed, the degree to which the Spanish economy was *not* very export dependent, as illustrated by the comparative weight of exports in its GDP compared to other industrialized countries, shown in Table 8.1, is striking. In 1970, exports were only 12 percent of GDP in Spain, a much lower figure than the 22 percent in Britain or Sweden and lower even than the 15 percent in (West) Germany, despite the fact that Germany had a much larger population and thus a larger domestic market. By 1980 and 1990, Spanish exports as a share of GDP

Table 8.1 Exports as Percent of GDP in Industrialized Countries, 1970–1990

Rank	*1970*		*1980*		*1990*	
1	Belgium	45	Belgium	50.1	Belgium	61.6
2	Sweden	22	S. Korea	28.4	Portugal	29.2
3	UK	21.8	Canada	27.4	Sweden	27.9
4	Canada	21.6	Sweden	27.2	Canada	25.1
5	Portugal	19.1	UK	26.6	S. Korea	25
6	France	16	Portugal	21.5	UK	23.1
7	Italy	15.2	France	21	Germany	22.8
8	Germany	15.1	Italy	20.2	France	21
9	Australia	12.7	Germany	18.6	Italy	18.3
10	**Spain**	**12.1**	Australia	14.9	Australia	16.1
11	S. Korea	11.4	**Spain**	**14.3**	**Spain**	**15.7**
12	Japan	10.4	Japan	13.1	Japan	10.2
13	USA	5.6	USA	9.8	USA	9.3

OECD (2022), Trade in goods and services (indicator). DOI: 10.1787/0fe445d9-en (Accessed on 17 April 2022).

were higher only than the comparable figures in Japan and the United States, countries with much larger populations.[75]

The fact that Spain's comparably low reliance on exports was already evident by 1970 suggests that this pattern was built into the Spanish Miracle itself. Indeed, in 1969, after a decade of very fast growth in manufactured exports, these only constituted five percent of total value added in the manufacturing sector.[76] In a certain sense, the fact that the domestic market-centered model of political economy took shape during the Franco regime would seem at face to be rather surprising. As described above, existing literature emphasizes the importance in "northern" political economies of "coordinated labor market institutions" that suppress wages in the interest of export performance. Francoist Spain would seem to have just the right institutional framework for such an export-led policy: a labor-repressive dictatorship and a centralized, hierarchical unified labor organization, the SV. Yet labor struggles during the 1950s were followed by the implementation of a decentralized model of collective bargaining in the *Ley de Convenios Colectivos*. Wage growth outpaced inflation in the 1950s and especially the 1960s, expanding domestic demand for manufactured products. And, as we have seen, the agricultural sector also came to serve as a solid domestic market for Spain's manufacturing industries.

Patterns of Technology Transfer

The key turning points of the 1950s also provided for the transfer of technology necessary to fuel industrial growth. In particular, the model of international economic relations with the advanced capitalist countries to which Spain gained access in a Cold War context facilitated technology transfer on comparably favorable terms. The first source of significant technology transfer came from the United States, in a framework already designed in the Marshall Plan and applied to other Western European countries. As part of the Marshall Plan, numerous national organizations were established to manage the absorption and application of industrial technologies in the United States. These included the Anglo-American Council on Productivity, founded in 1948, which turned into the British Productivity Council in 1952; the French *Comité National de la Productivité*, founded in 1950, which turned into the *Commissariat General à la Productivité* in 1953; the German *Rationalisierungs Kuratorium der Deutschen Wirtschaft*, founded in 1950; and the Italian *Comitato Nazionale per la Produttività*, which was formed in 1951. In general, these organizations included representatives from management and labor under the supervision of the state.[77]

After the normalization of relations with the United States in the early 1950s, Spain established a similar organization, the *Comisión Nacional de la Productividad Industrial* (CNPI), in 1952, with an initial charter to function for three years. Unlike its Western European counterparts, the CNPI was completely state-controlled. Of the 14 members of the CNPI council as originally constituted, one came from the National Council of Chambers of Commerce, representing capital, and one from the "social" branch of the SV, representing "labor"; the rest of the members were all from different sections of the state, including six from the Ministry of Industry

as well as others from various ministries and state institutions. Beginning in 1954, the CNPI began to receive money from the American aid program. Between 1954 and 1963, it organized 148 trips to the United States and other parts of Europe, with a total of nearly 1000 participants, for the purpose of examining and diffusing productivity-enhancing methods and technologies. During the same period, it also hosted 66 American productivity specialists in Spain. By 1967, now renamed as the *Servicio Nacional de la Productividad Industrial*, the organization had also offered 5,000 courses to 50,000 productivity and industrial organization technicians.[78]

It was not only, or even principally, the United States that began to transfer technology to Spanish industries beginning in the early 1950s, however. Somewhat ironically, given that it had pioneered the diplomatic isolation of Spain in the late 1940s, France also began to provide technological and financial assistance to Spain. In 1953, a consortium of French banks lent 15 billion Francs to Spanish firms at a low interest rate, with the involvement of the French government, Paribas bank and Banco Urquijo. More than 60 percent of these funds went to INI companies, and more than a third to INI's fledgling steel company, ENSIDESA. In addition, the French also sent the so-called "Sofres"—*Sociétés Françaises d'études*—to lend technical assistance to the Spanish in the mining, electricity and railways sectors. Calvo Sotelo Petrochemical Company (ENCASO), one of INI's petrochemical firms, received technical assistance from the *Institut Français du Pétrole* (IFP) in the 1950s; INI electricity companies negotiated with *Électricité de France* on seasonal electricity sharing and ENDASA, INI's aluminum firm, received capital goods and assistance from France, particularly from the French firm Péchiney. In their willingness to work closely with state-owned firms, the French demonstrated a pattern of investment behavior distinct from that typical of US firms, which had historically been reticent to do so. Indeed, a representative of the Saint Gobain corporation in Spain would remark in 1961 that, despite the special treatment accorded to INI and despite failed investments, "we must recognize that… it has been INI that has fomented Spanish industry, which has created a kind of self-defence movement and has led many industrialists to act."[79]

Indeed, although the Marshall Plan-type American aid channeled through the CNPI was provided at relatively favorable terms, a comparison between the economic role of the United States and Western European countries like France in Spain in the 1950s and 1960s reveals that American investment usually came in the form of direct investment. Between 1960 and 1973, there was a huge increase in US investments in Spain, from 59 million dollars to a billion. By 1975, the US accounted for 41 percent of accumulated approved foreign investments in Spain's 500 largest firms; Switzerland accounted for 17 percent; West Germany 11 percent and the UK 10 percent. US investments were heavily concentrated in the oil sector.[80]

In contrast, the picture in terms of technology transfer was quite different. Between 1940 and 1949, Spanish firms spent a total of $20 million on foreign technology licenses; in the 1950s, the figure multiplied by three. By 1965 alone, Spanish companies spent 80 million dollars on foreign technology licenses. Between 1940 and 1966, France, not the United States, accounted for the largest

share (25 percent) of technology-transfer contracts to Spain; Germany, the United States and Britain each accounted for 14–15 percent, with Italy and Switzerland each taking 10 percent. The figures were still roughly similar in 1971, with France accounting for a plurality.[81]

Spain thus received a substantial amount of technology transfer from advanced industrialized countries during the 1950s and 1960s, particularly when compared to Latin America, where extensive American direct investment was *not* accompanied by such transfers.[82] Why was this the case? Two factors are likely responsible. The first is that Spain became an important pillar in the capitalist Cold War geopolitical order. This Cold War position was particularly urgent in Europe, where the Soviet Union was located; in Latin America, without a major communist regime threat (Cuba paled in comparison to the USSR), the geopolitical imperative was not as strong. This geopolitical factor best explains the relative generosity of American financial aid and technology transfers through the CNPI. A second factor at work in facilitating technology transfer compared to Latin America was Spain's proximity to other industrialized nations that were not the economic or geopolitical hegemons in the Cold War order. As they moved up the technological-industrial productivity ladder, France, Germany and Italy transferred lower-rung technologies to Spain. Spain's proximity to these countries, combined with the fact that no other "virgin" market of a similar size existed within Europe outside of the Communist bloc, helped shore up this position as well.[83]

Retooling Industrial Policy: The Class Dynamic of Industrial Change

Between 1957 and 1962, the Spanish economy underwent a number of liberalizing measures. It is important to note, however, that these liberalization measures did not represent a *decrease* in the state's intervention in the Spanish economy so much as a *shift in the nature* of this intervention. Indeed, at the same time as the above "liberalization" measures were implemented, a new banking law in 1962 completely nationalized the Bank of Spain and the "official credit entities" (*entidades oficiales de crédito*, or EOCs)—including the BCI, the *Banco de Crédito Local*, and the *Banco Hipotecario*—which had heretofore been parastatal institutions with heavy private sector participation. Two further institutions, the *Instituto de Crédito para la Reconstrucción Nacional* and the *Servicio Nacional de Crédito Agrícola*, were transformed into the *Banco de Crédito a la Construcción* and the *Banco de Crédito Agrícola*, respectively, and were added to the list of EOCs, as was the new *Instituto de Crédito a Medio y Largo Plazo* (ICMLP), tasked with regulating the EOCs and channeling money to them directly from the state.[84]

In addition, the 1962 law ended the system of *pignoración* which had backed private investment by the banks since 1920.[85] Instead, the state began to play a more interventionist role in the financing of industrial investment in the private sector. It did this through three primary mechanisms. The first was through the now-nationalized EOCs. The second was to grant special rediscount lines from the Bank of Spain to private banks for investments made in certain state-designated sectors. The third was to establish "obligatory coefficients" for private banking

institutions—that is, to require them by law to invest a certain minimum percentage of their assets in state-designated sectors.[86]

The third mechanism described above requires further discussion. The true backbone of state-controlled finance through the "obligatory coefficients" were the *cajas de ahorro*, a particular kind of heavily regulated savings bank. The *cajas* were originally conceived in the nineteenth century as nonprofit institutions and were regulated as such, with certain tax benefits; moreover, each caja could only operate in one province. The cajas had a history of successfully fomenting savings among the working and middle classes, and they constituted a sort of parallel banking system to the for-profit commercial and "universal" banks, forming with the latter what Francisco Comín calls a "competitive duopoly." Their share in total borrowed capital, which had fallen over the course of the war from 27 percent in 1935 to 17 percent in the early 40s, had recovered to 25 percent in 1962.[87]

The cajas provided the bulk of state-channeled credit. In the early 1960s, they were required to invest 65 percent of their assets in INI bonds, 10 percent in housing and 5 percent in agricultural credit. Beginning in 1964, however, this shifted to 50 percent for INI and 30 percent for private enterprises in designated sectors. The regular commercial banks, in contrast, were only required to channel a total of 10 percent of their assets for state-assigned purposes. The total value of these so-called "privileged circuits" of state-controlled industrial finance increased from 84 billion pesetas in 1961 to 710 billion by 1970 or from 26 to 41 percent of total financing to the private sector during this period. During these years the regular private banking sector accounted for only 7 percent of these funds; the state-owned EOCs channeled 39 percent and the cajas 54 percent.[88]

Hence there developed a new model, more closely resembling those reigning in South Korea and France during the same period, in which the state held tight reins over the distribution of *credit* in the economy and channeled it into certain sectors it considered key for national development—in the 1960s, these were mainly capital goods manufacturing, shipbuilding and exports. As Juan Cuadrado explains, state participation in the financing of these sectors addressed the timidity of the private banking sector.[89] However, there were major caveats behind increased intervention in this particular realm of the economy. Most importantly, the state's use of its own banks and the cajas to provide the bulk of credit, without nationalizing the major private banks or even subjecting them much to the "privileged circuits" system, spoke, just like the *pignoración* system in preceding decades, to the continued strength of the banks themselves. Nevertheless, in its particular strategy the state was able to achieve its goals without that much participation from the major industrial banks by simply working around them.

As Sofía Pérez describes in her seminal account of the later deregulation of Spanish finance, this political-economic model was imported self-consciously from France. It reconciled "an open trade regime and a relatively relaxed flow of cheap central bank credit to the economy." This model was distinct from the West German one, shared by Italy until the 1960s, of "domestic price stability and an undervalued currency that bolstered exports and domestic savings and discouraged imports and consumption." As in the French model conceived in the

immediate postwar period and described by Michael Loriaux, an inflationary model of finance, taken because the *social* consequences of deflationary measures were considered unacceptable, had to be accompanied by a channeling of credit by the state. An active state credit policy, in turn, would ensure the production of a "commensurate supply of goods" that might temper the effects of inflation on competitiveness.[90]

As Pérez further points out, however, this shift to a more tightly regulated financing model was seen by the private sector as the lesser of two evils, as "an alternative to other, more intrusive forms of state control." Hence the paradox that greater financial interventionism accompanied economic liberalization. The alternative, in an inflationary finance model, would have been an even greater direct role for the state in production. The latter option, which Pérez associates with the Falangists within the Francoist coalition, seemed possible as late as 1957, when student protests and a push for power at the top from the head of the National Movement, José Luis Arrese, seemed to bring the possibility of a shored-up Falangist power.[91]

In other words, the state's increased role in the early 1960s in the realm of industrial *financing* supplanted its previous protagonist role in the realm of industrial *production*. The beginning in 1957 of the system of obligatory financing, which so benefited INI financially, was followed the next year by a new Law on Autonomous State Entities, pioneered by the new treasury minister Mariano Navarro Rubio, which dropped INI from the regular state budget. The effects were remarkably rapid. In 1957, 80 percent of INI's resources came directly from the treasury; in 1962, this had already decreased to 37 percent and would decrease further over the course of the decade, with the gap supplied by credit under the new privileged financing circuits. In the new system, the private sector itself would pioneer investment, and INI would gradually cede its protagonist role; in fact, while its profits had increased between 1947 and 1961, they declined gradually thereafter.[92] The new model of financing for INI also reduced the agency's independence.

This shift in INI's financing paralleled another explicit shift in INI's conceived role in the economy. The first Development Plan of 1963 established a so-called "subsidiarity" clause, which stipulated that "public enterprise should limit itself to supplementing the lack of private initiative and not compete with it." On a personal level, this shift also caused Suanzes to clash with the administration and resign from his post as head of INI in 1963, never to speak with Franco again or even attend his funeral. A 1968 law spearheaded by Minister of Industry Gregorio López Bravo seemed to further seal the demise of INI's previous role by eliminating its autonomous cabinet-level position and subsuming it under the authority of the Ministry of Industry.[93]

The relative rapidity of the switch from a model where INI played a key role in production to one where it was clearly secondary to the private sector still poses a question. Indeed, Spanish scholars would remark upon the apparent ease with which the economy went from one that was "autarkic, interventionist and supposedly directed by the 'common good,' to a restructuration that was 'liberal, neocapitalist and oriented toward the spirit of profit' with barely any change in the men at the top."[94] Perhaps this analysis overemphasized the extent of the shift in the late

1950s and early 1960s. Yet the question remains of how the change occurred so quickly.

One explanation is international pressure. The economic restructuring of the late 1950s and early 1960s was conducted with the advice of a variety of international organizations, including the World Bank, the IMF and the OEEC, all of which preached the doctrine of private enterprise and free markets.[95] In fact, international pressure against INI's role likely predated the "Stabilization Plan" of the late 1950s and early 1960s. Fernando Guirao suggests that as early as the late 1940s the United States was hostile to INI's role in the Spanish economy and wanted to make a reduction of this role a condition for any possible Spanish participation in Marshall Plan aid.[96] The resumption of normal diplomatic and trade relations with the United States in the early 1950s also put pressure on Spain to reduce the state's direct role in the economy. In a 1950 speech to the Cortes that was published in English and clearly made with the United States in mind, Suanzes himself emphasized that "the State recognizes the immense and irreplaceable value of private initiative" and that "the Government will always endeavor to transfer to private management all industrial achievements as soon as circumstances, economic and technical stability as well as the fulfillment of the aims that advised their creation, allow."[97] José María López Carrillo even argues that INI's entry into the automotive sector, made through the Spanish Motor Truck Company (ENASA) in the 1940s and the Spanish Passenger Car Corporation (SEAT) in 1950, would already have been "unthinkable" by 1954.[98]

A second possible explanation is that the regime ceded INI's protagonist role because by the early 1960s the latter had already fulfilled its fundamental duty. The Civil War paved the way for a degree of state "autonomy" in which the regime was able to impose a particular path of industrialization through its use of state-owned enterprises. It may have been simply that by the late 1950s the strategy had already been successfully imposed, and the aim had been accomplished; after all, many of the growth sectors of the 1960s—shipbuilding, fertilizers, automobiles—had been first developed with INI leadership in the 1940s and 1950s.

Indeed, both of these explanations are likely true. Also important to consider, however, are the particular class dynamics that underpinned the Civil War triumph of the Nationalists. Many scholars have suggested, although often in passing, that through the Civil War the Spanish "traditional middle class" challenged capitalist elites' control of the commanding heights of Spanish production by taking decisive control of the state and using it to pursue a particular nationalist industrialization program. Through this process, it is argued, the new middle class elite was absorbed by the structures of existing private capital, merging with it in a way that finally dissolved the distinctions between the two.

For example, Andrés de la Oliva and Alberto Gutiérrez Reñón argue that in the late nineteenth and early twentieth centuries a bureaucratic petty bourgeoisie competed with a "business bourgeoisie" (*burguesía de los negocios*), but that by the 1960s the former was filling the boards of Spanish firms, "completing and substituting… that other 'business' bourgeoisie that had its apogee in the decade of 1876-86."[99] Amando de Miguel wagers that the Spanish Miracle represented a

process by which "an elite that is so traditionally middle class in origin… becomes an authentic 'new class' of bourgeois, propelling the highest decisions in an astonishingly rapid and unexpected process of economic development." The financial and functionary elites, de Miguel argues, began as separate but fused in the ministries of the Franco regime.[100] Juan Linz suggests, in similar fashion, that under the Franco regime a "new political elite used its power and privilege" to get onto INI company boards, a first step in its conquest of the Spanish industrial structure.[101]

A variety of empirical findings substantiate this class analysis. Relying on public company records, de Miguel finds that of the 83 current and former ministers alive in 1974, 64 had places on the boards of public and/or private enterprises. Of these, 14 were only on the board of private enterprises, 13 were only on the boards of public ones, and no less than 37 were on the boards of *both* kinds of firms.[102] Looking at corporations with more than 100 million pesetas in paid-up capital, Mariano Baena similarly finds that in 1972–1973, Spanish state functionaries accounted for over 12 percent of all individual board members in Spain's private corporations and almost 15 percent of all board posts (see Table 8.2). In state enterprises, the figures were 50 percent and 53 percent, respectively.

Francesc Viver takes the opposite approach, looking at 900 individuals who served at the highest levels of the state[103] from 1936 to 1945. He then tracks their presence on the boards of private- and state-owned corporations over the course of the Franco regime. The results, illustrated in Table 8.3, are revealing. Whereas in 1935 only 88 of the 900 individuals were members of corporate boards, by 1945

Table 8.2 Presence of Civil Servants on Spanish Corporate Boards, 1972–1973

	% Board Members	*n*	*% Board Posts*	*n*
Private corporations, >100 million pts capital	12.4	5,221	14.5	7,586
State enterprises, >100 million pts capital	50.1	451	52.5	531

Baena del Alcázar, "El poder económico de la burocracia," 13–16.

Table 8.3 Corporate Positions Held by High-Level Bureaucrats in the Regime from 1936 to 1945

	1935	*1945*	*1955*	*1965*
No. board members, all firms	88	255	297	279
No. board members, INI firms	—	72	87	114
No. board members, banks	14	75	72	80
INI firms "controlled" (% capital)	—	62%	52%	64%
Average no. posts per EOC	—	6	7.5	5.8
Average no. posts per "big" bank	0.6	1.8	2.1	2.8

Viver Pi-Sunyer, *El personal político de Franco*, 249, 274, 279, 282–283, 303.

this figure had rapidly increased to 255, peaking in 1955 at almost 300 and decreasing somewhat to 279 in 1965. The number of individuals on the boards of INI firms gradually increased to 114 in 1965; throughout the period 1945–1965, individuals from this group of 900 controlled the boards of INI firms that accounted for more than half of total INI capital. Perhaps most striking is the pattern of presence of these individuals on the boards of the "big" banks—a list which included Banco Central, Banesto, Hispano Americano, Urquijo, Bilbao and Vizcaya in 1935 and the same six plus Santander and Popular by 1965. In 1935, there were only 0.6 of the 900 individuals on the average "big" bank board. By 1945 the figure had rapidly risen to 1.8, and by 1965 it was 2.8.

In short, it seems that the scholars who argued in the late 1960s, 1970s, and 1980s that the Spanish state had been "captured" by the interests of the "financial aristocracy" underemphasized the importance of the Spanish state itself under the Franco regime as a particular class structure. Rather than arguing that financiers infiltrated the state, it is just as correct, if not more correct, to say that the "traditional middle class" used the state to infiltrate the corporate world. This difference may have seemed irrelevant in the 1960s and 1970s. But the latter causal direction does better at explaining the shift, in the late 1950s and early 1960s, from a policy in which the state used direct participation in production to stimulate a particular development program to one in which state control of credit was paralleled by pledges of "subsidiarity" by state enterprises and respect for the private investment prerogative. Once the "traditional" middle class had fulfilled its mission of national industrialization through its control of the state, it was all too happy to join the ranks of the private sector.

Conclusion

The Spanish political economy underwent a series of fundamental changes in the late 1950s. A balance of payments crisis intersected with renewed labor struggles and factional tensions within the regime to produce a rearrangement of some of the basic guiding policies of the country's development model. Liberalization of international trade and domestic prices and a retreat in the role of state enterprises in the economy coincided with an increased state role in the financial sector and the institution of a series of development plans. Two visible markers of this change in the regime's development model included the ascendance to Franco's cabinet of the "technocrats" associated with Opus Dei and the beginning of Spain's insertion into the European integration project.

The rapid economic growth during these core years of the "Spanish Miracle" had certain discernible attributes. Nearly a decade of labor struggles culminated in the establishment of a decentralized model of collective bargaining. Continued migration from the countryside contributed to labor shortages and a "crisis" of Spanish agriculture that brought to the smallholding core regions of the Nationalist base the kinds of agrarian changes that had been affecting the latifundio regions in preceding years. The response to the "crisis" involved a series of new policies. The program of land consolidation that accelerated in

the 1960s constituted the most wide-ranging element of the Franco regime's agrarian policy and was accompanied by a rapid spread of collective cultivation cooperatives in the northern countryside. These policies deepened the role of Spanish agriculture as a domestic market for manufactured products. Meanwhile, smallholders began to follow rural proletarians into the cities and for the most part into the same kinds of jobs, although often retaining links to landownership in the countryside.

The combined pattern of agrarian change and labor struggles that had taken place over the decade of the 1950s sealed a development model that was oriented toward the domestic market. The lack of coordinating labor market institutions that made export *orientation* possible in countries like Germany on the basis of domestic consumption suppression and low inflation made that model unpracticable in Spain. This was the case in the 1960s even as Spanish exports, and especially manufactured exports, grew rapidly. Exports were still unable to cover the rising import bill, and so the continued viability of the growth model relied on two additional sources of foreign exchange: tourism and remittances from Spanish workers abroad. The latter source expanded rapidly in the late 1950s and 1960s as emigration to neighboring Western European countries increased sharply.

Spain's proximity to industrialized—and also rapidly growing—Western European economies was an important aspect of the success of the country's development model. This proximity not only provided foreign exchange from emigrant Spaniards but also allowed for transfers of technology. As Spain's neighbors—France and Italy in particular but also Britain and Germany—scaled the "product cycle" and caught up with the world economic hegemon, the United States, they sold older technologies to Spanish firms. The United States, which had transferred some technologies in the early 1950s on the model of the Marshall Plan, provided relatively few technology transfers thereafter, especially considering the huge size of its economy and its industrial prowess. The Spanish "takeoff" of the 1960s is therefore inseparable from the international political economy and global product cycle of the time.

The changes of the late 1950s and early 1960s produced all of these attributes that are most distinctively recognizable as *the* "Spanish Miracle" model of growth. Nevertheless, two points are worth emphasizing in terms of continuity. First of all, although the economic policy shifts of 1957–1959 have been framed collectively as "liberalization," the latter term is actually misleading. While state intervention in the economy decreased in some areas, it increased in others. Liberalization of international trade and domestic prices was accompanied by the establishment of new state-owned banks and an increase in financial regulation. While INI's role in the economy was reduced, the regime now relied on a French model of "developmentalism" whereby state industrial development strategies, laid out every four years in a series of "development plans," were implemented through state control and allocation of credit through the so-called "privileged financing circuits" that relied heavily on the parallel system of savings banks (*cajas*). Yet again, the

state leveraged a competitive counterpart to the system of industrial conglomerates linked to "universal" banks, this time the *cajas*, in order to ensure the fulfillment of its development goals.

Second, it is also important to emphasize that the rapid economic growth of the 1960s would not have been possible without the developments of the preceding two decades. The acceleration of industrialization and growth between 1951 and 1957 had only been possible because an expansion of industrial investment and the development of an institutional framework in the years of "autarky" could translate rapidly into increases in production once international circumstances allowed. Likewise, the sectors of rapid growth in the 1960s—the automotive sector, shipbuilding and fertilizers, to name just a few—had already expanded significantly in the previous decade on the basis of intensive INI involvement. INI's role in these sectors decreased as private firms entered production; but this does not mean INI's involvement had not been crucial in establishing production. In turn, INI's function in laying the groundwork for development would not have been possible without the reconfiguration of the relationship between state and capital and the existence of a regime with a strong desire to advance industrialization on the basis of *domestic* capital accumulation. All of these factors are behind the fact that attention to the stereotypical "development years" of the 1960s has occupied only one of the eight chapters in this book. As is always the case with economic development, the "Spanish Miracle" was the product of a long and dynamic interaction between international and domestic social changes that formed a "development trajectory" out of an evolving set of historical possibilities.

Notes

1 For just a few examples, see Baklanoff, "The Economic Transformation of Spain"; and Centeno, Ferraro, and Nemana, "Those Were the Days."
2 Clavera et al., *Capitalismo español*, 1:36–37.
3 Ibid., 1:53–54, 70; Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 176.
4 García Delgado, "Crecimiento industrial y cambio," 290, note 7; Roman, *The Limits of Economic Growth in Spain*, 41.
5 While net emigration from Spain was about 900,000 people between 1951 and 1960, it was 602,000 between 1961 and 1964 alone—see Tamames, "Los movimientos migratorios," 112–114; Roman, *The Limits of Economic Growth in Spain*, 61.
6 Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 209.
7 Ibid., 227–232.
8 González, *La economía política del franquismo*, 23.
9 Clavera et al., *Capitalismo español*, 1:141; Ferri, Muixí, and Sanjuán, *Las huelgas contra Franco*, 233; Ruiz, "De la supervivencia a la negociación," 66.
10 González, *La economía política del franquismo*, 23–34; Preston, "Populism and Parasitism," 149.
11 Anderson, *The Political Economy of Modern Spain*, 89–95.
12 Ibid., 107, 110; Martín-Aceña and Comín Comín, *INI: 50 años*, 116; Moya Valgañón, *El poder económico en España*, 123.
13 Charles Anderson uses the term "neo-liberal" to describe the new policy-makers of the late 1950s and early 1960s, although he clarifies that in using the term "I do not imply

any similarity to the small and abortive neo-liberal movements which began to appear in Northern Europe during the 1960s. These latter groups sought a return to classical, liberal orthodoxy in economic matters. Rather, I choose the term *neo-liberalism* to denote the affinity of this group of Spaniards to the modern capitalist, Keynesian position then dominant in economic policy-making in most of Europe." On the origins of the "neo-liberals," Anderson suggests that they came "from the banks, from the managers of some larger industries, from some academic economists, and from the important order of Catholic laymen *Opus Dei*"—Anderson, *The Political Economy of Modern Spain*, 104, 103. Donges also calls the new ministers of 1957 "neo-liberals," citing Anderson—Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 49. José Casanova argues that the new "technocratic administration" of the late 1950s "found its purpose in furthering the rationalization of Spanish capitalism as a whole" and suggests that it did not ascend to the highest levels of the state through "traditional" power channels—see Casanova, "The Opus Dei Ethic," 45–46.

14 Cited in Centeno and Ferraro, "Authoritarianism, Democracy and Development," 410. On the "technocrats" and neoliberal reforms in Mexico, see Centeno, *Democracy within Reason*.

15 González, *La economía política del franquismo*, 24–25, 27–29.

16 López Rodó, "Economía y administración," 209–211.

17 Álvarez Álvarez, *Burocracia y poder político*, 28, 33.

18 On the "families," see de Miguel, *Sociología del franquismo*.

19 Artigues, *L'Opus Dei en Espagne*, 1:28–29, 50–51.

20 Anderson, *The Political Economy of Modern Spain*, 97, 115. González dedicates an entire chapter to the so-called "*bieno preestabilizador*" in *La economía política del franquismo*, 134–198.

21 Martín-Aceña and Comín Comín, *INI: 50 años*, 116, 118–119; Anderson, *The Political Economy of Modern Spain*, 115.

22 González, *La economía política del franquismo*, 40–43.

23 Clavera et al., *Capitalismo español*, 1:64; García Delgado, "Crecimiento industrial y cambio," 294.

24 Anderson, *The Political Economy of Modern Spain*, 99–107, 114, 118; González, *La economía política del franquismo*, 32; Martín-Aceña and Comín Comín, *INI: 50 años*, 117.

25 OEEC, *Economic Conditions in Member and Associated Countries*, 38–39.

26 IMF, "Informe del Fondo Monetario Internacional," 23–24.

27 World Bank, *The Economic Development of Spain*, 16–17, 35. The World Bank report, totaling over 400 pages in its published form, was much more detailed than the OEEC or IMF reports (although the latter were periodical while the former was a one-time affair). It included sections on agriculture, transportation and industry as well the Spanish fiscal and monetary systems and international trade.

28 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 100; World Bank, *The Economic Development of Spain*, 35.

29 On the persistence of the Keynesian consensus well into the 1970s as the ideology of US hegemony, see Chapter 7 on "International Keynesianism" in Stein, *Pivotal Decade*, 154–175.

30 Anderson, *The Political Economy of Modern Spain*, 120–121.

31 Ibid., 125. Anderson suggests that the failure to consult the Cortes occurred mainly out of concerns for expediency rather than fear that the Cortes would block the reform (the Cortes did, however, occasionally block legislation by overweighting it with amendments—see Bonvecchi and Simison, "Lawmaking in Personalist Dictatorships.")

32 Martín-Aceña and Comín Comín, *INI: 50 años*, 116, 120.

33 Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 51–55.

34 On the regional "development poles" implemented by the regime in the 1960s as part of the development plans, see de la Torre and García-Zúñiga, "El impacto a largo plazo de la política industrial."
35 López Rodó, *Memorias*, 1:184.
36 Martín-Aceña and Comín Comín, *INI: 50 años*, 120.
37 Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 56–57; Roman, *The Limits of Economic Growth in Spain*, 63.
38 Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 57, 62–63.
39 Tamames, "L'Espagne face à un second plan de développement," 1044–1045. Tamames presents a poignant critique of the "development plan" regime of the 1960s.
40 Roman, *The Limits of Economic Growth in Spain*, 41.
41 Pérez Díaz, *Emigración y cambio social*, 107.
42 Roman, *The Limits of Economic Growth in Spain*, 62–63.
43 Naredo, "El proceso de mecanización en las grandes fincas del sur," 53.
44 Tamames, "Los movimientos migratorios," 119.
45 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 19–20, 53–54.
46 Ibid., 55–56, 60.
47 Ibid., 61.
48 Brandes, *Migration, Kinship, and Community*, 43–44.
49 Martínez Alier, *La estabilidad del latifundismo*, 260, 27.
50 Ibid., 27.
51 Roman, *The Limits of Economic Growth in Spain*, 34.
52 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 61, 60.
53 Franquesa, *Power Struggles*, 32–33.
54 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 61.
55 For a critical discussion of the use of the term "crisis" in existing literature to refer specifically to the problems of agriculture during this period, see Clar, "Más allá de 1936." For a classic account see Naredo, *La evolución de la agricultura en España*.
56 Liss, "Evolución y estado actual de la concentración parcelaria," 33–34, 38–39.
57 Ibid., 40–43, 46. The IEAS published the *Revista de Estudios Agrosociales*, which in turn published many of the articles cited here.
58 Bueno, "La reforma de las estructuras agrarias," 154.
59 Cavestany y de Anduaga, "Menos agricultores y mejor agricultura," 15.
60 Bueno, "La reforma de las estructuras agrarias," 152.
61 Ibid., 181.
62 Alario Trigueros, *Significado espacial y socioeconómico de la concentración parcelaria*, 83–89.
63 Nieto Ostolaza, "Precios agrícolas y sus repercusiones," 78.
64 Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 63–64.
65 Bueno, "La reforma de las estructuras agrarias," 161; Pérez Díaz, *Structure and Change of Castilian Peasant Communities*, 66–67.
66 Bueno, "La reforma de las estructuras agrarias," 167, 168.
67 Nieto Ostolaza, "Precios agrícolas y sus repercusiones," 61.
68 Leal et al., *La agricultura en el desarrollo capitalista español*, 58.
69 Clar, Martín-Retortillo, and Pinilla, "The Spanish Path of Agrarian Change," 326. The EU-9 includes Germany, the Benelux countries, Denmark, France, Ireland, Italy and Britain.
70 Leal Maldonado and Martín Arancibia, *Quiénes son los propietarios de la tierra*, 14.
71 Buesa, "Industrialización y agricultura," 226–231.
72 "II Plan de Desarrollo Económico y Social: maquinaria y bienes de equipo," 105–106.
73 Pérez Díaz, *Emigración y cambio social*, 96, 85–88, 150.
74 See Johnston and Regan, "European Integration," 8–11. Klein and Pettis argue that today China and Germany occupy similar places in the world economy as consump-

tion-suppressing export-dominated industrial powerhouses: see chapters four and five in Klein and Pettis, *Trade Wars Are Class Wars*, 101–173. On France as a "southern" political economy in this framework, or what Michael Loriaux calls an "overdraft economy," see chapter four in Loriaux, *France after Hegemony*, 97–135.

75 The fact that South Korea was below Spain in 1970 reflected that it had not yet embarked on its major export drive; by 1980 the country had sealed its spot as an export-driven powerhouse, second only to Belgium in its degree of reliance on exports.

76 Donges, "From an Autarchic towards a Cautiously Outward-Looking Industrialization Policy," 58.

77 Miranda Encarnación, "La Comisión Nacional de Productividad Industrial," 639.

78 Ibid., 640, including note 9, 642, 644; Buesa and Molero, "Cambio técnico y procesos de trabajo," 255–256. Miranda notes that the activity of the CNPI between 1954 and 1963 was small compared to France's 300 productivity "missions" with 3,000 participants between 1949 and 1953, pointing out that even Norway had organized the same number of missions by 1954 as Spain had by 1962—Miranda Encarnación, "La Comisión Nacional de Productividad Industrial," 642. Yet he also suggests that US productivity assistance to Spain had a similar "temporal development" as it did in Japan—that is, with a lag behind the other Western European countries—ibid., p. 643, note 19.

79 Sánchez and Castro, "Foreign Assistance to a 'Closed Economy,'" 616, 620–621, 623, 626–627, 630. On Ford's with Puig Raposo and Álvaro Moya, "La guerra fría y los empresarios españoles," 398.

80 Gallego Málaga, "Las inversiones de las multinacionales U.S.A.," 35; Braña, Buesa, and Molero, "Los años 60-70," 259; Puig Raposo and Álvaro Moya, "La guerra fría y los empresarios españoles," 401; Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 194. The numerical importance of Switzerland was likely a product of the country's position as an intermediary for capital from other countries.

81 Braña, Buesa, and Molero, "El fin de la etapa nacionalista," 195; Braña, Buesa, and Molero, "Los años 60–70," 262; Braña, Buesa, and Molero, "Materiales para el análisis de la dependencia," 342.

82 On the predominance of US foreign direct investment in Latin America in comparative perspective, see Stallings, "The Role of Foreign Capital in Economic Development."

83 On Spain as a "virgin market," see Sánchez and Castro, "Foreign Assistance to a 'Closed Economy,'" 607.

84 Sáez Fernández, *El crédito oficial en el sistema financiero español*, 73–74, 76–78.

85 Muñoz, *El poder de la banca en España*, 69.

86 Cuadrado Roura, "Financiación privilegiada," 123; Pérez, *Banking on Privilege*, 68.

87 On the *cajas*, see Comín, "Spanish Savings Banks," 208–209, 212–213, 217.

88 Cuadrado Roura, "Financiación privilegiada," 128, 124; Pérez, *Banking on Privilege*, 68.

89 Cuadrado Roura, "Financiación privilegiada," 124–125.

90 Pérez, *Banking on Privilege*, 69–72; Loriaux, *France after Hegemony*, 106.

91 Pérez, *Banking on Privilege*, 66, 57, 62–63. On the Falangist moment of 1956-57, see Preston, "Populism and Parasitism," 149.

92 Schwartz and González, *Una historia del Instituto Nacional de Industria*, 7–10, 76, 85, 87, 119.

93 Ibid., 7–8, 92.

94 Carlos Moya, citing Spanish economist Jesús Prados Arrarte, in *El poder económico en España*, 201.

95 On the role of the World Bank, see Schwartz and González, *Una historia del Instituto Nacional de Industria*, 93–100. However, as Schwartz and González show, even the new "developmentalist" regime of the 1960s ignored many World Bank recommendations or interpreted them very generously.

96 Guirao, *Spain and the Reconstruction of Western Europe*, 117–118.
97 Suanzes, *The Spanish Commercial and Industrial Policy*, 15, 63–64.
98 López Carrillo, "Los orígenes de la industria de la automoción," 71.
99 de la Oliva de Castro and Gutiérrez Reñón, "Los cuerpos de funcionarios," note 53, pp. 134–135.
100 de Miguel, *Sociología del franquismo*, 120–121.
101 Linz, "A Century of Politics and Interests in Spain," 391.
102 de Miguel, *Sociología del franquismo*, 121.
103 Viver's sample included ministers, undersecretaries, general directors and general technical secretaries (*secretaries generales técnicos*) in the ministries; national-level FET and SV officials; high-level military officials; Civil Governors; members of the Cortes; and high-level officials in "consultative" bodies like the *Consejo de Economía Nacional*.

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Epilogue

Decoupling Democracy and Free Markets

Spain today is arguably one of the world's most "modern" countries. The country's ranking on the UN's Human Development Index, a composite measure of health, education and income, was higher than France and Italy as of 2021.[1] In terms of public opinion on major social issues, Spaniards rank alongside Scandinavians as having the most progressive views in the world. A 2018 survey found support for immigration in Spain to be higher than in France, the Netherlands and Italy.[2] In support of social acceptance of homosexuality, Spain is behind only Sweden among major developed countries.[3] A 2007 Ipsos poll found that 69 percent of Spaniards opposed the death penalty, far ahead of the United States and the East Asian countries but also higher than Canada, France, Germany, Italy and the UK.[4]

One could argue that, ironically, the Franco regime is a powerful explanation of Spaniards' remarkable progressivism and open-mindedness due to the bitter memory of oppression it has left behind, one that is more recent than the ravages of interwar fascism in other parts of Europe. It would make sense that a toxic brand of nationalism would create a cosmopolitan reaction, that the repression of an archconservative state Catholicism would breed acceptance of multiple sexualities and genders and that the memory of brutal state violence against political opponents would lead to widespread opposition to state-sanctioned murder. We have provided only impressionistic evidence for such an interpretation, but if correct it would suggest that popular memory of an ugly authoritarian past has made Spaniards more humane. There is also a case to be made, however, that socially constructed memory of the Francoist period has had other, less unambiguously positive effects. These lie in the realm not of social and political freedom but of political economy.

To begin with, the post-Franco years have been much less exuberant in terms of political economy than they have been in terms of democracy, freedom and culture. As we saw in Figure 1.1, Spanish per capita GDP converged rapidly with the Western European average between the late 1940s and 1975. Yet after 1975 Spain actually lost ground relative to its neighbors on this measure, ground which it did not recover until the late 1990s.[5] Perhaps even more problematic, however, has been Spain's performance on the dimension of employment. The country became almost infamous for high unemployment rates in the wake of the global recession of 2007–2009, but the reality is that lack of employment has been a chronic

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problem in Spain ever since the 1970s. In fact, since 1980 the unemployment rate has dipped below 10 percent for only three years, all in the mid-2000s housing bubble.[6]

Spain's comparatively poor economic performance since the end of the Franco regime is due in part to international factors. The end of the Spanish Miracle was precipitated in the mid-1970s by the global oil crisis, which hit Spain hard.[7] European integration also limited the replicability of the political-economic model that had fueled growth and full employment in previous decades. First of all, the integration process widely encouraged privatization throughout Europe, resulting in the dismantlement of the kind of direct state presence in the economy that had been such a key element of the Spanish Miracle.[8] And perhaps most importantly, by eliminating monetary sovereignty, European integration did away with the policy tools that made domestic market orientation, a certain degree of inflation and full employment mutually compatible in "Southern" political economies like Spain during the postwar decades.[9]

Yet there is also something "homegrown" about Spain's mediocre economic performance since the 1970s.[10] A useful comparison in this vein is with Spain's neighbor, Portugal, which also experienced a transition from dictatorship to democracy in the 1970s. Unlike Spain, Portugal has not experienced a problem of chronic unemployment since its transition to democracy. A typical neoliberal explanation of high unemployment in Southern Europe in general has been that protections for permanent workers are too generous, making job creation costly and ensuring that most jobs that are created are temporary ones.[11] Yet as economists publishing in *American Economic Review*—not a usual venue for heterodox approaches—point out, labor protection laws in the mid-1990s were similar in Spain and Portugal, but the unemployment rate was more than three times higher in the former than the latter.[12]

Sociologist Robert Fishman provides an insightful explanation of this striking divergence between Spain and Portugal. He roots it in the distinctness of the two countries' transitions to democracy: in Spain, the transition was negotiated from above, with heavy participation of reformist elements of the Franco regime itself. In Portugal, in contrast, the transition was marked by a robust discontinuity initiated by an officers' revolt that brought about the Carnation Revolution, which saw the broad participation of leftist forces and even worker takeovers of factories. As a result, industrial policies—including a continued direct state presence in the financial sector and a program of credits to small manufacturing enterprises—have been much more robust in Portugal than in Spain in the post-transition period.[13]

There may be an additional factor at work in the Spanish case, however. The notion that a conservative transition to democracy led to a more neoliberal economic path in subsequent decades implies that what that transition retained—presumably, elements, personnel or policy from the Francoist era—was more amenable to neoliberalism. Yet, as this entire volume has demonstrated, the Francoist state promoted quite an interventionist industrial policy. Even the "reformists" who took power in the 1960s were responsible for no less than the nationalization of part of the credit system and a series of development plans. Moreover, there was full employment

during the Spanish Miracle—the unemployment rate in Spain was just 1.3 percent in 1969, although it had crept up to 4.8 percent by 1975 following the 1973 oil crisis.[14]

It was in fact the government of Felipe González of the Spanish Socialist Workers' Party (PSOE) that ruled Spain for most of the 1980s and early 1990s and oversaw the implementation of many if not most neoliberal policies. The PSOE government promulgated a "Law of Reconversion and Reindustrialization" in 1984, for example, that involved layoffs of more than 80,000 workers, and it implemented labor market reforms that removed many worker protections.[15] The PSOE's enthusiastic participation in the implementation of a neoliberal model responsible for chronic unemployment suggests an additional explanation for Spain's postwar economic performance. Revulsion toward the brutal dictatorship that oversaw statist interventions in the Spanish economy solidified a perception, so often trumpeted by neoliberals, that free markets, economic growth and democracy go hand in hand. Indeed, such an explanation would account for the otherwise paradoxical existence of left-wing interpretations of the Spanish Miracle that laud the importance of "market forces" and decry state intervention in the economy. Examples include the claim, quoted in the introduction and made in a scholarly article presented at a 1984 conference co-organized by the *Fundación Pablo Iglesias*—the think tank of the Spanish Socialist Workers' Party (PSOE)—and the *Fundación de Investigaciones Marxistas*, the intellectual arm of the Spanish Communist Party (PCE): "if any relationship can be established unequivocally while contemplating Spain's economic evolution during all of Francoism it is the parallelism between industrial growth and economic liberalization."[16] Or, in the same vein, the denunciation by an historian, PSOE politician and Minister of Education, under a PSOE government from 2006 to 2009, of an "erratic and often irrational policy of substituting imports," a "policy of fanatical protectionism" and "economic strangulation" in the 1940s caused by "the intervention by an inefficient State in the allocation of foreign currencies, quotas of raw materials and import and export licenses; and the directives that clearly gave priority to some sectors over others."[17]

In Latin America it would be very odd to hear socialists praise economic liberalization, decry "inefficient" state intervention or label import substitution as an "irrational" policy. When it was Salvador Allende who nationalized and promoted import substitution while Pinochet privatized and liberalized, the supposed link between the "free" market and democracy was too clear a sham. Yet since it was a right-wing government that presided over a statist economy in Spain, social democrats there seem to have been all too happy to jump on the bandwagon of neoliberalism. Social memory of the Franco regime, which has shaped so much social progress in Spain, may also be responsible for economic regression, in a most cruel irony.

It is in this sense that Fishman's insight on the Portuguese counterfactual is so useful. PSOE leaders and left-of-center Spanish scholars seem to have thrown the baby out with the proverbial bathwater in the wake of the transition to democracy. They saw full employment and economic planning under a right-wing dictatorship, lost confidence in planning and turned to "free" markets. Instead, that such rapid *capitalist* growth was so compatible with, indeed seemingly maximized by, such repression and brutality as that of the Franco regime should have given them second thoughts about capitalism itself. That was the approach taken

by their Portuguese counterparts, who, rather than associating socialized production and economic planning with dictatorship, proceeded instead to take over factories and redistribute land in their pursuit of democracy. The example of the Carnation Revolution—that democracy, planning and equality go in hand perfectly well—is a lesson useful not only for Spain but for the rest of the world today. Let us hope it is not too late.

Notes

1 Max Roser, "Human Development Index (HDI)," *Our World in Data*, first published 2014. https://ourworldindata.org/human-development-index.
2 Ana Gonzalez-Barrera and Phillip Connor, "Around the World, More Say Immigrants Are a Strength Than a Burden," *Pew Research Center*, March 14, 2019. https://www.pewresearch.org/global/2019/03/14/around-the-world-more-say-immigrants-are-a-strength-than-a-burden/.
3 Jacob Poushter and Nicholas Kent, "The Global Divide on Homosexuality Persists," *Pew Research Center*, June 25, 2020. https://www.pewresearch.org/global/2020/06/25/global-divide-on-homosexuality-persists/.
4 "Death Penalty – International Poll," *Ipsos*, April 26, 2007. https://www.ipsos.com/en-uk/death-penalty-international-poll.
5 On the end of Spanish convergence see also Fishman, "Anomalies of Spain's Economy and Economic Policy-Making," 68.
6 See data from the World Bank—https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=ES.
7 In 1977, the year of the first free elections since the Second Republic, annual inflation hit 26 percent—Harrison, *The Spanish Economy*, 17.
8 Clifton, Comín, and Díaz Fuentes, "Privatizing Public Enterprises."
9 See, for example, Johnston and Regan, "European Integration."
10 Fishman, "Anomalies of Spain's Economy and Economic Policy-Making," 68.
11 "Employment in Southern Europe: Better, But Fragile," *The Economist*, August 22, 2019. https://www.economist.com/europe/2019/08/22/employment-in-southern-europe-better-but-fragile.
12 Blanchard and Jimeno, "Structural Unemployment: Spain versus Portugal," 212.
13 Fishman, "Rethinking the Iberian Transformations." See also Fishman, "Rethinking State and Regime," 429–431.
14 World Bank data—https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=ES. Of course, full employment came with problematic assumptions, such as a relatively low female labor force participation rate.
15 Kennedy, *The Spanish Socialist Party and the Modernisation of Spain*, 64.
16 "*Si alguna relación puede establecerse de forma inequívoca contemplando la evolución de la economía española durante todo el franquismo es el paralelismo entre crecimiento industrial y liberalización económica*"—García Delgado, "Notas sobre el intervencionismo económico del primer franquismo," 142.
17 Cabrera and Del Rey Reguillo, *The Power of Entrepreneurs*, 75.

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