
The Public Sector and Economic Growth in Eighteenth Century Spain

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Ferdinand VI died mad in the castle of Villaviciosa in 1759. A little later, his brother Charles, then in Naples, set out for Spain, and in the meantime the government of Spain was entrusted to the regency of the queen mother, Elizabeth Farnese. It was to her, therefore, that the rope makers guild of Castellon de la Plana addressed their protest in opposition to the way in which the Navy made its purchases of hemp in the region. Since 1750 the Navy had been contracting most of the crop at a fixed price with payments in cash. This system favoured the Navy and eliminated the competition found in an open market. The traditional private buyers who had fought hard against the hemp cultivators to develop a system of credit payment, were thus put at a competitive disadvantage. Because of the guild protest, the State decided to give up this illegal competition and restrict itself to purchasing with credit, just as any other private customer.¹ This provides a typical example of the economic confrontation between the State and the private sector. In this case the State

¹ Cf. J.P. MERINO, "Cultivos industriales: el cáñamo en España, 1750-1800", in *Hispania*, 131 (1975), pp. 572-73.

tried to assure the supply of a product considered to be of strategic importance, and the private sector succeeded in eliminating the danger of State monopoly and in maintaining the market closer to the principles of free competition.

There are in this example two points we want to stress. First, the State's double role as judge and litigant. Second, the fact that the petition of the guild was made to the executive and not to the courts of justice. The guilds, thus, did not go through the courts of justice to defend their rights, but to the executive to ask for concessions. This behaviour still conformed to the classical mercantilist tradition,² which in this case can be linked with the practice of paternalistic despotism.

A. INTRODUCTORY COMMENTS

1) It is tempting to adopt any of a number of extreme positions to try to explain the problems of the eighteenth-century Spanish economy. But it remains doubtful, however, whether the application of modern economic theory can provide a reasonable explanation of the working of an Ancien Regime economy. There does not seem to be a case for supporting any particular economic theory, although our analysis is predicated on a respect for the contribution of individual freedom and dignity.

There are two factors that help define the nature of the problem we shall discuss. First, from an economic point of view eighteenth century Spain consisted of a loose organization of quite different regions with only a small degree of integration. This situation, which was acknowledged by economic writers of the

² Most writers on economics were still mercantilist. Many were officials in the government and, Smith comments, their theories always had a political orientation. R.S. SMITH, "Spanish Mercantilism: A Hardy Perennial", in *The Southern Economic Journal*, XXXVII (1971), p. 2.

time, was first explored and analyzed by Hamilton.³ Subsequently numerous other twentieth century historians have confirmed his general findings in more detailed studies: Anes, Eiras, García Lombardero, Vilar, among others. There are many studies in progress on regional problems that will enable us to explore this subject in greater depth.

Ringrose⁴ has discussed why it was that the Spanish economy at the end of the eighteenth century was incapable of further growth due to technical limitations in the transportation system. Only gradually are we coming to understand the nature of these technical problems and their effect on the Spanish economy of that time. These two factors — the loose organization of Spain's different geographical regions and the limits to her growth due to limitations in the transportation system — produced two important consequences for the economy of eighteenth-century Spain. These two problems must be borne in mind to appreciate the significance of two issues. First, it was impossible for the Spanish crown to coordinate all its resources in its widespread territories. Given such a dispersion, even a small degree of cohesion within all these lands was in its own right a noteworthy success that makes Spain compare favourably with other nations of the time. Secondly, and as a result of this, it is very difficult to discover any common objective amongst the different interests of the Hispanic kingdoms gathered under the Spanish Crown.

2) Certain other facts should be considered before turning to the public sector. For instance, the existence of the complex fiscal system, inherited from previous centuries, and which did not change significantly during the eighteenth century, must be kept in mind. Nevertheless, the State did make an effort to control its own resources, as is demonstrated by the "*real orden*"

³ E.J. HAMILTON, *War and Prices in Spain, 1651-1800*, Cambridge, Mass., 1947.

⁴ D.R. RINGROSE, *Los transportes y el estancamiento económico de España*, Spanish translation, Madrid, 1972.

of October 1st, 1749,⁵ by which the Royal Treasury began to administer directly all its tax revenues. This put an end to other systems, especially the farming of most of the taxes. There came into existence, therefore, a growing bureaucracy, which managed to remain flexible and of reasonable size. To take an example: the "*Secretaría de Marina*" in 1750 employed some 20 persons. In 1790, the year the Spanish Navy reached its peak, the number of persons employed, including janitors, had grown only to 30-35.

In other areas of the economy one finds, for instance, a rigid guild system, a classical obstacle to entrepreneurial activities. This rigidity, however, was in many cases quite easily avoided. But, there are a number of other important factors which although difficult to measure quantitatively should not be forgotten. First, the people led a very tranquil mode of life and the pace of change was slow. There was also an almost total acceptance of the idea of absolute royal authority, whose influence can be found in the legislation of the time as well as in the relation between Crown and subjects. There was also America, whose existence and resources, after two centuries of extensive contact, were deeply embedded in the economic structure of Spain and in the minds of Spaniards of both hemispheres. There was, too, the classic interchange with the Northern European countries, sources of raw materials, of technicians and of manufactured products, as well as the origin of a series of conflicts. One must also consider the elaborated system used to control prices, based on fixed prices for many products, from wheat to different manufactures. And finally one must examine the development of the State monopolies (salt, tobacco, etc.), which were an important and easy source of revenue; etc. etc. This, however, is no more than a summary of the major factors affecting the economy of eighteenth century Spain.

⁵ Cf. A. DE LA PLAZA, *Archivo General de Simancas. Guía del Investigador*, (Madrid), 1962, p. 221.

B. THE PUBLIC SECTOR

Given the decentralization of the *Ancien Regime* State and the scope of activities that it directly controlled, the public sector meant, at that time, much less than it means in the contemporary era of big business and big government. We must therefore first define what we mean by "public sector" in the eighteenth century. Current research points to the importance of two factors in the economic life of Spain up to the XIXth century. On the one hand, there was the municipal sector,⁶ and, on the other, the private sector, both personal and institutional.⁷

Municipal government provided a number of necessary public services, their task being at times close to that of other institutions, in particular the church. Among the services traditionally provided were sanitation, education, and transportation. Hospitals were generally either municipal or ecclesiastical undertakings,⁸ some of them being the initiative of private organizations. The same happened with education from the primary to university level.⁹ It was only after the "desamortización" (abolition of

⁶ We would like to acknowledge the importance of the communication of RUIZ MARTIN to the colloquium on *Dinero y Credito, siglos XVI-XIX*, held in Madrid in March 1977, dealing with the municipal sector.

⁷ Among the institutions were the church, in particular, and universities, colleges, hospitals, etc. The importance of this sector is being assessed by different studies on the "desamortización" of the XIX century. The principal beneficiary of the "desamortización" was the State. A wide and fully up to date bibliography, has been prepared by G. RUEDA, in J.P. MERINO, *Notas sobre la desamortización en Extremadura*, Madrid, 1976.

⁸ We still do not know very much about the Spanish hospital system. Its municipal or private root can be traced by studying the history of some important buildings that remain today (Santiago de Compostela, León, Toledo, etc.). These origins can also be partially followed in certain books by G. BEAUJEAN -- especially those related to Guadalupe -- and in a recent article by A. MARCOS, "La asistencia social en España: el sistema hospitalario de Medina del Campo en el siglo XVI", en *Cuadernos de Investigación Histórica*, 2 (1978).

⁹ The juridical organization of education in the *Ancient Regime* has not been studied yet in detail. As far as universities are concerned, the works of PESET, AJO, DE LA FUENTE, KAGAN and ALVAREZ DE MORALES, give some information. The ele-

mortmain) in the XIX century, and the subsequent financial ruin of former supporters of private education, that the State played an important role in this area.¹⁰ Municipal authorities were also occasionally responsible for building new roads and in any case they supervised the actual construction work.

All these activities can be excluded from what we define as the public sector. We would also exclude other activities derived from the system of exclusive grants and privileges, since they usually remained within the scope of private initiative, although sometimes they were a quasimonopoly of the State (as the privileged trading companies, for instance). Although we would like to include Spanish America, it too must be excluded from consideration. Its economic life was developed in a more liberal climate, less directly under royal control. But unfortunately we lack the precise data to talk about the full situation. The public sector, therefore, includes all State enterprise and initiative: those, for example, developed with state capital or originating from official organisms belonging to the Administration (namely the "Secretarías.") The relative absence of studies, in this area at least in regard to the series of problems we are to analyze, puts further limitations on the scope of this paper, and some problems will only be touched on briefly, to suggest lines for future research.

Unlike other topics, the study of the public sector has the added advantage of abundant sources. But there is also a risk inherent in this of exaggerating the importance of the role played by the State simply because of this abundance of documentation. Although one must be on guard against this temptation, it should be clearly pointed out.

mentary and middle levels are still unknown and there is little modern research to complement what is drawn from the history of different religious orders. The only comprehensive work is still A. GIL DE ZARATE, *De la instrucción pública en España*, Madrid, 1884, 4 vols.

¹⁰ Cf. F. SANZ, "El proceso de institucionalización e implantación de la primera enseñanza en España, 1838-1870", in *Cuadernos de Investigación Histórica*, 3 (1978).

C. PUBLIC SECTOR AND ECONOMIC GROWTH

There is no doubt about the expansive character of the economy of Western Europe in the eighteenth century. Europe of the Enlightenment experienced that increase in production, both absolute and per capita, which Hartwell claims as a sign of economic growth.¹¹ Another authoritative voice, that of J. Nef, stated similarly that "in France as in England, the volume of industrial production and that of trade increased faster than the population in the period 1735-1785. It happened the same in Spain, Belgium, Germany and in most of the countries of continental Europe...".¹² A third point, and one that affects us directly, is made by G. Anes, who states rather conclusively: "the increase of agricultural production in Spain during the eighteenth century is a fact which is admitted without discussion".¹³ Anes was referring only to agriculture, but we have cited him due to the importance of agriculture in the Ancien Regime, and because the statement is related directly to the Spanish case and serves as a complement to the general European out-look of the statements by Hartwell and Nef. But, if this economic growth did take place, what was the contribution of the public sector to economic growth in the case of Spain? Again we must point out that a comprehensive evaluation is as yet impossible. Our task will be limited to certain observations based on the particular examples we have chosen. The conclusions we draw will of course be open to further analysis and revision, and more research is needed to give

¹¹ R.M. HARTWELL, "The Causes of the Industrial Revolution: II, An Essay on Process", in *The Industrial Revolution and Economic Growth*, London, 1971, pp. 164-65.

¹² J.U. NEF, *La route de la guerre totale*, Paris, 1949, p. 24.

¹³ G. ANES, *Las crisis agrarias en la España Moderna*, Madrid, 1970, p. 165. With some caution, because of the sources he used, the increase in agricultural production can also be concluded from the work of J.G. DA SILVA, *Desarrollo económico, subsistencia y decadencia en España*, Madrid, 1967. He argues that the rate of consumption per inhabitant did not change significantly between 1575 and 1799; so, if there were an increase in population, there must have been an increase in agricultural production too. See pp. 103-106.

a more accurate and balanced perspective on the comparative achievements of the public and private sector.

1) *Agriculture*. There were very many different ways in which the public sector intervened in the development of agriculture. Examples are provided by the existence of "*bienes mostrencos*" (entailed lands), the usufruct of the lands of military orders, or the fact that the State still had a claim to rights on some municipal lands. We shall discuss here three particular ways in which the public sector intervened.

First, the nature of agriculture in royally owned estates. Aranjuez provides a typical example. There was good soil, adequate water from irrigation, few financial problems and a guaranteed market that was close. Well-cared for estates profited from the introduction of new methods of cultivation¹⁴ inspired by the discoveries of Jethro Tull and Duhamel du Monceau. The results in Spain, however, differed from what took place in England and in some areas of continental Europe during the eighteenth century. Although the implementation of new methods of agriculture in England, as well as in a few other countries, had a clearly positive effect on productivity, this is not the case in State-owned lands in Spain.

The attempts at innovation, which took place in Aranjuez under direct royal supervision during the seventies, clearly failed. New agricultural techniques were in very limited use, and so it was not possible to introduce new methods of cultivation in agriculture. García Sanz saw this as a consequence of "the system of land property, the lack of peasant capital, the non-existence of a national market for agrarian products, and, finally, geography".¹⁵ Such arguments could be applied to Spain as a whole, but they do not fit the case of Aranjuez well. As we

¹⁴ Cfr. A. GARCÍA SANZ, "Agronomía y experiencia agronómicas en España durante la segunda mitad del siglo XVIII", in *Moneda y Crédito*, 131 (1974), pp. 29-54.

¹⁵ *Ibidem*, p. 51.

already mentioned Aranjuez had certain other advantages, like, for instance, the proximity of the market of Madrid. The failure in Aranjuez is due more to the mismanagement of the Crown, at least from the point of view of promoting agricultural development in that area of the country. But in any case, a definitive judgement could not be given in the absence of comparable studies on private activities in nearby areas like the Henares and Jarama valleys. But there is not the slightest evidence that the participation of the public sector in the agricultural undertakings of these valleys added anything positive to solving the problems of supplying the Madrid markets.

The second example of public intervention in agriculture was represented by the activity directed to the protection and conservation of natural products and forests. This kind of activity is quite clear from legislation of the time.¹⁶ Did such legislation have any positive effects? First of all, it has never been conclusively demonstrated that conservation in itself is a good thing, even the conservation of forest. Secondly, two examples will show that the action of the State in this field was not consistent and thus lacked efficacy. On the one hand, there was the case of the Santander mountains, which had an abundance of oaks, easy access, and important industrial activities in the vicinity, especially the dockyards at Guarnizo and the blast furnaces at Liérganes and La Cavada. It is clear that shipbuilding and the iron casting activities at the furnaces¹⁷ — both activities were at different times run by the State — contributed to the destruction of the trees of those mountains. In any case, Santander remained a centre of important economic activity during the XVIIIth

¹⁶ Cf. *La acción administrativa en materia de montes y caza. Catálogo de la exposición realizada por el Museo Histórico de la Administración Española*, Madrid, 1970.

¹⁷ Cf. J. ALCALA ZAMORA Y QUEIPO DE LLANO, *Historia de una empresa siderúrgica española: los Altos Hornos de Liérganes y La Cavada, 1622-1834*, Santander, 1974; J.P. MERINO, *La marina de guerra española en el siglo XVIII*, Ph. D. dissertation, University of Madrid, 1977, unpublished.

and XIXth centuries, but all the legislation on the conservation of woods seemed to have been useless, from a strict conservation point of view, because the forests in fact did not survive.

On the other hand the Sierra de Segura, now in the province of Jaen, provides a contrasting example. This is an area with an abundance of pines but located near very poor areas, with only small demographic pressure until the second half of the XIX century. The woods still exist to-day, because they are too remote to be exploited profitably. The State seemed not to have been too concerned when the emigration from that area began, as this emigration could have been reduced had the forests been converted to farmland. At first sight, the forest legislation seems to have protected, in this case, the stock of trees.¹⁸ But more important the woods survived because there was limited exploitation by the Crown. The government used these lands only as a source of shipbuilding materials and there was little demographic pressure. It is clear that neither the State-owned lands nor the lands of the military orders (as was in part the case of the Sierra de Segura)¹⁹ were organized with any clear policy of economic intervention. The State that was to confiscate thousands of hectares in the XIXth century did not have a clearly defined agrarian policy that could be applied even to its own properties. One could also make a further distinction between "State" and "interests of the dominant class," but this is not the right place to attempt this.

A third example of State intervention in agriculture relates to the promotion of particular crops, especially those with industrial use. This intervention occurred throughout the eighteenth century and gave impetus to the creation of a number of

¹⁸ J.P. MERINO, "La Marina en los Montes de Segura de la Sierra, 1734-1820", communication to the *I Congreso de Historia de Andalucía*, Córdoba, 1976.

¹⁹ The extensive lands of the military orders yielded minimal rents, chiefly from pasture lands. See *Representación del Marqués de la Ensenada a Fernando VI (1751)*, edited by D. OZANAM, forthcoming.

laws protecting different sectors.²⁰ It was at times positive,²¹ although in some other cases it did produce commercial monopolies (as in the case of silk, for instance).²² But, it is not the effect of the legislation that we are interested in studying, but the consequences of direct State intervention in helping specific cultivations. The cultivation of madder provides a good example of this. Its cultivation was protected by the *Junta de Comercio* during the 'forties, after a successful petition by the cultivators of the province of Valladolid; but thanks to Juan Pablo Canals the peak of this cultivation finally arrived in the 'sixties. Although the *Junta de Comercio* had a part in Canals' activities, what really encouraged its cultivation were the Catalan entrepreneurs, who were looking for a cheaper and better quality product than the one they could get from other countries. It was private initiative that controlled prices, and fostered production even for exports. When Catalan industrialists became more interested in cultivating madder in Aragon or Catalonia, they abandoned the production of madder in Castile which, despite State assistance declined drastically.²³ The cultivation of Castilian madder provides a clear example that agrarian transformations were not so much the result of enlightened royal decrees as a product of the existence of the private interests that promoted them.

The case of hemp provides a slightly different perspective. The State, through the Navy, always showed a particular interest in this plant of military and strategic importance, but by 1760 the hemp industry burdened the Spanish balance of payments with several millions of "reales" a year. This State interest took concrete form with the creation of a series of commissions in the

²⁰ See, for instance, A. MATILLA TASCÓN, *Catálogo de Ordenes Generales de Rentas*, Madrid, 1947.

²¹ That was the case with rice in Valence. Cf. G. ANES, *El Antiguo Régimen: Los Borbones*, Madrid, 1975, pp. 102, 168.

²² J. CARRERA PUJAL, *Historia de la economía española*, Barcelona, 1945, vol. IV, p. 490.

²³ See P. VILAR, "Agricultural, Progress and Economic Background in Eighteenth-Century Catalonia", in *Economic History Review*, XI, (1958), pp. 113-120.

areas of cultivation, which were responsible for making the purchases.²⁴ The Navy also created several important factories, as well as many activities that helped further extend the areas under cultivation. Let us first consider this last point, before discussing the factories. One such activity, the organization of purchases, was successful, since an assured market encouraged the private cultivators. This was particularly true in areas like Calatayud or Granada. Nevertheless, since the demand was considerable, this probably would have happened with or without the participation of the public sector in promoting the purchase of hemp production. So it is still difficult to make a definitive positive judgment on the importance of state intervention in this area. But it could not, however, seem that Canga Argüelles was correct in supporting the opposite point of view: that is that the Navy directly impeded the spread of hemp cultivation in Granada during the eighteenth century.²⁵

More interesting are the cases in which the Navy tried to start hemp cultivation in places like Galicia where it had not existed previously. In that region they were trying to find a way to guarantee the supply for the dockyards at El Ferrol and thereby save some millions of "reales" a year. The first attempts were made in 1739 with free distribution of seeds and attempts to force the peasants to sow them. This, however, was a complete failure.²⁶ A second attempt in 1750-51, with seeds from Russia and Navarre, produced the same unsatisfactory result.²⁷ A last and sustained attempt was made between 1782 and 1790. This time the Navy tried to get the help of the "*Sociedad Económica*" of Galicia, distributed prices and free seed, and called on the cooperation of a specialist from Granada who helped to teach the new techniques of hemp cultivation.²⁸

²⁴ See note 1.

²⁵ J. CANGA ARGÜELLES, *Diccionario de Hacienda*, Madrid, 1833, vol. I, p. 43.

²⁶ Archivo General de Simancas (A.G.S.), Marina, 309, 310.

²⁷ A.G.S., *ibidem*, 376.

²⁸ Archivo-Museo Don Alvaro de Bázan (VISO), Arsenales, "Cáñamos, 1789".

Another example of the introduction of new cultivations is provided by the founding of the New Towns of Sierra Morena. Here we have a completely different situation where cultivation was promoted not simply for industrial reasons, but for a complex of motives. In the founding of New Towns, public and private interests were mixed in order to promote an ambitious programme, that included repopulation, urbanization, model farming, etc. The New Towns survived in the end, thanks in part to the activity of Olavide, but their life was more or less slow due to the many problems they had to cope with. Other less spectacular repopulations, carried out by private individuals, both succeeded and failed. For example, one organized by Belluga, in Murcia, was a success, while one by Sacedon, in Guadalajara, was a failure although it did not cause the Royal Treasury to lose any money.

The State also had participated directly in the construction of public works of agricultural interest such as reservoirs and canals for irrigation. In many cases it did little more than start old projects that had been brought to a halt by an inefficient bureaucracy. In spite of these efforts, little was done as compared with what might have been done if different interests had not interfered. It was only when private individuals gave firm support to the project (Pignatelli, for instance) that this was achieved. The failures were more common than the successes, and some technical failures, like the one in Lorca, are part of the negative aspects of the story.

For all these considerations, the balance of State participation in agriculture does not seem to have been positive. The introduction of the new agriculture needed something other than good will and cabinet planning. It needed a deep social transformation, which unfortunately was slowed down by the archaic legislation of the State. And even in cases when the State wanted to foster change, archaic legislation greatly hindered it.²⁹ Without that

²⁹ We have omitted for the reasons given in paragraph B-, the huge legislative

transformation, the role of the State was clearly limited. However, and in spite of this, private individuals contributed more substantially to the improvement of different forms of cultivation (like the rice of Valencia, which we have already mentioned) or to the diffusion of many others like corn, oranges, potatoes or vineyards. There are few existing records of this growing activity in the private sector, and we therefore know little about it. But there is nevertheless no doubt that this activity was of capital importance for the agricultural future of the country.

2) *Industry.* As we have seen, except in terms of legislation, the State did not show much interest for agriculture. The story was very different in the case of industry. The encouragement of industry was, from the very beginning, almost an obsession of enlightened governments. This encouragement, promoted by the highest authorities of the enlightened State, implied intervention in the industrial sector in a way that reflected the absolutist mind: all authority and rights belong to the State, private individuals act only by concession.

The absence of rights was to remain almost untouched until 1779,³⁰ when certain laws suppressed many of the taxes that had previously to be paid. In the meantime, some individuals had been given grants by which the State gave them back some of the rights that were taken away from them at the start of the modern period. Being a manufacturer, as we said at the beginning, was not a case of using one's rights, but rather of taking on a

action on agrarian reform (land distribution, fight against the privileges of the Mesta, etc.). Nevertheless, that legislation was only partial, and not at all successful.

³⁰ Earlier many concessions had been made by the *Junta de Comercio*. They were only temporarily useful, since they entailed periodic renewal and bureaucratic complications. In 1752 and 1756, these concessions were given to a whole range of factories. In 1778, 1779 (the most important), and 1781 more concessions were given to the same factories and new ones to different kinds of factories. There were still many obstacles, especially those related to guild regulations, which remained until the XIXth century, although some of them were removed in the 1790's.

complicated social obligation that could only be carried out with the help of such grants. The manufacturer was always under strict surveillance.

The protective and surveillance activity was exercised from 1679 by the *Junta de Comercio y Moneda* which among other functions watched over most industrial affairs of the kingdom. The *Junta* had basically three roles: as advisory body of the Royal Treasury it issued reports and projects on economic policy; it also originated some legislation; and finally, it gave and administered all kinds of privileges and tax exemptions to private manufacturers. This was done after detailed information had been collected, and close surveillance by officials was maintained. The *Junta* had different moments of vigorous activity, and greater or lesser power, depending on the result of continuous quarrelling with the Consejo de Castilla over problems of jurisdiction.³¹ But in general it can be said that its task was beneficial from the point of view of the suppression of obstacles — namely legal obstacles — to industrial development. This was due to the fact that it had a more liberal and modern outlook than other official bodies. To say that its activity was beneficial is not to say that the *Junta* was necessary. The role it played as an advisory body in addition to the laws it passed is of considerable interest. The *Junta* relied on the reports of experts who were versed in economic problems and had detailed information about real issues; but all the work it undertook in order to grant privileges could have been avoided had the problems that it tried to solve not existed in the first place. However, it is unrealistic to believe that the government could have started such legal liberalization at an earlier date.

We have been discussing the *Junta de Comercio* because of

³¹ The only evaluation made in this sense is the brief but useful article by W.J. CALLAHAN, "A Note on the Real y General Junta de Comercio, 1679-1814", in *Economic History Review*, 3 (1968), pp. 519-28.

its importance in economic policy and because it was through the *Junta* that the State intervened directly in many industrial undertakings. This intervention is our next concern. The Bourbon kings inherited the intervention policy of the Habsburgs, as well as ideas about industrial encouragement that were already operative during the last years of Charles II, and they also continued the policy of trying to form monopolistic trading companies.³² The Bourbons, however, did make one completely new contribution. They began to participate directly in the industrial enterprises of the eighteenth century under the form of royal manufactures, which were owned and managed by the State. This participation took two forms: they were either of the Colbert type, or took the form of mixed enterprises, in which the State put down a part of the capital and had some degree of control over the management.³³ The second type falls in the category of monopolies under the protection of the State, where the initiative as well as the management and the major part of the capital were private. We will not, however, discuss these here. Our concern will be with the royal manufactures, by which the State tried to create centres of industrial encouragement that would contribute to raising the quality of Spanish products. These centres helped to face foreign competition in Spain and Spanish America, also became centres of technological education and diffusion, and provided useful employment for large numbers of people.

³² In this sense it is interesting to note that during the XVIIth century there were different attempts to form monopolistic trading companies, although they never become a reality. Those of the eighteenth century come from them. The first achievement came in 1714, with the formation of the *Compañía de Honduras*. See R.D. HUSSEY, "Antecedents of the Spanish Monopolistic Trading Companies, 1624-1728", in *Hispanic American Historical Review*, IX (1929), pp. 1-30.

³³ A classification of the different forms of enterprises was made by L. M. ENCISO RECIO, *Los establecimientos industriales españoles en el siglo XVIII. La mantelería de La Coruña*. Madrid, 1963, pp. 32-38. Some new appreciations in A. GONZÁLEZ ENCISO, Ph. D. dissertation cited below.

Large efforts were made in both financial (in the form of buildings and subsidies from provincial taxes) and technical terms (appeals to technicians and the buying of machinery in foreign countries). But the results were poor and there was much criticism both by writers of the time and by later historians.³⁴ The failure lies, essentially, in financial matters, since there was a continuous deficit — sometimes very considerable one — in most of these undertakings.³⁵ Not every thing was useless, and there were also some successes, but unfortunately not enough to justify the expense. And in any case, although some royal manufactures did enjoy a period of prosperity, as a whole they utterly failed in creating any industrial development in the long run.

a) As with agriculture, we shall now take some particular cases in industry, starting with the textile sector. The most important example, without any doubt, is the Royal Factory of Guadalajara, devoted to the production of high quality cloths. It is an outstanding example due to its longevity and wide-ranging activity.³⁶ From the beginning, in 1717, there appeared many technical, managerial, and labour problems that were to affect the factory during its entire history. In the thirties, the *Junta de Comercio* carried out an important reorganization, that was the basis for the expansion that took place after 1745, under the direction of Ventura de Argumosa. When the balance showed for certain years a “surplus”³⁷ (one must keep in mind the fact

³⁴ W.J. CALLAHAN, “La política económica y las manufacturas del Estado del siglo XVIII”, in *Revista de Trabajo*, 38 (1972), p. 5 and ff.; L.M. ENCISO RECIO, *op. cit.*, pp. 39-41.

³⁵ See J.C. LA FORCE, “La política económica de los reyes de España y el desarrollo de la industria textil, 1750-1800”, in *Hispania*, 102 (1966), p. 273; A. GONZALEZ ENCISO, “Inversión pública e industria textil en el siglo XVIII”, in *Moneda y Crédito*, 133 (1975), pp. 58-63.

³⁶ See A. GONZALEZ ENCISO, *art. cit.*, and *La Real Fábrica de Paños de Guadalajara, 1717-1822*, Ph. D. dissertation, University of Valladolid, 1976, forthcoming.

³⁷ This “surplus”, with quotation marks, means that the costs were less than the money invested by the Treasury and than the value of the output in a particular year. In this aspect, the directors of the factory did not take in account the sales, the amount

that the factory did not have to give money back to the Royal Treasury), major expansion was decided upon in Guadalajara, together with the creation of two new branch factories in San Fernando (1746) and Brihuega (1750). This expansion burdened the royal treasury even more and ended by curtailing the beneficial effects of previous "surpluses." In 1757 the factory was leased out to the company of the *Cinco Gremios Mayores* of Madrid, due to heavy production costs and the poor state of the Royal Treasury. In that year both production and sales had increased, but they still remained at a low level. Despite of many reforms, this company could not do much better with it in the ten years they held the lease. In 1767 the management once again became the responsibility of the Royal Treasury. From that year on, the false "surplus" which we have mentioned appeared again on many occasions, but the real situation was quite different (as is clearly shown on graph I).³⁸ While it is true that the costs were occasionally smaller than the ever increasing investment, they were also increasing. But what is even more important, these costs were always greater than the value of the output. The increase in output was also only due to greater number of looms working in the factory, not to any technical improvement to increase productivity. In addition the sales, although they also increased, still had a smaller monetary value than the other parameters: output and costs, for example. The distance between the sales curve and that of investment by the Royal Treasury shows the progressive deficit that the State incurred.

After 1797 the factory suffered a series of problems created in the Spanish economy by the revolutionary wars. The story

of which was very small and was given back directly to the Treasury, not to the factory. The directors did not consider, either, the need to cover the investment of the Treasury. Thus, the factory was considered isolated from the source of finance. The peculiar surplus that happened during the forties, meant, at least, the beginning of some improvement, thanks to the reforms in the management.

³⁸ Sources: A.G.S., *Tribunal Mayor de Cuentas*, papers relating to the factories of Guadalajara, San Fernando and Brihuega in those years.

of Guadalajara is quite a sad one, and finished in 1822 when the liberal government tried unsuccessfully to sell the factory to a private company, and finally cancelled what Adame had called in 1759 "a wrongly persistent undertaking, driven by ignorance".³⁹

A similar technical and managerial failure occurred in the royal silk factory at Talavera (with the expulsion of the director, Rulière, in 1760),⁴⁰ in the cotton factory of Avila and in the wool and silk factory of San Fernando (started in 1748, 1787 and 1788, respectively). Poor organization of these factories is all the more evident when we look at the failures experienced by private entrepreneurs when they took them over and tried to reorganise them. The classic example is that of the *Cinco Gremios* in Guadalajara (although this was not always the outcome).

Changes in industrial policy proved no better for State management. In the seventies, Campomanes launched the idea of popular industry and rejected big factories. In addition to the encouragement of industrial production in the countryside — which also failed⁴¹ — he tried to create a new form of small factory, in which most of the financial burden was supported by municipal bodies. These factories were under the direction of a highly specialized technician, usually a foreigner.⁴² In this way the State hoped in only a few years to unload most of its financial and managerial burdens,⁴³ Examples of this new type of factory are the Cuenca woollen factories (before they passed under the con-

³⁹ N. DE ADAME, "Nuevo reglamento para el adelantamiento de las fábricas tanto de seda como de lana", in *Seminario Erudito*, XI, (1788), p. 107.

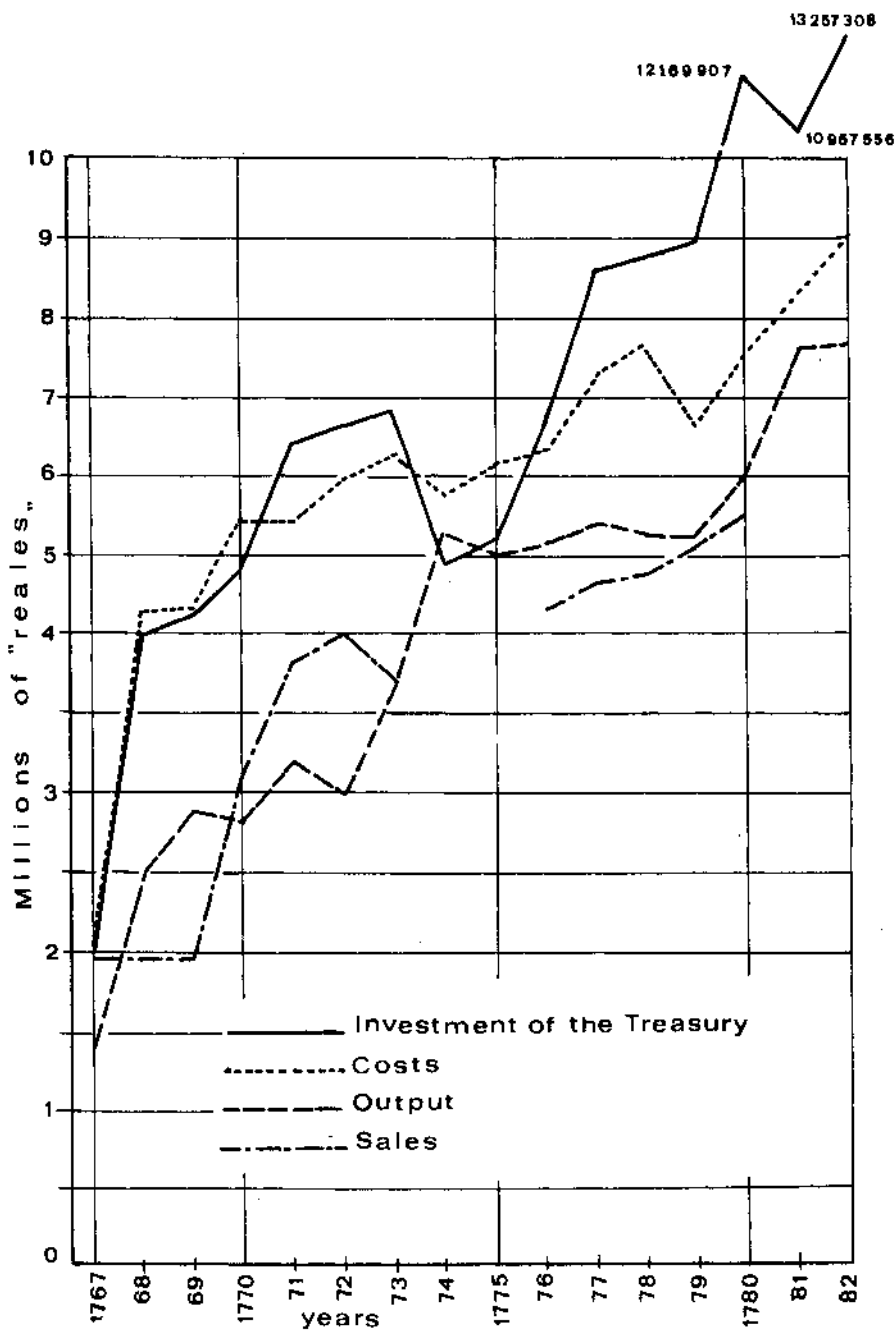
⁴⁰ There were no problems up to then, apart from the expenses. J.C. LA FORCE, "Royal Textile Factories in Spain, 1700-1800", in *Journal of Economic History*, XXIV (1964), pp. 345, 349, 351.

⁴¹ See W.J. CALLAHAN, *Honor, Commerce and Industry in Eighteenth Century Spain*, Boston, 1972.

⁴² Campomanes himself explained it clearly in his *Apéndice a la educación popular*, vol. II, pp. XIII-XVI.

⁴³ Cf. J.C. LA FORCE, "Royal Textile...", art. cit., p. 341.

Graph I - Investment, costs, output and sales at the factories of Guadalajara



trol of the Cinco Gremios) and Avila, created in 1774 by the *Consejo de Castilla*. These were small factories whose production was of an artisan quality and whose aim was to combat industrial decline in these regions. The State created the main factory, which many small private entrepreneurs and domestic producers could join. Private entrepreneurs governed the entire operation in a general council which was subject to the supreme authority of the *Consejo de Castilla*.

In the case of Avila, the factory started without problems. The State investment was small and in a few years the transfer to the municipal authorities was ready to be made. A technical success accompanied this promising beginning. Problems started about the year 1778, since it was impossible to bring management to perfection. Management inefficiency and quarrels between the various parties became rife. Besides, sales declined because of technical difficulties. Little by little, private manufacturers withdrew from the company without paying off their debts. The undertaking can be considered finished by 1785, with the only consolation that it had not been very expensive.⁴⁴

Let us now look at the private sector. Private entrepreneurs did not make good profits, either, but they were certain to receive a small profit if they kept their factories going. In any case, it is important to stress two points: a) If private manufactures made little profit, at least they did not over-invest or burden their fellow citizens, as did the State. b) It is also significant that only the factories of Guadalajara and the tapestry factory at Madrid, among the State's textile undertakings survived the political turmoil that started in 1808. The others had already passed to private management, and survived with differing fortunes until the second half of the nineteenth century. A few survived even longer. To conclude this paragraph on private enterprises, we should mention that we have been dealing only with the larger enterprises,

⁴⁴ Archivo Campomanes, 18-13.

similar to those created by the State. We have omitted any reference to other industries, like the successful Catalan cotton industry or the rural woollen industry of Castile.⁴⁵ This woollen industry at the beginning of the XIX century was undergoing major changes and eventually gave birth to a real factory system. The case of Bejar, although not the only example of this gradual evolution, is the most noteworthy one.⁴⁶

b) In the metallurgical sector, the most interesting example of State ownership is Liérganes.⁴⁷ The factory started during the reign of Philip IV, and had several different entrepreneurs who directed it. It made a small but steady profit. The State at that time was its only customer for military supplies. Charles III nationalized the factory in 1760 and things became more and more complex: varied castings were abandoned, quality lowered, and production cost raised, as Graph II, taken from the study by Alcalá Zamora, clearly demonstrates. We must, however, keep in mind the inflation of the second half of the XVIII century. The blast furnaces of Liérganes and La Cavada provide another example of centres for the diffusion of technology. A whole series of private and public enterprises in the last third of the century profited from the experience of Santander's furnaces, as was the case with different furnaces established by the Navy, namely Ronda and Sargadelos; or to take yet another kind of factory, the copper factory at Algeciras. From this point of view Liérganes to a certain extent justified the high price that the State paid for its cannons.

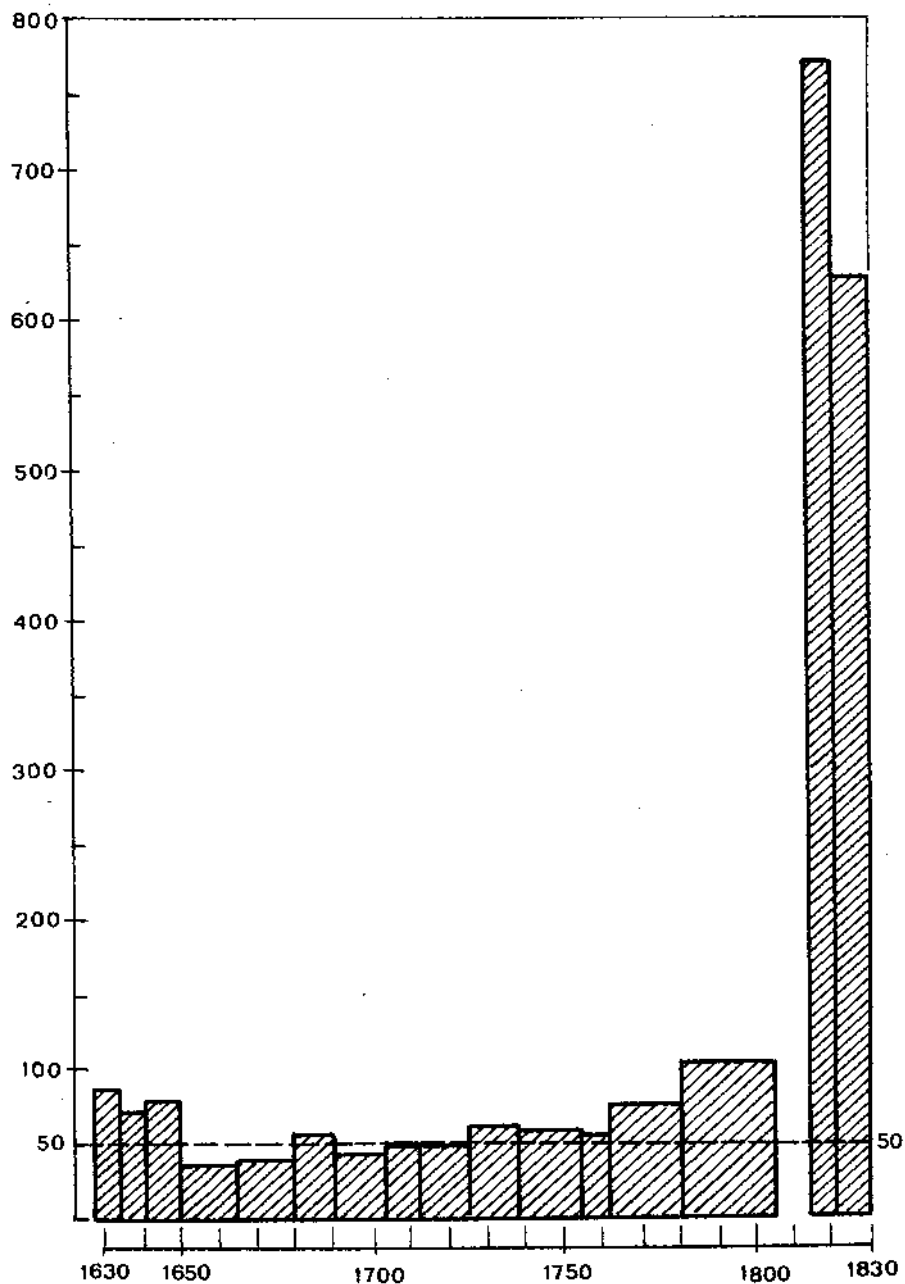
We mention the copper factories on purpose since they will allow us to compare three examples of different management

⁴⁵ For a discussion, see, A. GONZÁLEZ ENCISO, "La industria lanera dispersa en Castilla en el siglo XVIII", in *Cuadernos de Investigación Histórica*, 2 (1978).

⁴⁶ A.G.S., Consejo Supremo de Hacienda, 349, 349 c8, 390 c28; *Almanak Mercantil*, 1796, p. 406; 1804, p. 420; J.A. LACOMBA, "Un núcleo industrial del siglo XIX: Béjar, el Manchester castellano", in J.M. JOVER ZAMORA (ed.), *El siglo XIX en España: doce estudios*, Barcelona, 1974, pp. 303-322.

⁴⁷ See J. ALCALA ZAMORA, *op. cit.*

Graph II - Prices of quintals of cast iron at Lierganes and La Cavada (in "reales")



aims. Copper plates became an essential element in shipbuilding since their usefulness had been clearly shown in the War of American Independence. Timber was saved and navigation was made faster. The Spanish Navy relied on three different copper factories for its three dockyards in order to make them independent in their sources of supply. The three factories were Alcaraz (for Cartagena dockyard), Algeciras (for Cádiz), and Jubia (for El Ferrol).

The factory at Alcaraz began as a private enterprise and was soon put under a mixed regime, with some State intervention and municipal control. It chose to remain independent from the Navy, because the Navy was always behind in its payments. The factory also managed to transform its activity in times of crisis,⁴⁸ and it has existed down to the present day. The factory at Algeciras and its branch at Puerto Real, remained throughout its entire productive lifetime a private enterprise, although it specialized in Navy supplies. There are no records after 1817⁴⁹ so we can assume that the factory closed during the general crisis of the time; but in any case, neither its life nor death affected the pockets of the Treasury. The factory at Jubia, finally, was the only State-run factory amongst the three and was the most peculiar of them all. It did not survive for very long. Created in 1784 for the production of copper plates, it made use of the most advanced technical resources. However, in spite of assistance from English technicians, it only produced copper plates between 1804 and 1808. During a short period in 1810 the factory produced guns and was then closed due to poor financial management. It remained abandoned for some years, and was then

⁴⁸ Archivo Campomanes, 18-2; VISO, *Arsenales*, "Acopios, 1786"; J. HELGUERA QUIJADA, *Las Reales Fábricas de San Juan de Alcaraz. Una empresa piloto del siglo XVIII*. Dissertation for the Master of Arts degree. University of Valladolid, 1975. Unpublished.

⁴⁹ And this was in spite of the fact that the managers of the factory asked for some concessions to guarantee the continuity of the work. One of these concessions was the help of a technician from Liérganes and El Ferrol. VISO, *Arsenales*, "Maderas, 1797" and "1817".

converted into a mint for copper coins in 1815.⁵⁰ It remained a mint until 1868.

The owner of the factory at Algeciras, Juan Bautista de Espeleta, when renewing his contract with Cádiz, mentioned a new condition which merits our attention. He asked that the brigs carrying salt from Cádiz to Asturias should return with coal for his factory. This touches on the problem of the power supply which we will not go into here, but let us follow the brigs to Asturias, and observe how the coal from the mines was used. Coal, an essential resource for the industrial revolution, was used in some factories as early as the 'sixties. They started with English coal, and this was gradually replaced by that from Asturias. The mines, although private concerns, contracted to sell their minerals to the State-owned factories. Both English and Asturian coal had a price of 6-7 "reales" per quintal at the port of destination. The need for more minerals led to a search for more mines throughout the country, and also led to the reopening of some mines that had been previously abandoned, like the one in Villanueva del Río, in the province of Seville.⁵¹ It is against this background that we must see what was probably the last State project of the century, the canalization of the Nalón river, in Asturias. This was undertaken in order to facilitate the utilisation of coke in the Langreo mines, and give impetus to the iron and steel industries. Some people, like Fernando Casado de Torres, keenly encouraged the project because they realized that the scarcity of power might dangerously slow down overall economic development.⁵² A furnace for coke was already working in 1794 which in addition produced tar, caustic oil, and other

⁵⁰ VISO, Arsenales, "Varios, 1791", "1810, II", "1815", and "1819"; A.G.S., Dirección General del Tesoro, serie 38, 8; J. MONTERO AROSTEGUI, *Historia y descripción de la ciudad y departamento naval del Ferrol*, Madrid, 1859.

⁵¹ Cf. J. ALCALA ZAMORA, "Progresos tecnológicos y limitaciones productivas en la nueva siderurgia andaluza del siglo XVIII. Avance de investigación", communication to the *I Congreso de Historia de Andalucía*, Córdoba, 1976.

⁵² Cf. P. DEANE, *La primera revolución industrial*, Barcelona, 1975, p. 148.

similar products.⁵³ By 1795 the working of the mines and the easy access to them along waterways had been very much improved from a technical point of view.

Work was hard in the Nalón valley, but not everybody supported the project. Jose Muller, an engineer who worked on the rebuilding of Pravia port, at the mouth of the Nalón river, pointed out the many errors inherent in the Nalón project: "this work has been planned with too much clamour, and started without detailing all the workings on a corresponding map, and without knowing the slope of the water in the river. There is no clear method so as to ensure a good outcome. It has wasted a huge amount of money and we have not yet seen any happy result in spite of many years' work." Muller also mentioned that the minerals that had already been extracted were almost useless, and thought that the enterprise had a very troubled future ahead of it.⁵⁴ He was right. A few years later the project was abandoned because it was thought to be dragging on without end and had become excessively expensive. Before 1803, 1,067,921 quintals of coal were mined, but only 377,048 were usable. The investment up to that time amounted to 13,162,093 "reales." Thus, each quintal of coal, when delivered to the port of Pravia, cost 30 "reales," which was paid by the Treasury.⁵⁵ This quick sketch clearly shows the economic realities of the time. The project was, without a doubt, excellent, but came prematurely to Spain and was ill-suited to the nature of the national economy of its time. There were, nonetheless, a few positive results, which included the foundation of the *Istituto Asturiano*, the acquisition of some experience in solving technological problems, and the discovery of the possibilities of coal. These were not impressive results, however, considering the quantity of money and effort invested.

⁵³ VISO, Arsenales, "Acopios, 1794".

⁵⁴ VISO, Arsenales, "Construcción, 1800".

⁵⁵ VISO, *ibidem*.

c) Before finishing this section on industry we should mention briefly the construction industry, since it was of considerable importance at the time.⁵⁶ We cannot, however, say much. The State invested a great deal of money and employed many workers in the construction of its buildings. The Royal factories are an example of this. Their buildings were expensive and they needed frequent repairs and enlargements that cost considerable sums of money every year. There were also luxury buildings like the Royal Palace of Madrid. In all these works — even in the factories — aesthetic considerations played an important role.⁵⁷ Thus it is difficult to gauge the true rental value of these buildings. It might be argued that art is an excessive expense in the case of factories but how can this criteria be applied in the case of the Royal Palace? How can one compare the relative value of structures as different as a factory, a drainage system, or a public building designed carefully by an architect? We cannot say more since we do not have well-defined criteria to follow and there also is a shortage of data.

Public works have also to be considered in relation to the construction industry. In addition to what we have already said in the section on agriculture, we must also mention roads. Considerable advances were also made in this field, and we have some data on the building of a few of these roads, but unfortunately we still have no way of determining their real importance for transportation and the reduction of costs. We can however assume that it was significant.

3) *Services.* Nor is there much more that can be said about

⁵⁶ Cf. D. SELLA, "European Industries, 1500-1700", in C.M. CIPOLLA (ed.), *The Fontana Economic History of Europe*, vol. 2, Glasgow, 1974, p. 355 and ff.

⁵⁷ It is significant that the few studies devoted to these buildings have been carried out by professionals in the history of art, for instance, F.J. DE LA PLAZA SANTIAGO, *Investigaciones sobre el Palacio Real Nuevo de Madrid*, Valladolid, 1975; A. RABANAL YUS, "Noticias sobre el Real Sitio de San Fernando y sus Reales Fábricas", in *Anales del Instituto de Estudios Madrileños*, X, (1974).

services. We already mentioned in the introduction that they were of little importance in eighteenth-century Spain, and we indicated the modest size of the State bureaucracy. In another important area, education, the State made a number of initiatives that produced slow but steady progress over the entire eighteenth century. Traditionally it has been argued that due to the stagnation of the universities, the State encouraged other institutions capable of greater flexibility. There are many examples of this diversity: there were surgical schools linked to military needs; other kinds of schools that were exclusive because of their criteria of admission (Seminar of Nobles, for instance); others noted for the character of their teaching (military academies); and research centres (observatories or other scientific institutions), etc.

One hesitates before criticizing the establishment of any educational institution, especially when the institution is attempting to meet a previously unanswered need. Nevertheless, we should ask ourselves if this official intervention, without any limit or defined policy, did not threaten to produce a degree of social indifference, whose consequence might be the appearance of the so-called "society of growing irresponsibility", where the citizens leave everything in the hands of an ever more powerful State. One must certainly acknowledge the importance of these State institutions, while regretting that the existence of these institutions may have hampered the development of universities or the appearance of new private undertakings. That is why it is interesting to consider the role played by the "*Sociedades Económicas*" in spreading cultural knowledge and technological education.⁵⁸ The "*Sociedades Económicas*" were based on the ideas of Campomanes and although they enjoyed the support of the State, there was considerable room for the exercise of in-

⁵⁸ Cf. A. GONZÁLEZ ENCISO, "Fomento industrial y Sociedades Económicas: las escuelas de hilar en Castilla en el siglo XVIII", in *Investigaciones Históricas*, Valladolid, I, 1979.

dividual responsibility. Private individuals played a major role in the founding and development of these centres.

Finance, though a field of vital importance for the economic life of the country at that time, is still one that is little understood at present. The participation of the State through the National Bank of San Carlos only began at the end of the century⁵⁹ and soon collapsed when the revolutionary wars started. When American metals failed to provide enough hard currency for a growing economy, it was necessary to create paper money. The attempt began with success, in spite of the difficulties imposed by the war, but the situation became far more complicated when the wars became widespread between 1790-93. The abuse of "*vales reales*" (royal bills) ruined the paper money, the credit of the State, and many private fortunes. It must be remembered that at this time the government did not have the tools and resources to counteract the much larger historical forces at work. But nevertheless a significant effort was made by the government and no private citizen offered any better solutions to the problems.

D. CONCLUSIONS

Due to lack of information our analysis may seem lacking in specific detail and our conclusions may seem partial and no more than an invitation to further research. A further reason for this is the impossibility of making any quantitative analysis, since we do not have the necessary macroeconomic data on Spain's eighteenth-century economy. However, the examples we have discussed clearly demonstrate the big thrust operating in the public sector, especially in the second half of the century, although if we compare this period to later ones, the level of production is still modest. To provide a complete list of all public enter-

⁵⁹ See *El Banco de España. Una historia económica*, Madrid, 1970, especially the articles by F. RUIZ MARTIN ("La banca en España hasta 1782") and E.J. HAMILTON ("El Banco Nacional de San Carlos", 1782-1829).

prises in the eighteenth century would be difficult, if not impossible, and would in any case go far beyond the limited scope of this paper. So in our concluding paragraphs we shall refer only to the examples previously mentioned.

A brief survey of these examples indicates many areas where the State's judgment may be faulted. First of all, the State managed its enterprises poorly. Secondly, the State had unwarranted confidence in technological developments which in theory were thought to be beneficial for Spain, but which in practice failed because they ignored the economic realities of Spain at that time. Further, the government lacked a clearly defined economic policy, and maintained a system of property rights that furthered State enterprise and curtailed private initiative. And finally, the State's few real successes were achieved at high social cost. When we say this we are supporting what previous writers have said. Our interpretation is critical of State enterprises, and one finds these "strange events"⁶⁰ the more surprising when one realizes that some of these enterprises were actually profitable. To turn to more detailed points:

1) People in the eighteenth century were as serious and industrious as they are today and they certainly had intimate acquaintance with the social and economic problems of their time. This being so, we will have to look for other reasons to account for their actions. What reasons, then, explain what we have suggested was an unreasonable policy? For example, in spite of continuous deficits in royal factories, why did the government keep them operating? The example of Guadalajara provides an interesting opportunity for further reflection. One of the chief aims of the factory was to produce articles that could compete against imports, in order to encourage Spanish production which

⁶⁰ The comment refers to a tool workshop in La Granja, where steel was produced from iron.

could then satisfy the market (which was big enough, at least in the second half of the century). British cloth was among the most important of foreign imports. With these factors in mind and given the nature of the situation created by the War of American Independence, we can now identify some of the reasons why the Royal Treasury maintained and expanded the factory of Guadalajara (though we must admit they made some major decision-making errors that led to later failures).

Due to the war between England and its north American colonies, the total of English imports into Spain fluctuated and created a unique situation in the Spanish internal market: given the population growth and the improvement in transportation, the 'eighties were a time of growth in industrial production. Guadalajara also gained from the situation, as figures in the chart show.

	English imports into Spain (in pounds) ⁶¹	Amount of sales of Guadalajara cloth (in (in " reales ") ⁶²	Investment of Royal Treasury in Guadalajara (in " reales ") ⁶³
1783	—	10,620,276	10,291,563
1784	—	11,015,177	11,606,829
1785	685,333	9,288,723	11,432,299
1786	558,916	9,838,651	9,373,995
1787	781,835	7,571,724	11,923,906
1788	778,865	7,446,184	10,553,369
1789	584,863	9,201,859	12,638,447
1790	712,314	7,632,393	11,954,875

⁶¹ According to the figures given by D. McPHERSON (*Annals of Commerce*, vol. IV), as quoted in W. VON DEN DRIESCH, *Die Ausländischen Während des 18. Jahrhunderts in Spanien und ihre Beteiligung am Kolonialhandel*, Köln, 1972, p. 416.

⁶² Archivo Histórico Nacional (A.H.N.), Estado, 232.

⁶³ A.H.N., *ibidem*.

Two main conclusions can be drawn from these figures: a) There is a clear correspondence between the reduction of English imports and the increase of Guadalajara cloth sales. b) The monetary value of Guadalajara cloth sales was closer than ever to the amount of money invested in the factory, which was one of the highest levels of investment in its entire history. On two occasions, 1783 and 1786, the balance of the Royal Treasury showed a surplus. These facts show clearly that import substitution was a possibility. This was made even clearer in 1798, when the amount of sales reached its peak, 17,825,736 "reales".⁶⁴ This of course was contingent on a favourable political situation. We can also draw a further conclusion: the State's failure in its industrializing effort was twofold. On the one hand, there was a technical as well as a managerial failure, which we have already mentioned; on the other hand, there were political confrontations with other nations, that also ended in failure. This conclusion has a particular relevance when we think of the mercantilistic framework in which political factors were the ultimate end in all programmes of industrial development. Taking political factors into consideration also helps to explain the strange idea that the directors of the factory of Guadalajara had on the meaning of surplus. They never thought it was absolutely necessary for sales to exceed the Treasury investment in the factory, so that the Treasury would not lose money. From their point of view, the factory was as much a political weapon as the army, and as such, it needed a certain amount of investment, an expenditure that had to be considered an affair of the Treasury. Men

⁶⁴ A.G.S., Secretaría de Hacienda, 783. J.C. LA FORCE mentions the figure 15,494, 634 "reales", which still is the highest of the century and is also higher by some millions than the investment of the Treasury. "Royal Textile...", art. cit., p. 350. The sales of Guadalajara cloth were made through stores located in different provinces of the kingdom. In 1798 the store in Madrid sold 61.1% of the total and those of Cádiz and Seville 9.9% and 9.4%, respectively, which clearly shows that these sales were made for an internal market predominantly. In that year, the imports from England reached a value of only £ 325,043, according to W. VON DEN DRIESCH, *op. cit.*, p. 416.

in the eighteenth century made that expenditure whenever they thought it necessary and they would continue to make such expenditure as long as foreign imports flooded Spanish markets. This helps explain the continuous expansion of the factory until their production surpassed those of foreign imports.

There were also social considerations in the minds of enlightened governments, such as the need to provide work for the idle and encourage technological diffusion. Technological diffusion meant more work for more people in many different locations. Royal factories did in part fulfill those objectives, although as we have seen, at considerable social and political cost. We do not intend to justify the existence of these factories on the grounds of these rather limited achievements, but rather to explore some of the reasons for their existence.

Concern for social welfare was also closely related to political policy. This is shown in the policy adopted by the government to fight vagrancy. Although the government professed being very concerned to make useful citizens out of idle persons, the drafting of vagrants organised under such a pretext were made much more frequently during times of war than in times of peace. Furthermore, in both cases, the army and its factories were always the ultimate destination of such persons.⁶⁵ It was not simply a question of a compassionate concern that people be given a chance to work, but much more the case that people be made available to work for the State. There was no concern for a healthy society as such, but only in so far as a "healthy society" contributed to making a strong state. Thus the political power of the State was the ultimate source of economic and social action, and individuals were only worthy of rights as far as they served that larger aim. This particular political point of view explains the nature of the management in the factories, which had

⁶⁵ See the conclusions of the book by R.M. PEREZ ESTEVEZ, *El problema de los vagos en la España del siglo XVIII*, Madrid, 1976.

a political instead of a strictly technical character. This point of view also explains the expansion of the factories and their technical sophistication,⁶⁶ as part of the search for ever more competitive markets. If the factories were run on such criteria, their economic failure was only to be expected.

2) However, the State was both conscious of its weakness and aware of the changes in economic theory that had introduced more liberal economic practices. We have already mentioned that such a change was clear in textile legislation. The new orientation took into account a new social reality and the increasing importance of private enterprises and was influenced to a certain degree by what was happening⁶⁷ in other European nations. In Spain, however, the results of this liberation, both in terms of legislation and economic theory,⁶⁸ were weak and occurred too late. The process reached one of its peaks in 1792 when the policy of fixed prices for manufactures was abandoned and the immigration of foreign artisans freely permitted.⁶⁹ But this liberation was by no means complete as is evident from the continuing existence of guild institutions.

The tendency towards freedom was complemented by yet another important fact, the transfer of public institutions to private management. The shutdown of the Nalón project, can be considered one of these instances. Another example is given in graph III, showing the activity in the factory of sail cloth owned by the Navy in the dockyard of El Ferrol. As is clearly shown by the trend curve,⁷⁰ there was a continuous decrease in the

⁶⁶ Cf. J.C. LA FORCE, "La política económica...", art. cit., p. 274.

⁶⁷ Cf. J.U. NEF, *op. cit.*, p. 15.

⁶⁸ Cf. J.P. REEDER, "Bibliografía de traducciones al castellano y catalán durante el siglo XVIII, de obras de pensamiento económico", in *Moneda y Crédito*, 126 (1973), pp. 57-71. See the author's introduction to the edition of the *Discursos sobre industria popular*, by Campomanes, Madrid, 1976.

⁶⁹ J. CARRERA PUJAL, *op. cit.*, vol. IV, p. 511.

⁷⁰ The graph shows one of the steps in the production process of sail cloth, the

activity of the factory in the last thirty years of the century. This decrease was not the effect of a fall in demand. The Navy in fact was getting progressively larger between 1770 and 1795. The decrease was caused by the transfer of activities that accompanied the Navy's decision to resort to private factories for its supply and thus slowed the pace of activity in its own factories.

In other State factories, this criterion of abandoning them to managers arose in different times during the century. In some cases this corresponds either to the situation of the Treasury, the fashion in economic policy or the influence of liberal theories. The first time that an official body seriously considered the abandonment of the factory of Guadalajara was the *Junta de Comercio* in 1739.⁷¹ It gave a very pessimistic account of the economic situation, although no drastic action was taken on the factory. Later on, the factories of Guadalajara, San Fernando, Brihuega, Almagro and Valencia were either leased out or abandoned. That happened between 1755 and 1759,⁷² another period of serious problems for the administration.⁷³ The reign of Charles III saw some liberal experiments with regard to trade,⁷⁴ but tended to be a centralist with regard to industry.⁷⁵ Once leasing to private companies ended, the Royal Treasury regained influence over the factories of Guadalajara, San Fernando and Brihuega

one of the washing of the yarns before weaving. It does not refer to the final product. Taken from J.P. MERINO, Ph. D. dissertation already cited.

⁷¹ E. LARRUGA Y BONETA, *Memorias políticas y económicas...*, vol. XV, pp. 146-48. The crisis of the Treasury at that precise moment has been discussed by P. FERNANDEZ ALBADALEJO, "El decreto de suspensión de pagos de 1739: análisis e implicaciones", in *Moneda y Crédito*, 142 (1977), pp. 52-68.

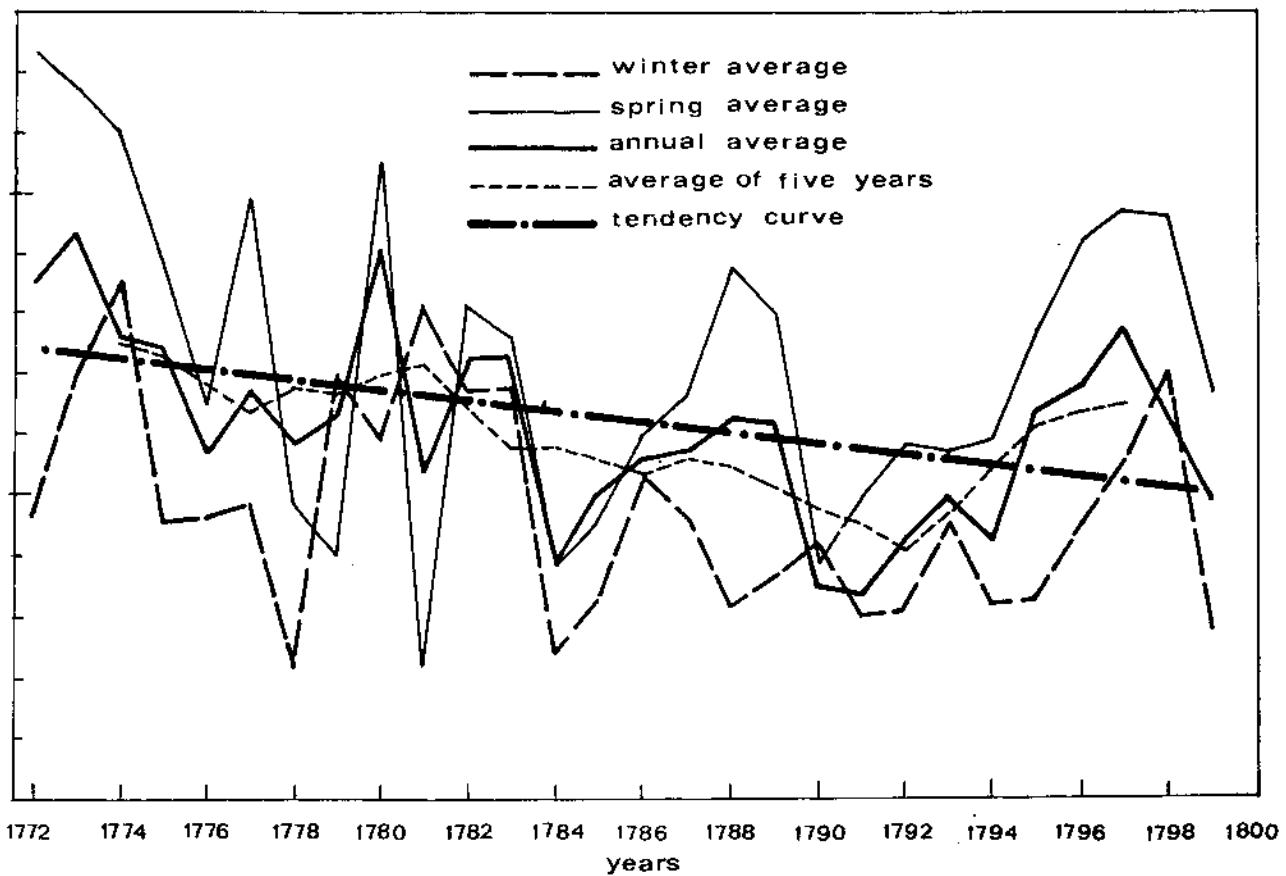
⁷² A.G.S., Secretaría de Hacienda, 766; J.C. LA FORCE, "Royal Textile...", *art. cit.*, p. 356.

⁷³ Cf. V. RODRIGUEZ CASADO, *La Administración pública española en el reinado de Carlos III*, Oviedo, 1961, p. 29.

⁷⁴ For instance, the "cédula" of 1760 that envisaged a momentary abandonment of the protection to the cotton industry. Other examples are the decree on free circulation of cereals, in 1765, and that on free trade with America, in 1778.

⁷⁵ Cf. J. ALCALA ZAMORA, "Producción de hierro y altos hornos en la España anterior a 1850", in *Moneda y Crédito*, 128 (1974), p. 178.

Graph III - Number of skins of yarn washed at the factory of El Ferrol



(1767), and in Talavera (1780). However, at the end of Charles III's reign, the State started to respond to the liberal theories,⁷⁶ precisely at a time when the needs of the Treasury were the most pressing. So a new wave of transfers to the private sector began in 1785. In that year the factory of Ezcaray — in which the Royal Treasury had played an important part since 1773 — was leased to the *Cinco Gremios*. The factory for manufacturing woollen cloth in Avila was closed. In 1786 the factories at Talavera and Cuenca were leased.⁷⁷ The Royal Treasury kept only the factory at Guadalajara and its branch at Brihuega, but there was no further expansion of these factories after 1785. In the 'nineties, the Treasury tried without success to transfer the San Fernando wool and silk cloth factory to a private company (between 1791 and 1799). At the same time (1799)⁷⁸ the cotton factory of Avila was abandoned and the Treasury once again considered the possibility of transferring the factory of Brihuega to a private company (1797).⁷⁹

3) We have discussed some of the reasons which led the State to maintain its factories. We have also examined the policy changes that led the State to abandon most of those factories in the last fifteen years of the century. But there is still another problem which is closely connected to the subject under discussion in this

⁷⁶ Although they refer only to technological aspects it is interesting to quote the words written in paragraph XII of the contract leasing the factory of Ezcaray to the company of the *Cinco Gremios*, in 1785: "It is by all means fitting to this just freedom, so important to the industry, that in the factories be made not only those manufactures approved by royal regulations... but those such others as may be freely desired and manufactured, worked by invention, imitation or whim, to blaze the trail and encourage ingenuity...". Quoted by Fr. J. GARCIA DE SAN LORENZO, "La industria en Ezcaray", in *Berceo*, XIV (1959), p. 384.

⁷⁷ Archivo Campomanes, 19-9: M. CAPELLA and A. MATILLA TASCON, *Los Cinco Gremios Mayores de Madrid*, Madrid, 1957, pp. 148, 153, 157-58, 162; L.M. ENCISO RECIO, *op. cit.*, pp. 24-26.

⁷⁸ J.C. La FORCE, "Royal Textile...", *art. cit.*, p. 356.

⁷⁹ Cabarrús unsuccessfully supported the project of the *Compañía de Ganaderos* of Soria that wanted to take over the factory of Brihuega. A.G.S., *Secretaría de Hacienda*, 783.

paper. If, as we have said, there was a general process of economic growth during the eighteenth century, what is the link between this overall economic growth and the state-owned enterprises? Before trying to answer, let us make some generalizations that stem from our previous analysis.

- The State had good intentions as a legislator, but its action was slow and lacking in thoroughness.
- The State was a poor manager, especially in agriculture and industry. In services, it was a little more successful.
- The State created a widespread demand and was a good customer, but at the same time it hampered private activity in its desire for monopolistic control of the market, which it seldom renounced. The monopoly of demand harmed private entrepreneurs in as many or more cases, as it favoured them.⁸⁰
- The State was successful in the creation of some services — especially those related to education — and it also created opportunities for employment through technological diffusion. But all these activities involved high social costs and the eventual ruin of the Treasury.

As we can see from this overview of the economic situation, public activity appears to have had numerous failures that tended to overshadow its modest successes. If we go back to our question about the relation between overall economic growth and State-owned enterprises, we can conclude that there was an inverse-relation. It would seem that the economic growth of the eighteenth century took place in spite of the obstacle of public enter-

⁸⁰ See e.g., the impact of State intervention on private transportation, D.R. RINGROSE, *op. cit.*, pp. 71, 128, 140, 143. The only private individuals that were at times able to compete with the State were the exporters of fine wool. This accounts for some of the supply problems of the factory of Guadalajara.

prises. These obstacles were manifested in at least two ways, first as a hindrance to private initiative and second as a waste of public money. It is also true that in some cases, especially at the beginning of the century, State undertakings had been an incentive to private initiative. But when the private initiative became prosperous, State undertakings did not disappear. In fact they became a burden for the private sector. We have to keep in mind that even the transfers made after 1785 had only a temporary character, though subsequent political events left the State in such a difficult position that it was unable to resume all its enterprises when the terms of the leases expired. Private undertakings were, after all, better able than state-owned ones to foster long-term growth. This became clear in the first years of the XIXth century, when State enterprises disappeared in the conditions of political turmoil, whereas private business, remained. This situation and the degree of freedom already in existence led some State officials to advocate increases in private enterprise: "with the clear idea that being manufacturer or artisan is not of any advantage to Your Majesty".⁸¹

We will finish by making a brief reference to the XIXth century to which we have just referred. The industrial revolution was carried out in certain areas of the western world where private initiative was favoured under more or less liberal regimes. Spain entered that period of its history while involved in a war that was to last thirty years and almost totally destroyed an economic structure over three centuries old. Afterwards, the nature of economic problems changed significantly since politics, as well as geography, became narrower in scope after the loss of the colonies. The State was driven to search for new resources and that led to a paradoxical situation: liberation on the one hand; massive appropriations of disentailed land on the other. The result would be a deformed State with huge potential resources

⁸¹ VISO, *Arsenales*, "Cáñamos, 1803, I".

(rural properties), and new and immense obligations to meet. Among these responsibilities were the services which came under State management once the former owners had been ruined.

Before we finish we want to state again what may be the most important conclusion of this paper: hard data on the nature of economic activities in this period is very scarce. The scarcity of data makes our analysis less conclusive than we would have liked, and demonstrates the need for further research, especially in the private sector. The need for research in this area, so often ignored, is of considerable importance, and researchers should not let the difficulty of access to primary sources discourage them.