

---

## *The Inter-War Depression and the Spanish Economy\**

Joseph Harrison  
University of Manchester

Amidst the almost ubiquitous collapse of the capitalist system from 1929 to 1933 commentators south of the Pyrenees continued to view the performance of the Spanish economy with a considerable degree of optimism. Only later when the limited prosperity associated with partial recovery in such places as the United States, Great Britain and Scandinavia failed to materialise in Spain was this standpoint seriously challenged. To the avid reader of the Spanish financial press in the early 1930s, practically the only features amiss with the country's economy were the alleged infantile revolutionism and economic illiteracy of the new generation of republican politicians which assumed power in April 1931 following the flight of the monarch, Alfonso XIII.<sup>1</sup>

Addressing a gathering of businessmen in the *Círculo de la Unión Mercantil*, Madrid, in January 1932, the Catalan financier Juan Ventosa proclaimed that the international depression had

---

\* The author wishes to thank the British Academy and the Nuffield Foundation for awards to visit libraries and archives in Bilbao, Madrid, Barcelona and Valencia.

<sup>1</sup> See for example *El Economista*, 2 Jan. 1932 and the *Revista de Economía y Hacienda*, 28 May 1932, 18 June 1932 and 25 Nov. 1933.

made little impact on Spain. Far from plunging the nation into deepening recession, Ventosa maintained, the world slump had resulted in significant benefits for the peninsula. In Catalonia, for example, the cotton textile sector, which was the main employer of industrial labour, had derived no small advantage from the dramatic fall in the price of raw cotton. Reduced costs of production brought cheaper cotton goods which in turn stimulated previously restricted consumer demand in the domestic market.<sup>2</sup> Whilst the spindles and looms of Lancashire stood idle and cotton factories throughout the world closed down, the millowners of the Principality enjoyed an Indian summer.<sup>3</sup>

Ventosa, the last Finance Minister of the defunct monarchy and long-standing adjutant of the Catalan Conservative Francisco Cambó, chose to ignore the boost to consumer spending power provided by a decree issued by the Republic's Labour Minister, the Socialist Francisco Largo Caballero, during the early summer of 1931 which substantially raised the wages of the mass of the rural population. Nor did he acknowledge the enhanced bargaining power won by the renascent trade union movement during the first months of the Second Republic.<sup>4</sup> Even so, Ventosa's general argument, that the politicians alone (by which he meant the centre-left coalition of Republicans and Socialists) were responsible for the worsening economic situation, found favour with business and financial interests throughout the peninsula.<sup>5</sup>

---

<sup>2</sup> JUAN VENTOSA, *La situación política y los problemas económicos de España* (Barcelona, 1932), pp. 21-22. On the deficiencies of domestic demand for the cotton industry see E. BERTRAND Y SERRA, 'Un estudio sobre la industria textil algodonera', *Boletín del Comité Regulador de la Industria Algodonera*, 4 (March 1931), 82-98.

<sup>3</sup> The statisticians of the Institut d'Investigacions Econòmiques showed that in general Catalan business prospered in 1932. The textile industry experienced declining fortunes in the first quarter of the following year, *Butlletí de l'Institut d'Investigacions Econòmiques*, 1 (1932), 92 and 2 (1933), 49.

<sup>4</sup> Cf. PEDRO RICO, 'La repercusión de la crisis económica mundial en España...', *Revista de Economía y Hacienda*, 11 Nov. 1933.

<sup>5</sup> See for example *El Economista*, 23 Jan. 1932 and *Información: Órgano Oficial de la*

In succeeding years, before the outbreak of civil war in July 1936 plunged the economy into turmoil, a majority of the nation's leading economists stressed the relative mildness of the depression in Spain which they attempted to explain primarily in terms of Spanish economic backwardness and isolation from the mainstream of the international economy.<sup>6</sup> The most comprehensive expression along these lines, noteworthy also for its refusal to indulge in political diatribe, appeared in 1934 under the imprimatur of the Bank of Spain. The Bank's research department, headed by the economist Olegario Fernández Baños, ably summarised the current consensus thus:

It does not require a great analytical effort to be convinced that if in some sectors the Spanish economic crisis is intimately connected with the world crisis (foreign trade, shipping, steel, iron, etc.) in general, however, substantially national trends and characteristics have predominated. The Spanish depression has been, in general, notably less profound than the world depression, paralleling the latter neither in its beginnings nor its final stages, nor its most lasting and typical fluctuations. The complete and closed nature of our economy, our limited industrialisation [and] our totally rudimentary system with its small-scale financing and business has brought about our relative isolation from the capitalist world and contributed to make the crisis more superficial.<sup>7</sup>

This argument has recently been rearticulated in a survey of the Spanish economy in the twentieth century by Josep Fontana and Jordi Nadal who contend that the fortunes of the Second Spanish Republic were not decisively affected by the international depression. In their opinion, the most serious problems facing

---

*Cámara de Comercio, Industria y Navegación de Bilbao*, 14 March 1932 which reported a similar rallying cry to the industrial interests of the Basque Region.

<sup>6</sup> See espec. GERMÁN BERNÁCER, 'Etiología de las crisis', *Economía Española*, 3 (Jan. 1934), 1-24 and LUIS OLARIAGA, 'Orientaciones para la reconstrucción económica de España', same issue, pp. 65-77.

<sup>7</sup> Servicio de Estudios del Banco de España, *Ritmo de la crisis económica española en relación con la mundial* (Madrid, 1934), p. 354.

the Republic were to come not from coincidental external circumstances but from longer standing basic internal problems such as agriculture. It is from here, the authors maintain, "that originate most of the strains and stresses that were to explode in a bloody civil war".<sup>8</sup>

The present paper, while sympathetic to the structuralist interpretation of the Spanish crisis of the 1930s, seeks firstly to establish the origins and chronology of Spain's inter-war depression. Section I attributes relative importance to endogenous and exogenous variables in the Spanish recession. Section II studies the Second Republic's economic inheritance from the two preceding regimes, the Dictatorship of General Miguel Primo de Rivera (September 1923 - January 1930) and the semi-dictatorship, dubbed the *Dictablanda*, of General Dámaso Berenguer and Admiral Juan Bautista Aznar (January 1930 - April 1931). Sections III and IV analyse the economic and monetary policies pursued by the Republic in peace time (1931-36) and highlight the self-destructive financial orthodoxy which underpinned all the new regime's attempts to tackle basic structural problems along with financial difficulties of more recent origin. There is no doubt that the essentially deflationary nature of Republican economic policy provoked serious social unrest during the mid 1930s. According to one distinguished authority, it was also a possible contributory factor to the outbreak of civil war in the summer of 1936.<sup>9</sup>

## I

Despite the notorious lack of reliability of official data, it is possible to offer some quantitative indication of the shallowness of the Spanish recession of the 1930s. Julio Alcaide's revision

---

<sup>8</sup> JOSEP FONTANA and JORDI NADAL, 'Spain, 1914-70', in CARLOS M. CIPOLLA, ed., *The Fontana Economic History of Europe*, vol. 6 (ii) (London and Glasgow, 1976), p. 485.

<sup>9</sup> JUAN SARDÁ, 'El Banco de España, 1931-62', in Servicio de Estudios del Banco ed España, *El Banco de España: una historia económica* (Madrid, 1970), p. 424.

of national income estimates, while only a very rough correction of data provided by the *Consejo de Economía Nacional*, nevertheless shows a steady upward tendency over the period 1929-35, apart from minor setbacks in 1930, 1933 and 1935 (see Table 1).

TABLE 1  
ESTIMATES OF SPAIN'S NATIONAL INCOME, 1929-35

Year	at current prices	at constant 1964 prices	annual changes (in percentage terms)	
	(millions of pesetas)		at current prices	at constant prices
1929	31,844	413,588	2.7	2.6
1930	31,503	411,266	— 1.1	— 0.6
1931	31,922	418,924	1.3	1.9
1932	32,921	434,314	3.1	3.7
1933	32,324	429,840	— 1.8	— 1.0
1934	34,892	451,384	7.9	5.0
1935	34,358	442,758	— 1.5	— 1.9

Source: JULIO ALCAIDE INCHAUSTI, "Una revisión urgente de la serie de Renta Nacional española en el siglo XX", in Instituto de Estudios Fiscales, *Datos básicos para la historia financiera de España, 1850-1975* (Madrid, 1976), vol. 1, p. 1142.

Table 2, based on League of Nations statistics, shows that Spain's annual index of industrial production reached its nadir in 1933, 15.6 per cent below the 1929 peak. This figure compares favourably with the League's calculations for the world (minus the Soviet Union), North America and non-communist Europe, where industrial production fell 37 per cent, 45.6 per cent and 29.8 per cent respectively between 1929 and its lowest point in 1932. However, this source provides a clear demonstration of the relative sluggishness of industrial recovery in Spain over the period 1933-35. Data on later years, of course, are both scarce and unreliable due to the civil war.

Estimates of the rate of unemployment offer a further indication that Spain fared less badly during the depression years than more advanced economies. The *Instituto Nacional de Previsión*

INDICES OF INDUSTRIAL PRODUCTION, 1929-35  
(1929 = 100)

Year	World (excluding USSR)	North America	Europe (excluding USSR)	Spain
1929	100.0	100.0	100.0	100.0
1930	86.3	80.9	91.6	98.6
1931	74.8	68.4	80.7	93.2
1932	63.0	54.4	70.2	88.4
1933	71.3	64.3	76.3	84.4
1934	77.0	67.3	84.5	85.5
1935	85.4	76.4	91.7	86.9
1936	95.5	88.9	99.5	—

*Source*: League of Nations, *Statistical Year Book, 1937-38* (Geneva, 1938), pp. 175-76.

calculated that 12.8 per cent of the insured population were unemployed in December 1933 while a year later this figure had risen only slightly to 12.9 per cent.<sup>10</sup> Comparable figures for Germany show 45 per cent of trade union members out-of-work, with an extra 23 per cent on short-time at the bottom of the trough in August 1932. Great Britain suffered an unemployment rate of 23 per cent of the working population in the same month while the lowest point of the depression in the United States in spring 1933 saw 25 per cent of the labour force classified as jobless.

In the Spanish case, however, national aggregates concealed significant regional and sectoral variations in unemployment. Alberto Balcells stresses that the industrial region of Catalonia never experienced a level of unemployment above 6.5 per cent during the peacetime Republic. In sharp contrast, the southern-agricultural regions of Andalusia and Extremadura, characterised by chronic structural problems with pronounced seasonal variations in unemployment connected with the inefficient farming of

<sup>10</sup> Cited in ALBERTO BALCELLS, *Crisis económica y agitación social en Cataluña, 1930-36* (Barcelona, 1971), p. 54.

vast unirrigated estates (*latifundios*), supported jobless rates over twice the national average.<sup>11</sup>

Insofar as the international depression hit Spain it did so primarily through the contraction of foreign trade. Official commercial statistics indicate a sharp drop in imports in 1931 amounting to 52 per cent, whereas exports are stated to have collapsed even more drastically to 40 per cent of their value in money terms in 1930. Over the eight-year period 1928-35, the value of external trade, according to official Spanish sources fell by 72 per cent, from 5,189 million pesetas to 1,464 million — a fantastic and unbelievable development.<sup>12</sup>

Recent calculations by Jordi Palafox, based on the commercial figures of Spain's main trading partners, France, Great Britain and the United States, which together accounted for three-fifths of exports and two-fifths of imports over the period 1929-35, provide fairly conclusive proof that official sources significantly exaggerate the extent of the decline in Spain's foreign trade during the early thirties (see Table 3). Comparison of columns three and four of the table indicates that this is particularly evident in the case of exports.

Whatever the extent of the drop in Spain's foreign trade in the 1930s, the country's limited foreign trade dependence ensured that declining exports were not a major cause of economic crisis. Palafox calculates that for the quinquennium 1924-28 the contribution of imports and exports to gross domestic product was 8.1 per cent and 6.2 per cent respectively.<sup>13</sup> For their part, contemporary commentators recognised that the coefficient

---

<sup>11</sup> Cited in ALBERTO BALCELLS, *Crisis económica y agitación social en Cataluña, 1930-36* (Barcelona, 1971), pp. 54-63.

<sup>12</sup> Early doubts as to the validity of Spanish commercial statistics, especially comparing data from before and after 1930, were expressed by the Catalan economist and statistician JOSÉ A. VANDELLÓS, *El porvenir del cambio de la peseta* (Barcelona, 1936), pp. 74-86.

<sup>13</sup> JORDI PALAFOX, 'La crisis de los años 30: sus orígenes', *Papeles de Economía Española*, 1 (1980), 37.

THE EVOLUTION OF SPAIN'S FOREIGN TRADE, 1929-35  
(1929 = 100)

Year	Imports		Exports	
	A	B	A	B
1929	100.0	100.0	100.0	100.0
1930	104.8	89.4	124.0	116.2
1931	76.1	42.9	132.0	48.8
1932	72.2	35.6	97.9	35.1
1933	63.3	30.5	81.0	31.8
1934	61.3	31.2	77.3	28.9
1935	62.8	32.0	77.0	27.8

Source: JORDI PALAFOX, "La crisis de los años 30: sus orígenes", *Papeles de Economía Española*, 1 (1980), 37.

A = index based on *Statistical Abstracts* (United States), *Parliamentary Papers* (Great Britain) and *Annuaire Statistique* (France), converted to pesetas.

B = obtained from *Estadísticas del Comercio Exterior* (Spain), in gold pesetas.

of foreign trade per capita was among the lowest in Europe.<sup>14</sup> Writing in 1936, the Valencian economist Román Perpiñá classified Spain as "among the civilised countries, the only one with a complex and significantly autarkic economy".<sup>15</sup> Not until the internal market was saturated, Perpiñá argued, did Spanish industry become reliant on the exterior for its markets.<sup>16</sup>

In common with unemployment, national aggregates disguised significant regional variations in Spanish exporting patterns. The economy of the *País Valenciano*, on the eastern littoral, with its extensively cultivated agricultural sector, specialising in the production on irrigated lands of spring vegetables, citrus fruits and rice, about one-third of which was destined for export, was

<sup>14</sup> IRURZÓN, 'Comercio exterior de España', *Economía Española*, 2 (Aug. 1934), 51.

<sup>15</sup> ROMÁN PERPIÑÁ, *De economía hispana* (Barcelona, 1936), p. 7.

<sup>16</sup> *Ibid.*, p. 62. Balcells, using Perpiñá as a model, argues that for the Catalan textile industry such a point was reached in 1933, *Crisis económica*, p. 116. Both authors are criticised in JORDI PALAFOX, 'Contradicciones del capitalismo español durante la depresión económica de los años treinta', *Información Comercial Española*, 514 (1976), 110-118.

seriously hit by the recession in world trade and the protectionist revival which followed the Hawley-Smoot tariff of 1930. More than any other region, Valencia suffered the repercussions of the Ottawa Agreement of 1932 between Great Britain and Commonwealth producers which imposed substantial duties on food-stuff exports to her main overseas outlet.<sup>17</sup>

Apart from foreign trade, two other exogenous variables, immigration and the withdrawal of foreign investment, do not seem to have played a major role in the Spanish recession of the early 1930s. Indeed, their relative insignificance may partially explain its mildness.

Between 1931 and 1935 Spain, traditionally a net exporter of surplus agricultural labour to the Republics of South and Central America, experienced a net immigration of 106,243 persons as the world crisis induced the host nations to close this safety-valve to their former motherland. Many of the returning migrants swelled the ranks of the unemployed, further exacerbating Spain's problems. Yet, as Jordi Nadal demonstrates, the principal component of unemployment over this period consisted of structural unemployment which resulted, not from the repatriation of migrant workers, but from a fall in the death rate.<sup>18</sup>

The conclusion that no significant changes occurred in the level of foreign investment in Spain in the early 1930s, despite the advent of what many outside investors feared to be a "socialistic" Republic committed to revolutionary objectives, may be inferred from the balance of payments statistics assembled for

---

<sup>17</sup> On the problems of Valencian agriculture, neglected by the politicians in Madrid during the 1930s, see MANUEL DE TORRES, 'La agricultura valenciana y la solidaridad económica nacional', and IGNACIO VILLALONGA, 'El actual momento de la economía valenciana y su relación con el conjunto de la economía española', in *Publicaciones de Unión Nacional Económica, Solidaridad Económica Nacional, Economía Española*, 3 (1934), last part, 29-56 and 103-21.

<sup>18</sup> JORDI NADAL, 'La pression démographique', in D. FAUVEL ROUIF ed., *Mouvements ouvriers et dépression économique de 1929 à 1939* (Assen, 1966), pp. 103-05.

the years 1931-34 by Francisco Jánaga of the Bank of Spain's research department.<sup>19</sup>

The timetable of Spain's inter-war depression, therefore would appear to be as follows. The recession, less pronounced than in most advanced economies (France being a possible exception), hit Spain at a later date than it did the epicentres of the capitalist system. The first manifestations, felt towards the end of 1930, and assessed in the next section, were almost entirely internal in origin and confined to the producer goods sector. Although seasonal and structural factors continued to depress traditional farming, the agricultural exporting sector was only affected after 1932. The consumer goods sector which, as we have seen, gained certain initial benefits from declining raw material prices and wage inflation, suffered the repercussions of the fall in agricultural exports shortly afterwards. Finally, insofar as the data are reliable it would appear that although the economic situation did not greatly deteriorate after 1933-34, except due to seasonal factors in agriculture (for example, heavy rainfall in the spring of 1936 which prevented work in the fields), in contrast to the leading capitalist nations no significant recovery took place in Spain.

## II

Contemporary observers of Spain's comparative aloofness from the world slump during the 1930s invariably underlined the drift towards self sufficiency which had taken place, almost unchecked, since the last decade of the nineteenth century. At the prompt-

---

<sup>19</sup> FRANCISCO JÁNAGA, *Informe(s) sobre (los) balance(s) de pagos internacionales (1931-34)* (Madrid, 1935), internal memoranda of the Bank of Spain. See also SANTIAGO CHAMORRO and REMEDIOS MORALES, 'Las balanzas de pagos de Francisco Jánaga', *Información Comercial Española*, 511 (1976), 107-18. Fears as to the 'socialistic' tendency of many of the articles on the Republican Constitution drawn up in 1931 are expressed in *The Economist*, 31 Oct. 1931.

ings of heavy industrialists in the Basque region, the millowners of Catalonia and the cereal growers of Old Castile (the famous Bilbao-Barcelona-Valladolid triangle) tariff barriers were successively raised in 1891, 1906 and 1922 and, in combination with the Protection of Industry Act of 1926, offered Spanish producers one of the highest levels of protection in the world,<sup>20</sup> Moreover, Spain's neutrality during the First World War permitted the growth of import substitution which was especially developed in the embryonic metallurgical and engineering industries.<sup>21</sup> Even so, the prevailing goal of autarky condemned national producers to the pitifully low levels of demand for their products in the underdeveloped home market.

In a conscious attempt to overcome some of the many problems associated with economic retardation the Primo de Rivera dictatorship, urged on by heavy industry, set out to "regenerate" Spain from above through a comprehensive programme of infrastructural reforms. The centrepiece of the Dictatorship's plans was a vast and expensive scheme to modernise the country's incomplete network of railroads and highways, supplemented by projects for irrigation and electricity generation while, as an inducement to working-class interests, the regime also sought to provide cheap housing.<sup>22</sup>

To pay for these ambitious proposals José Calvo Sotelo, who assumed the portfolio of finance in December 1925 tried to raise additional revenue but was frustrated by powerful vested

---

<sup>20</sup> See the data collected by the League of Nations in *Conférence économique internationale* (Geneva, 1927), *passim*.

<sup>21</sup> See FIDENCIO KIRCHNER, *La influencia de la guerra en las industrias catalanas* (Barcelona, 1919) and FRANCISCO BERNIS, *Consecuencias económicas de la guerra* (Madrid, 1923).

<sup>22</sup> For a largely uncritical account of Primo de Rivera's economic policy see JUAN VELARDE FUERTES, *Política económica de la Dictadura*, second ed. (Madrid, 1973). The view that the Dictatorship's interventionism was conditioned by pressure from an oligopoly of interests in the heavy goods sector see JORDI PALAFOX, 'La depresión económica de los años treinta y la crisis industrial española', *Investigaciones Económicas*, 11 (1980), 5-46.

interests upon whom the unrepresentative regime relied for support.<sup>23</sup>

Thwarted in his efforts at fiscal reform, Calvo Sotelo turned to the inflationary devices of debt issue and an extraordinary budget in order, for political reasons, to foster the illusion of economic success. Between 1925 and 1927 6,334 million pesetas of debt were floated, an increase of approximately 75 per cent in three years. Meanwhile, in July 1926 a total of 3,539 million pesetas were earmarked for so-called "productive" expenditure which, it was confidently anticipated, would pay for itself within ten years. When, with all illusions shattered, the extraordinary budget was wound up in December 1929, 1,300 million pesetas of this sum had been spent.<sup>24</sup>

Calvo Sotelo's bequest to his successors contained, therefore, the burden of servicing an inflated national debt plus the costs of eradicating a considerable deficit in his extraordinary budget. During the final two years of the Dictatorship he also embarked on a flurry of ridiculously irrelevant monetary measures, with near disastrous consequences.

The peseta, which had depreciated against the leading currencies in 1924, staged a remarkable recovery throughout the next two years, rising from 72 per cent of its nominal value against the French franc in December 1924 to 79 per cent in December 1926. Much of this appreciation could be attributed to genuine improvements in Spain's economic situation, not least an amelioration in the trade balance which owed much to a boom in wine sales to France and a reduction in military expenditure following the defeat of rebel forces in the Moroccan Protectorate. However, before long speculative influences began to gain the

---

<sup>23</sup> CÉSAR ALBIÑANA GARCIA QUINTANA, 'Evolución histórica del sistema fiscal español y líneas idóneas de su reforma', *Boletín de Estudios Económicos*, 99 (1976), 617.

<sup>24</sup> PIERRE LEFAUCHEUX, *La Peseta et l'économie espagnole depuis 1928* (Paris, 1935), pp. 9-10; DANIEL RIJU, 'La liquidación de los Presupuestos del Estado y esbozo de un plan de política financiera', *Economía Española*, 29 (May 1935), 14-22.

upper hand. The peseta climbed to 94 per cent of its theoretical par in March 1927 after the unfortunate announcement that the Government intended to establish convertibility. In response, 700 million pesetas of hot money poured into Spain. By early 1928 foreign speculators started to realise that Calvo Sotelo's schemes were far too adventurous. They reacted by selling off pesetas on the world's exchanges, driving down the Spanish currency in the process. At this juncture, essentially for reasons of national prestige rather than sound economic judgement, the Dictatorship foolishly endeavoured to stem the fall of the peseta by intervening directly in the London market.<sup>25</sup>

To help resolve the problem, in June 1928 Calvo Sotelo established an Exchange Intervention Committee (*Comité Interventor del Cambio*) with guaranteed funds of 500 million pesetas, half provided by the Exchequer and half by the Bank of Spain. While speculators had a field day, hostile criticism at home and abroad seriously undermined the credibility of the minister.<sup>26</sup> Finally, in October 1929, after a previous temporary suspension and with its reserves badly depleted, the Committee was disbanded.

With or without the functioning of the Exchange Intervention Committee, the stabilisation of the peseta remained a basic objective of economic policy during the last year of the ailing Dictatorship. After inconclusive discussions with leading economists and bankers, a commission was appointed in January 1929 charged with studying the possibilities of Spain's joining the Gold Standard. However, much to the annoyance of Calvo Sotelo this august body, strongly influenced by the argument of its most distingui-

---

<sup>25</sup> LEAUCHEUX, *op. cit.*, pp. 7-8; LUIS OLARIAGA, *La política monetaria en España* (Madrid, 1933), p. 7. On the quest for stabilisation, a longstanding ambition of the Exchequer since 1868, see LUIS OLARIAGA, *La intervención en los cambios en España* (Madrid, 1929), *passim* and JUAN SARDÁ, *La intervención monetaria y el comercio de divisas en España* (Barcelona, 1936), pp. 12-13.

<sup>26</sup> The most damning indictments of Calvo Sotelo's interventionist policies at this time came from former Finance Minister Francisco Cambó. See *La valoración de la peseta* (Barcelona, 1929).

shed member, the economist Antonio Flores de Lemus, came down firmly against an immediate stabilisation of the peseta. Nothing could be undertaken, they argued, to stabilise the peseta as long as Spain maintained a perennial balance of payments deficit. The authorities, moreover, were recommended to strive for relative price parity with other nations.<sup>27</sup>

In a gesture of defiance, Calvo Sotelo turned for alternative advice to the French economist Charles Rist, author of a number of studies on the stabilisation of European currencies. The latter visited Madrid in November 1929 to undertake investigations but his report, although favourable to the stabilisation of the peseta in the long-run, set out a number of preconditions. These included the demonetisation of silver, the eradication of the extraordinary budget (soon to be adopted), the creation of special deposits and the modification of the statutes of the Bank of Spain, supposedly to prevent abuses.<sup>28</sup>

The collapse of the Primo de Rivera dictatorship in January 1930, presaged shortly beforehand by the dismissal of the much-maligned Calvo Sotelo, brought a half-hearted attempt to return Spain to parliamentary democracy — the so-called *Dictablanda*. In the short space of fifteen months the country saw three Finance Ministers, Argüelles, Wais and the aforementioned Ventosa, who embarked upon an amazing series of *volte faces* in economic and monetary policy.

Argüelles, a liberal ideologue, enthusiastically set about the task of dismantling all remaining interventionist apparatus created by his predecessor, while Wais, who followed him into the Trea-

---

<sup>27</sup> *Dictamen de la Comisión nombrada por real orden de 9 de enero de 1929, para el estudio de la implantación del patrón oro* (Madrid, 1929). For the role of Flores de Lemus on the Commission see JOSEP MARIA TALLADA, *Economía monetaria española* (Barcelona, 1930), pp. 85-100 and OLARIAGA, *La política monetaria*, p. 121.

<sup>28</sup> CHARLES RIST, 'La Peseta espagnole', in *Essais sur quelques problèmes économiques et monétaires* (Paris, 1933), pp. 51-81 (written in 1929). For a vitriolic critique of Rist's report see JOSÉ G. CEBALLOS TERESI, 'La farsa estabilizadora de la peseta', *El Financiero*, 6 March 1931.

sury, performed a further U-turn in September 1930 when he established the Central Office for Operations in Foreign Currency (*Centro Oficial de Contratación de Moneda*) which was to operate in a not dissimilar manner to Calvo Sotelo's Exchange Intervention Committee.<sup>29</sup>

Notwithstanding signs of instability in the international monetary system, Wais pressed on with the quest for stabilisation.

To assist him in this aim, he invited the chairman of the newly created Bank of Internal Settlements, François Quesnay, to Madrid. The outcome was a three-stage stabilisation plan.<sup>30</sup> Shortly afterwards, with the reluctant support of the Governor of the Bank of Spain, Bas, the Minister signed an agreement with the Bank of England by which the Bank exported £3 million in gold to London. This was to enable the Foreign Currency Office to nationalise part of the National Debt known as *dobles* which Spanish private banks had sold-off to foreign purchasers in 1929 in a frantic attempt to obtain foreign currency but was now having detrimental effects on the balance of payments.<sup>31</sup>

Later, Ventosa, after protracted secret negotiations, signed an agreement on 26 March for a loan of \$60 million from a consortium headed by J. P. Morgan of New York and the *Banque de Paris et Pays Bas*. The aim of the Morgan loan, obtained on the eve of the Republic, was described as taking a first step towards normalising economic conditions. However, upon learning of the demise of the monarchy, Morgans cancelled all arrangements.<sup>32</sup>

Yet, if the *Dictablanda's* monetary policy was often contradictory and, considering the changing international situation,

---

<sup>29</sup> OLARIAGA, *La política monetaria*, pp. 124-25.

<sup>30</sup> For the plan see OLARIAGA, *La política monetaria*, p. 127.

<sup>31</sup> On the consequence of the *dobles* operation see SARDÁ, *La intervención monetaria*, pp. 27-30.

<sup>32</sup> The loan itself provoked considerable hostility in the press, see espec. DANIEL RIU, in the *Revista de Economía y Hacienda*, 28 March and 4 April 1931. Even CAMBÓ, Ventosa's erstwhile mentor, was said to be opposed, see above periodical, 21 March 1931.

short-sighted also, the decision of the Berenguer regime to make drastic cuts in public expenditure in an attempt to attain budgetary equilibrium, proved far more distressing for the real economy in the short-term. The suddenness of this retrenchment seriously damaged the prospects of those sectors whose prosperity depended upon public expenditure.

Although existing contracts were honoured, the scrapping of the railway construction programme initiated by Primo de Rivera came as a hammer blow to the metallurgical sector of the Basque province of Vizcaya. Even with the stimulus of the Dictatorship's huge infrastructural programme, the annual per-capita consumption of iron in Spain in 1928-29 was a mere 40 kilos, one-fifth the figure for France and Germany, one-seventh of the British level and one-twelfth of that of the United States. Once the impact of public expenditure was taken away, output plummeted. Production of iron and steel at *Altos Hornos*, the largest metallurgical company in Bilbao, fell from 768,000 tonnes in 1929 to 350,000 tonnes in 1931. Over the same period the firm's profits declined from 12 million pesetas to 4.6 million.<sup>33</sup>

Upon the establishment of the Second Republic, therefore, the province of Vizcaya was already in the throes of deepening economic recession, national in origin, which touched on all sections of production and consumption.<sup>34</sup>

### III

The main socio-economic priority of the Provisional Government which took office on the 14 April 1931 was to alleviate the

---

<sup>33</sup> *Bilbao: Industrial, Financiera, Comercial*, 10 June 1932; JOAQUIN ADÁN, *España y su crisis* (Madrid, 1933), pp. 76-80.

<sup>34</sup> On the depths of the crisis in Vizcaya see 'La crisis del trabajo en el Norte', *Economía*, 30 Nov. 1930; E. MIÑANA, 'El paro forzoso y las obras públicas', same review, 15 Dec. 1930; *Información: Órgano Oficial de la Cámara de Comercio, Industria y Navegación de Bilbao*, 29 Jan. 1931, 29 May 1931, 30 June 1931 and *Cámara Oficial de Comercio, Industria y Navegación de Bilbao, Memoria comercial del año 1931* (Bilbao, 1932), pp. XXXIII-XLVII.

miserable conditions of the rural population, a product of the longstanding neglect of the countryside by successive administrations.<sup>35</sup> Furthermore, the incidence of drought and crop failure in the previous year served to compound the structural problems of southern agriculture. An official report of 1931, which undoubtedly erred on the side of caution, stated that in Andalusia alone one hundred thousand day labourers (*braceros*), 12 per cent of the active populations, were unemployed.<sup>36</sup>

Partly out of fear of an anarchist-led revolt in the fields, the infant Republic, prompted by the Socialists, immediately embarked upon a string of reforms on the land. A bill, drafted in the run-up to the elections of June 1931 by a Technical Commission, was soon tabled. Restricted to the *latifundio* *ron* of the south, the bill aimed to resettle between 60,000 to 75,000 peasant farmers annually over the next 12 to 15 years at an estimated cost to the Exchequer of between 200-250 million pesetas annually, roughly seven per cent of the total budget. Moreover, parallel to this "grass roots" reform the Republic also resuscitated the idea of infrastructural reforms, initiated by Primo de Rivera and halted by Berenguer. In the same month (July) the Government announced a 315 million peseta emergency public works programme designed to reduce unemployment in Andalusia, Murcia, Extremadura and La Mancha.<sup>37</sup>

Both schemes, however, were to result in disappointment to their supporters. Republican indifference, Socialist miscalculations and the stubborn resistance of the *latifundistas* combined with the prevailing fiscal orthodoxy to produce the eventual approval of a much diluted Agrarian Reform Act in the autumn of 1932. By the end of 1933 no more than 4, 399 peasants

---

<sup>35</sup> The outstanding work on the agrarian question is EDWARD MALEFARIS, *Agrarian Reform and Peasant Revolution in Spain: Origins of the Civil War* (New Haven, 1970).

<sup>36</sup> Ministerio de Trabajo, *La crisis agraria andaluza de 1930-31* (Madrid, 1931), pp. 9-31.

<sup>37</sup> For details see J.G. CEBALLOS TERESI, *Economía, finanzas, cambios: historia económica, financiera y política de España en el siglo XX*, vol. 8 (Madrid, n.d.), pp. 403-06.

had been resettled on 24,203 hectares of land — a distant cry from the early hopes of the Republic.<sup>38</sup> Thereafter, a succession of centre-right and Rightist governments terminated and later reversed many of the early reforms on the soil.

Rightist objections to the large-scale redistribution of terrain were not accompanied by a simultaneous rejection of public works which, unlike the former, did not alienate their landed supporters.<sup>39</sup> Expenditure on public works and communications rose from 367 million pesetas in 1832 to 920 million in 1935,<sup>40</sup> Yet, as Table 4 shows, over the same period unemployment doubled.

TABLE 4

## THE LEVEL OF UNEMPLOYMENT IN SPAIN, 1932-36

Date	Fully Unemployed	Part-Time	Total
Jan. 1932	—	—	389,000
June 1932	—	—	446,263
Dec. 1933	351,804	267,143	618,947
Dec. 1934	406,743	261,155	667,898
Dec. 1935	416,198	257,963	674,161
June 1936	—	—	* 801,322

Sources: (1) *Pequeño Anuario Estadística de España*, 1936; (2) M. FUENTES IRUROZQUI, *Síntesis de la economía española* (Madrid, 1946).

Despite the commitment of governments of all political persuasions to the alleviation of unemployment through public works policy, spending on such schemes was far from adequate. The Catalan economist Pedro Gual Villalbi estimated in 1936 that it would require a quadrupling of expenditure to achieve full employment on a national scale.<sup>41</sup>

<sup>38</sup> *Boletín del Instituto de Reforma Agraria*, 1 (1933), 20 and 202-03.

<sup>39</sup> See the *Revista de Economía y Hacienda*, 23 Dec. 1933.

<sup>40</sup> BALCELLS, *op. cit.*, pp. 90 and 132-34.

<sup>41</sup> PEDRO GUAL VILLALBI, *Política económica: escritos varios* (Barcelona, 1936), pp.

However, the most alarming aspect of the Republic's preoccupation with the problems of southern agriculture — distressing as these were — was the failure to formulate effective industrial and commercial strategies with which to confront the recession. This failure was not confined to the Constituent Cortes.<sup>42</sup> In the case of the cotton textile industry of Catalonia, as we have seen, the absence of a comprehensive policy for industry and trade became apparent in 1933 when the worldwide protectionist revival caused a reduction of consumer spending in regions such as the *Pais Valencià* which relied on the export market for their livelihood. Contemporary commentators could not fail to contrast the prosperity enjoyed (albeit fleetingly) by the consumer goods industries of Catalonia with the hard times experienced in Vizcaya, where the inadequacies of government policy towards heavy industry were all too obvious.<sup>43</sup>

#### IV

The radical assault on the basic structural problems of southern agriculture during the first months of the Republic was in sharp contrast to the orthodox approach to monetary and fiscal issues adopted by every Finance Minister of the new regime. While the financial press continually attacked the "Bolshevik" antics of Provisional Government and Constituent Cortes on the agrarian question and roundly abused the Socialist Labour Minister, Francisco Largo Caballero, his coreligionist at the Exchequer, Indalecio Prieto, soon drew widespread support from the economic community for his moderation. Only later

---

154-57. Cf. the view of Josep Maria Tallada three years earlier that public works were a limited and expensive remedy for unemployment, see Unió Catalana d'Estudis Polítics i Econòmic Socials, *Conferència sobre l'atur forçós organitzada pels Comitès de Qüestions Econòmiques, Socials i Industrials* (Barcelona, 1933), p. 9.

<sup>42</sup> See, for example, criticisms directed against both left- and right-wing governments in the *Revista de Economia y Hacienda*, 3 June 1933, 21 Oct. 1933, 9 Feb. 1935, 22 Feb. 1935.

<sup>43</sup> See PEDRO RICO, *Ibid.*, 11 Nov. 1933.

when Prieto, a self-confessed amateur in economic matters, spearheaded an overtly political assault on the Bank of Spain, which the party's rank-and-file claimed was profiteering from the Republic's misfortunes, did he incur the wrath of the moneyed classes.<sup>44</sup>

From its inception the Republic was beset with a plethora of financial troubles, many of them inherited from the Dictatorship. Moreover, even as the monarch was abandoning his realm in April 1931, panic set in among wealthy Spaniards who, it was reliably reported, were cramming their suitcases with currency and heading to the frontier.<sup>45</sup> One trustworthy source claimed that the illegal export of capital from Spain during the first six months of the Republic amounted to two billion pesetas.<sup>46</sup> A further indication of the middle class's lack of faith in the Republic was the heavy withdrawal of savings from the banks. According to the Higher Banking Council (*Consejo Superior Bancario*), between April and June 1931, 1,122 million pesetas were removed from deposit accounts, a fall of 16 per cent.<sup>47</sup> Most disquieting of all for the Exchequer in the long-run, the peseta started to tumble on the foreign exchanges, while confidence was further undermined by an outbreak of convent burning on 11 May 1931 which convinced many Spaniards that the Provisional Government had lost control of events.<sup>48</sup> By the be-

---

<sup>44</sup> For early unsolicited testimonials of Prieto's conciliatory manner see *El Economista*, 23 May 1931 and the *Revista de Economía y Hacienda*, 6 June 1931. The goodwill began to be dissipated in August, see DANIEL RIU, 'Errores financieros y económicos del Gobierno', *Revista de Economía y Hacienda*, 15 Aug. 1931.

<sup>45</sup> *El Economista*, 25 April 1931.

<sup>46</sup> *Información de Valores, Cupones y Estadística de la Banca Soler y Torra Hermanos de Barcelona*, 24 (24 Oct. 1931), cited in ELLI LINDNER, *El derecho arancelario español: defensa de la producción y nacionalismo económico en España bajo tres regímenes: hasta la postguerra, durante la Dictadura y con la República* (Barcelona, 1934), p. 137.

<sup>47</sup> *Revista de Economía y Hacienda*, 3 Oct. 1931.

<sup>48</sup> *Revista de Economía y Hacienda*, 18 June 1931. *El Economista*, 30 May 1931. Olariaga attaches considerable importance to the loss of the Morgan loan, see *La política monetaria*, p. 128. SARDÁ, *El Banco de España*, p. 421, stresses Spain's persistent balance of payments deficit.

ginning of June 1931 the peseta stood at 61.9 against the pound, compared with the theoretical par of 25, a rate only once exceeded in Spain's recent financial history — immediately after the nation's humiliating defeat at the hands of the United States in the Spanish American war of 1898.<sup>49</sup>

To tackle the pressing situation, Prieto, who was offered the Ministry of Finance only after others more qualified had refused the post, resorted to a number of short-term expedients. Penalties were imposed to discourage further flights of capital while later in July bank rate was put up to 6.5 per cent in an effort to entice the guilty parties to repatriate their funds.<sup>50</sup> Faced with a shortage of banknotes, due to hoarding and expatriation, which threatened to paralyse commercial activity, Prieto issued a decree on 5 May 1931 authorising the Bank of Spain to extend the limit of fiduciary circulation by 200 million pesetas.<sup>51</sup>

Anxiety on the part of the Spanish monetary authorities, however, was not altogether reflected in the progress of the real economy. One important consequence of the sharp depreciation of the peseta was a pronounced incentive to exports which was reflected in a marked improvement in the balance of trade.<sup>52</sup> Nevertheless, coinciding with the June elections to the Constituent Cortes, Prieto decided that his first priority in office was to prevent a further depreciation of the peseta. So effective was the renewed phase of monetary orthodoxy which followed that by the beginning of 1933 there was even talk of revaluation.<sup>53</sup> Spain's balance of payments, which received an unexpected boost from a repatriation of capital in that year, deteriorated badly thereafter.<sup>54</sup>

The first manifestation of the new monetary orthodoxy came

---

<sup>49</sup> *El Economista*, 6 June 1931.

<sup>50</sup> *Ibid.*, 11 July 1931; OLARIAGA, *La política monetaria*, pp. 132-42.

<sup>51</sup> *Economía i Finances*, 25 July 1931.

<sup>52</sup> VANDELLÓS, *op. cit.*, pp. 10-11.

<sup>53</sup> *Economía Española*, 1 (Jan. 1933), 153.

<sup>54</sup> VANDELLÓS, *op. cit.*, p. 54.

in mid-June 1931 when the recently appointed Governor of the Bank of Spain, Julio Carabias, led a delegation to Paris where Spain negotiated a £6 million credit from the Bank of France to complete the recovery of the *dobles*, begun by Wais in 1930. Financial commentators noted that the terms obtained from the Bank of France were much less favourable than those which Morgans offered the monarchy three months previously.<sup>55</sup>

Later, in September 1931, in the week before Great Britain was forced off the Gold Standard, the so-called Carabias Plan was unveiled. Among its terms, the Central Office for Operations in Foreign Currency was to maintain a constant intervention on the rate of exchange, utilising for this purpose gold reserves furnished equally by the Bank and the Exchequer. The plan also stipulated an automatic reduction in the fiduciary circulation which, to the chagrin of the authorities, had risen by 450 million pesetas between 14 April and 30 May 1931, compared with an increase of only 400 million pesetas during the whole of the 1920s.<sup>56</sup>

Throughout the existence of the Constituent Cortes, the Republic's unrepentant desire to join the depleted Gold Standard, despite the abandonment of the latter by great Britain, the United States and a host of other nations, many of them trading partners, was constantly reiterated.<sup>57</sup>

Opposition to the dominant monetary orthodoxy gathered momentum in 1934 and focused on two campaigns which gained support in both industrial circles and in the financial press. The first, initiated before in 1932, called for the introduction of a cheap money policy in imitation of the path followed by Great Britain

---

<sup>55</sup> *El Economista*, 20 June 1931; *Revista de Economía y Hacienda*, 27 June 1931; CEBALLOS TERESI, *Economía, finanzas, cambios*, pp. 356-63.

<sup>56</sup> *Revista de Economía y Hacienda*, 12 Sept. 1931; *El Economista*, 19 Sept. 1931; JOSÉ G. CEBALLOS TERESI, *Estudios económicos y financieros* (Madrid, 1933), p. 296.

<sup>57</sup> See the report of the Higher Banking Council to the International Conference on Monetary and Economic Questions held in London in June 1933, *Revista de Economía y Hacienda*, 17 June 1933.

when she quit the Gold Standard. The second, not unconnected with the demand for lower interest rates, urged the Republic to devalue the peseta so that Spanish exporters could develop their links with the re-emerging Sterling Area. Commitment to stabilisation, it was pointed out, tied Spain to those countries which remained in the Gold Bloc, most notably France, whose commerce had collapsed since the early thirties.<sup>58</sup>

Both campaigns were cautiously received by the Bank of Spain. Lowering the Bank Rate, the latter feared, might stimulate inflation while at the same time discouraging much-needed imports of foreign capital.<sup>59</sup> Nevertheless, Bank Rate was slowly reduced in successive stages, from the 6.5 per cent set by Prieto in July 1931 to 6 per cent in October 1932, 5.5 per cent in November 1934 and finally 5 per cent in August 1935. The last of these reductions, authorised by the independent Republican, Joaquín Chapaprieta, was connected with a wider policy of debt conversion as part of a self-styled "heroic" effort to balance the budget.<sup>60</sup>

In addition to ruling out cheap money and devaluation as means of reviving the economy, Republican administrations likewise refused to countenance fiscal policy for the same purpose. This was pursued with even more stringent orthodoxy, above all when Chapaprieta occupied the Treasury in 1935.

Preoccupied with plans to stabilise the peseta and curb the influence of the Bank of Spain, Indalecio Prieto never managed to present a budget to the Cortes before he was persuaded to resign in December 1931. During his ill-fated stay at the Exche-

---

<sup>58</sup> On the campaign for cheap money see *España Bancaria*, 1 Oct. 1932, *Revista de Economía y Hacienda*, 16 April 1932, 19 May 1934 and *Economía Española* 2 (April, 1934), 156. A strong argument in favour of devaluation was made by Luis Olariaga in the *Revista de Economía y Hacienda*, 14 Feb. 1936.

<sup>59</sup> *Informe elevada al Excmo. Sr. Ministro de Hacienda evacuando la consulta, dirigido al Banco de España, acerca la conveniencia y oportunidad de alteración del tipo oficial descuento* (Madrid, 1934?), typed memorandum in Bank of Spain.

<sup>60</sup> *Revista de Economía y Hacienda*, 7 Sept. 1935.

quer the perilous budgetary situation inherited from the monarchy further deteriorated, for perfectly understandable reasons. The reform-minded Republic, committed not only to public works policy but also the extension of state education and the voluntary retirement on full pay of officers in Spain's top-heavy army, saw expenditure rise by 175 million pesetas in 1931. In the same year, the encroachment led to a drop in state revenue of 80 million pesetas.<sup>61</sup>

It came as no surprise, therefore, when Prieto's successor, the Catalan Republican Jaime Carner, announced on assuming office that his sole objective was to balance the budget.<sup>62</sup> To Carner, budgetary equilibrium meant both retrenchment and raising further revenue. His endeavours to persuade colleagues to trim departmental estimates received a sympathetic hearing in cabinet, while industrial and financial circles remained sceptical as to whether he could achieve tangible results.<sup>63</sup> Businessmen in particular protested that, if Carner failed to achieve economies in government spending, they could not be expected to bear the entire burden of budgetary policy by paying increased taxes, especially during the current recession.<sup>64</sup> Thus Carner's plans to raise additional revenue, including the introduction of a progressive wealth tax, were welcomed only by the left and the technicians.<sup>65</sup>

In the short-term, Carner's tax reforms appeared to enjoy a considerable degree of success. His efforts brought in an ad-

---

<sup>61</sup> RIU, *La liquidación de los Presupuestos del Estado*, p. 23.

<sup>62</sup> Carner's reply, on being asked by a journalist what his priorities were, was 'one alone, which can be reduced to three points, a balanced budget, a balanced budget and a balanced budget', quoted in the *Revista Nacional de Economía*, 101 (Jan.-Feb. 1932), 688).

<sup>63</sup> See for example *The Economist*, 20 Feb. 1932. Prieto, transferred to the Public Works Ministry, agreed to play his part in financial retrenchment, see INDALECIO PRIETO, *Convulsiones en España* (Mexico, 1967), vol. 1, p. 103.

<sup>64</sup> *Revista de Economía y Hacienda*, 13 and 20 Feb. 1932; *España Bancaria*, 1 Nov. 1932.

<sup>65</sup> See for example OLEGARIO FERNÁNDEZ BAÑOS, 'Algunas consideraciones sobre la crisis económica', *Revista Nacional de Economía*, 102 (March-April 1932), 907.

ditional 265 million pesetas for the Exchequer in 1932. However, the first four years of the Republic confirmed the escalation of public expenditure while, after 1932, the economic crisis ensured that income fell marginally. For the period 1931-34, the total budgetary deficit reached 1,669 million pesetas which had to be covered by the issue of Treasury bonds.<sup>66</sup>

By the time Chapaprieta assumed the finance portfolio in May 1935 the budgetary situation appeared to be getting out-of-hand. Preliminary calculations for 1934 showed a deficit of 593 million pesetas, with pessimistic forecasts that it could be as high as 750 million. The new minister, a technician rather than a politician, immediately announced a three-stage plan aimed at achieving equilibrium by 1937.<sup>67</sup> His proposals were outlined to the Cortes on 29 May 1935 in the so-called *Ley de Restricciones* (Law for the Restriction of Expenditure). As the title of his bill implied, Chapaprieta placed most emphasis on bringing about economies in budgetary spending. Motivated by a profound sense of morality, this disciple of the great Spanish financial reformers of the twentieth century, Raimundo Fernández Villaverde and Santiago Alba, attacked abuses in government spending, particularly the inflated salaries of what he saw as under-worked and overpaid civil servants. Three ministries, various subsecretaries and directorates general were marked down for closure, with an estimated saving to the Exchequer of 200 million pesetas. Only public works, defence and social expenditure were spared from Chapaprieta's cuts.<sup>68</sup> In addition, a further 200 million pesetas was to be saved by a systematic programme of debt conversion. Two voluntary debt conversions in August and September 1935 permitted the Treasury to lower the interest on long-term bonds bearing 6 per cent and 5 per cent to 4 per

---

<sup>66</sup> RIU, *La liquidación de los Presupuestos del Estado*, p. 24.

<sup>67</sup> *Revista de Economía y Hacienda*, 1 June 1935.

<sup>68</sup> *Revista de Economía y Hacienda*, 5 Oct. 1935. See also the Minister's posthumous memoirs, JOAQUIN CHAPRIETA, *La paz fue posible* (Barcelona, 1971), pp. 165-68.

cent and 3.5 per cent respectively.<sup>69</sup> With savings approaching four hundred million pesetas under his belt, Chapaprieta now believed that Spanish taxpayers would be prepared to make sacrifices.<sup>70</sup>

In the seven months in which he held office, both as Finance Minister and after September 1935 Prime Minister as well, Joaquín Chapaprieta achieved economies of 200 million pesetas while budgetary income rose by 250 million; the most drastic phase of orthodoxy in the whole of the Republic.<sup>71</sup> In the event, the hero of the financial establishment fell as a result of inter-party jealousies, political scandals and the uncertainties of the international situation. Yet his deflationary schemes drew little support from the tax-paying public, nor from civil servants threatened with redundancy. Labour, whose bargaining power was severely depressed by the recession of its political and trade union organisations following the failed attempt at social revolution in October 1934, could only protest mutely at the destruction of jobs. The Popular Front government elected in February 1936 was not to repeat the exercise.

### Conclusions

In its essentials, Spain's economic crisis of the nineteen thirties was largely structural and internal in its origins. The reforming politicians of the Second Republic who held power during the Provisional Government and the Constituent Cortes set out to resolve the most glaring aspect of that crisis; the chronic poverty and unemployment of the *latifundio* zone of the south. They failed in this task just as they also failed to tackle the basic problems of industry and trade. The reasons for their failure were many

---

<sup>69</sup> *Revista de Economía y Hacienda*, 31 Aug. 1935, 21 Sept. 1935; CHAPAPRIETA, *op. cit.*, p. 168.

<sup>70</sup> CHAPAPRIETA, *op. cit.*, p. 166.

<sup>71</sup> *Revista de Economía y Hacienda*, 14 Dec. 1935.

and various. They were partly political; parliamentary democracy never became a stable form of government in the five years before the outbreak of civil war. They were partly due to the Republic's inheritance from the Primo de Rivera regime and the *Dictablanda*, whose grossly incompetent financial and economic policies brought near chaos. Yet this failure also reflected the narrow-minded orthodoxy in financial circles.

While Finance Ministers of all political hues paid lip-service to public works policy as a means of alleviating unemployment, the funds which they made available were less than adequate for that purpose. At the same time, the dominant orthodoxy also ruled out instruments of revival which had enjoyed modest success elsewhere, viz cheap money and devaluation. Thus Spain, whose relative backwardness and isolation from the international economy had allowed her to escape the harshest realities of the world slump, failed to recover in the mid thirties, while orthodox policies did precious little to avert the outbreak of civil war in July 1936.

