

Britain and Spain: Free Trade, Protectionism and Britain's Informal Empire, 1830 to 1950

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Abstract

This thesis uses Gallagher and Robinson's concept of 'informal imperialism' to analyse the economic and political relationship between Britain and Spain from the 1830s to the 1950s. They viewed Britain's imperial growth as a process of territorial expansion driven by the explosive growth of its industrial revolution and supported by its world-wide maritime dominance. To integrate new regions of the world into its industrial and trading system, British governments pursued a policy of free trade by convincing local regimes to open their economies to foreign investment and trade. Only when this preferred route of negotiation failed, did Britain turn to direct rule. This thesis argues that Spain was an early target for this form of informal free trade imperialism. Britain used a combination of commercial, diplomatic and ideological pressure, backed where necessary by military force, to open the Spanish economy to foreign trade and investment. The thesis suggests this exercise of informal British power had a significant influence on Spain's economic and political development throughout the period, contributing to the country's deeply unbalanced economy and consequently, to its chronic political instability. It uses a series of historical 'windows' to explore both these processes. In the first part, five periods of crisis in the Anglo-Spanish relationship provide illustrations of the exercise of Britain's imperial power at crucial turning points during the growth, apogee and decline of the British Empire. The second part uses the writing and careers of six politically active economists at three key periods of change in Spain's history to explore its reaction to the exercise of British power. The thesis suggests Spain's protectionist movement and its subsequent evolution into increasingly radical forms of economic nationalism, represented a struggle to identify alternative development paths for the Spanish economy. It concludes that the exercise of British economic power throughout the period had an important – and often underestimated – impact on Spain's political and economic development.

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Foreword

Less than two weeks after the military uprising in Spain in July 1936, Britain's Conservative Foreign Secretary, Anthony Eden, abandoned the democratically elected Republican government by denying it the supply of arms. This non-intervention policy in effect guaranteed the eventual victory of the rebel army and its fascist supporters within and outside Spain. A decade later, in January 1947, Britain's Labour Government Cabinet, many of whose members had vigorously supported the Republic during the Civil War, refused to support United Nations initiatives to remove Franco and return democracy to Spain in the aftermath of the comprehensive defeat of fascism in Europe in the Second World War. Both decisions were justified by the immediate political issues of the day, appeasement in the 1930s, anti-communism in the 1940s. The outcome however was the same, government of Spain by an authoritarian, anti-democratic regime. Both Britain's democratic, but otherwise ideologically opposed, parties had decided that maintenance of social order by a fascist dictator in Spain was preferable to the uncertainties of democracy. The thesis grew from my interest in this apparent political paradox. My exploration of the Anglo-Spanish relationship over a period of more than a century led me to conclude that behind that unity of political purpose were the underlying economic interests of Britain's industrial and trade-based empire. As I pursued this interest it became clear there were gaps in the historiography of the period that my work could help to fill. Three stood out: the nature of the entangled, though deeply asymmetric relationship between the two countries' economies, the pervasive influence of the hegemonic British Empire on the Spanish economy and its domestic politics and a prevailing orthodoxy which saw the protectionist movement simply as a reactionary political force, thereby downplaying its liberal modernising agenda. The thesis links these themes to explain both the debilitating effects of Britain's economic imperialism on Spain and the political reaction it engendered as some of the powerful interests in the country sought to escape from economic dependency by developing national policies for industrial development.

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Introduction: British Informal Imperialism and Spanish Economic Nationalism

Britain and Spain have been strongly interconnected since both countries first achieved a measure of national unity in the sixteenth century. The relationship was one of the most consistently important for both nations, although rarely one of equals. In its 'golden' sixteenth century, Spain was the first global empire and a dominant power in western Europe, while England, as it then was, lay on the margins of the continent. During the seventeenth and eighteenth centuries Spain's power declined, while England, later Britain, itself established a worldwide commercial empire. The result was an intense rivalry, especially over control of the Mediterranean and Atlantic sea trade routes and the entangled American empires of the two countries. The Napoleonic Wars were a watershed for the relationship: French occupation and loss of its naval fleet, critical to the protection of its colonies, left Spain severely weakened. Meanwhile, Britain, already the world's leading commercial power based on its naval dominance, was set on an astonishing economic growth path springing from its leadership of the Industrial Revolution.

In the decade following the Congress of Vienna in 1815, the loss of its South American colonies confirmed Spain's marginal position among the European Great Powers. For Britain, Spain's main diplomatic interest now lay in the potential alliances it might make with other Great Powers to threaten British imperial trade routes in the Atlantic. As a result of this concern, Spain remained a national defence issue for Britain throughout its imperial period, right up to the twilight of its Empire in the aftermath of the Second World War. Britain's interest in Spain had another, more openly economic attraction, its substantial domestic and colonial markets and unparalleled mineral wealth. This combination of geopolitical and direct economic interests led to a series of British interventions in Spanish politics, from its military support for the liberal monarchists in the Carlist Civil War of the 1830s to Churchill's desperate attempts to prevent Spain joining the Axis powers in 1940. The consequence of this long-standing strategic and economic engagement was that Britain had a major influence in the shaping of modern Spain. This thesis analyses the interventions Britain made to secure its imperial interests and the effects these had on Spain over this period. It suggests that, in effect, the country became an 'informal' colony of Britain, a concept whose theoretical support was set out by Gallagher and Robinson in their celebrated 1953 Economic Review article, 'The

Imperialism of Free Trade'.¹ Britain's interventions in support of its free trade policy stimulated a powerful reaction in Spain, initially the development of an influential protectionist movement and later, the adoption of economic nationalism. Britain's free trade campaign and Spain's defensive reaction were two sides of a single coin of informal economic imperialism.

Thesis Propositions: Britain, Spain and Informal Imperialism

Gallagher and Robinson's central hypothesis was that Britain's early nineteenth century industrialisation led to an extraordinary expansion of trade, people and investment and, as a consequence, to an 'ever extending and intensifying development of overseas regions'. They defined imperialism as 'a sufficient political function of this process of integrating new regions into the expanding economy', a process that could be extended beyond economic development to measures to guarantee strategic protection.² Their second main proposition was that this process depended on the degree of cooperation by local elites: direct control by Britain was unnecessary if these elites were willing to provide sufficient security to support the process of commercial or strategic integration. The thesis uses this framework to analyse the economic relationship between Britain and Spain during the nineteenth and first half of the twentieth century: it concludes that the concept of informal imperialism usefully explains important features of the evolution of the Anglo-Spanish economic and political relationship. Britain was able to shape Spain's economic and political development around its imperial interests, specifically the strategic security of its trade routes and its growing need for raw materials and markets for its industrial products. The consequence was that Spain, like other less developed economies, was incorporated into Britain's 'informal' Empire, exploited economically and dominated politically, although, except for Gibraltar, never acquired as a formal dependency. Britain needed only to intervene directly when domestic political circumstances in Spain threatened its trade and investment objectives. Britain's readiness to do so at moments of threat to its strategic interests confirms the imperial character of the relationship. Although France (and later in the period, Germany) exerted a strong cultural and economic influence in Spain, only Britain deployed military force during the period to support its interests.³ For the

¹ Gallagher, J and Robinson, R 'The Imperialism of Free Trade', *Economic History Review* Vol. VI, No 1, 1953.

² Ibid., p5-6.

³ France had intervened militarily in 1823 to support the absolutist regime of Ferdinand VII but thereafter ceded this enforcement role to Britain, and refused to become involved again, despite both British and Spanish appeals for it to do so during the first Carlist War. Britain on the other hand mobilised military force or threatened to do so several times between the 1830s and 1940s, as the thesis relates.

most part, as Gallagher and Robinson suggested, Britain's commercial and diplomatic pressure was enough to secure its economic and strategic aims.

For Britain, the initial attraction was the consumer market that Spain and its colonies offered to British textile and, later, machine tool exports. Britain exerted intense pressure on Spain to open up its markets to integrate Spain's economy within its trading orbit. In parallel, Britain worked to weaken and destroy Spanish competitors to its industries, especially the Catalan textile producers. Toward the end of the century, when Spain's mineral resources became crucial to the second wave of Europe's industrial revolution, Britain established a dominant role in the extraction of the country's copper, sulphur and iron ore resources. The extraction and export of these minerals, rather than their domestic processing within Spain itself, undermined the possible emergence of rival native industries. Combined with French dominance of Spain's financial credit market and its railway network, this process contributed to the creation of Spain's fragmented, underdeveloped economy.

Explanations for Spain's failure to use its abundant natural and human resources to achieve industrial 'take-off' in the nineteenth century have pointed to a wide range of domestic institutional and historical factors. Most have emphasised the largely unmodernised, often quasi-feudal, agricultural sector operating alongside a small and unstable industrial sector, creating a dualistic economic structure, 'respectively growth-generating and growth-resisting'.⁴ Others have pointed to the failure to achieve the balance of factors necessary for successful industrialisation, pointing to an inadequate financial sector, oriented to financing public debt, an undeveloped entrepreneurial class and a weak state, all factors leading to consistently poor policy making.⁵ Some early explanations (including in Spain itself⁶) rejected such structural causes in favour of psychological factors, an 'inherent racial vice', 'a lack of practical sense and an instinct for conspicuous consumption over efficient production'.⁷ Most of these various approaches however have had a common link, namely that, 'Spain's backwardness is its own doing'.⁸ The thesis suggests that by overemphasising internal factors and underplaying the impact of external forces on the Spanish economic development, these explanations of Spain's halting progress to industrialisation are incomplete. Foremost among

⁴ Trebilcock, C *The Industrialization of the Continental Powers 1780-1914*, Longman, 1981, p312.

⁵ Nadal, J *El fracaso de la Revolución Industrial en España, 1814-1913*, Ariel, Barcelona, 1975, p226; Tortella, G *Banking, Railroads and Industry in Spain 1829-1874*, Arno Press, 1977, p12.

⁶ In the wake of the 1898 'Disaster' when the country lost its last colonies in the Spanish American War, Ortega y Gasset, titled one of his major polemical works, 'Invertebrate Spain'.

⁷ Carr, R *Spain 1808-1939*, Oxford, 1966, p27.

⁸ Tortella, op.cit. p4.

the external forces was Britain's dominant role, alongside France, in Spain's trade and investment policymaking. By deliberately undermining Spain's own efforts to industrialise its economy, the effect of British intervention was to unbalance further the country's wildly uneven economy. These imbalances, reflecting the near-feudal agriculture of some regions and highly industrialised centres in others, created fiercely opposed factional and regional interests which distorted Spain's politics throughout the nineteenth and early twentieth centuries.

The second half of the thesis explores this pattern of uneven economic and political development by analysing the writing and careers of six important Spanish economists and politicians and their reactions to Britain's interventions at key moments of change. Gallagher and Robinson concentrated simply on the willingness and ability of local elites to support British commercial interests. The thesis takes this a step further by exploring the effect of the British free trade campaign on the economic ideas of the political elite at different times during the period. It concentrates on the emergence among parts of the liberal bourgeoisie of a strong, ideologically coherent protectionist movement committed to nation-wide modernisation through state-supported industrialisation. The resulting political and ideological conflict with supporters of Britain's free trade policies contributed to the chronic instability of Spanish governments for much of the nineteenth century. In the aftermath of the First World War, these conflicts deepened with the evolution of protectionism into increasingly radical forms of economic nationalism, an indication in themselves, of the growing Spanish challenge to a weakened British hegemony. However, at moments of existential crisis for the two countries, during the two world wars, the relationship reverted to one of informal imperialism, founded on Britain's use of military force to reassert its strategic and economic interests.

Informal Imperialism and Theories of Imperialism

Gallagher and Robinson's central proposition was that Britain's imperial expansion had been driven by its industry, commerce and governments with the aim of integrating new regions of the world into its free trade, export-driven economy. Like many other theories of industrial imperialism seeking to explain the growth of empire in the nineteenth century, their approach stressed the central role of the British-led industrial revolution in driving this dynamic expansion. However, in describing the form taken by this expansion, Gallagher and Robinson gave equal weight to the politics of the 'periphery', suggesting there was a strong element of contingency in Britain's imperial project. Rather than assuming a single process and inevitable

outcome, they argued that the character of imperialism is ‘largely decided by the various and changing relationships between the political and economic elements of expansion in any particular region and time’.⁹ In so doing, they were challenging the view that imperialism was a process of territorial acquisition, a product of the battleground of great power rivalry at the centre, an idea championed by many twentieth century writers on imperialism.¹⁰

Instead, they suggested it was the process of capitalist (rather than territorial) expansion that removed barriers to trade and inward investment with the support of willing local collaborators. British commercial interests and governments typically worked together to press local regimes to sign trade agreements which offered tariff-free access to British markets in exchange for the opening up of domestic markets. The objective was to link ‘undeveloped areas with British foreign trade and in so doing, move the political arm to force an entry into markets closed by the power of foreign monopolies’.¹¹ As the world’s most advanced and efficient industrial producer, Britain was then able to gain disproportionately from this ‘free trade’ bargain, since its products could outcompete native goods in price, quality and range. Gallagher and Robinson showed how Britain’s approach, consistently applied for over a century, amounted to an ‘imperialism of free trade’.¹² They pointed to examples, notably in Africa and South America, where these political and commercial pressures had been successfully applied to secure open British access to markets and investment opportunities. British direct rule had only followed when it was clear that local political collaboration was either unsuccessful or not feasible.

Gallagher and Robinson’s ideas faced – and still face – considerable scepticism from some historians. For Cain and Hopkins, they had wrongly identified expansion of industry as the driver of free trade imperialism, given political voice by Manchester School representatives such as Richard Cobden and John Bright. Instead, Cain and Hopkins believed the origins of imperial policy lay in the interests of a financial and commercial elite that had consolidated its hold on governments from the late seventeenth century, the so-called ‘gentlemen capitalists’.¹³

⁹ Gallagher and Robinson, op.cit. p5-6.

¹⁰ Kiely summarises these theories in the context of their effect on underdeveloped countries like Spain. Kiely, R *Rethinking Imperialism*, Macmillan, 2010.

¹¹ Gallagher and Robinson, op.cit. p7-8.

¹² Grady and Grocott rename this ‘imperialism for free trade’ since its aim was ‘to create and maintain unequal economic relationships with developing economies’ Grocott, C and Grady, J ‘Naked Abroad: The continuing imperialism of free trade’, *Capital & Class*, 2014, v38(3) 541-562, p544.

¹³ Cain and Hopkins argue that ‘economic development was not synonymous with the Industrial Revolution and that non-industrial activities especially those concerned with finance and services were far more important and independent’. For them ‘free trade was the logic which gave debtors access to other markets so they could

Others also took Gallagher and Robinson to task for neglecting the political dynamics of nineteenth century Britain. Darwin for example, suggested there might be no consistent explanation for Britain's imperial expansion: it could be seen simply a response to a changing set of opportunities and pressures facing Britain, 'an epiphenomenon of wider forces in the world after 1830, surfing the global wave'.¹⁴ Empiricist historians like Platt focussed on the mechanics of informal empire. He attacked the concept by highlighting examples of the apparent indifference of British governments to calls for support from British-owned local businesses in South America, reflecting an inability to exert effective leverage at moments of crisis.¹⁵ Thompson also criticised Gallagher and Robinson's approach on empirical grounds. He argued that because free trade agreements were freely entered into by independent agents, there was no imbalance between the countries, especially as Britain never had a monopoly of Argentinian trade. Consequently, British informal imperialism in Latin America was a myth.¹⁶

Hopkins however, argued that Thompson had misinterpreted Gallagher and Robinson's fundamental point that control may result from apparently freely agreed policies, especially where that agreement served the interests of a powerful ruling faction within the country.¹⁷ Indeed, the objective of imperialist powers in seeking to maximise their own interests, may well be compatible with the local 'colony' having considerable agency. In many cases, like-minded elites in the local colony came to prominence by pursuing complementary interests to those of the dominant power but this did not mean they had simply become imperial agents.¹⁸ This underlines Gallagher and Robinson's wider point – imperial control was exercised only

acquire foreign exchange and service their debts'. Cain P and Hopkins A, *British Imperialism: Crisis and Deconstruction 1914-1990*, London, 1993, p298.

¹⁴ Darwin, J *Globalisation and Imperialism: The Global Context of British Power, 1830-1960* in Akita, S *Gentlemanly Capitalism, Imperialism and Global History*, Macmillan, 2002. This contingent approach was most famously summed up by the Victorian historian Sir John Seely's remark, that 'we seem, as it were, to have conquered and peopled half the world in a fit of absence of mind'. Seely, J *The Expansion of England: Two Courses of Lectures*, London, 1883.

¹⁵ Platt, D (editor), *Business Imperialism 1840-1930 An Inquiry based on British experience in Latin America*, Oxford, 1977.

¹⁶ Thompson argued that Argentina's autonomy could not have been prejudiced since it was based on the freely agreed 1825 Treaty of Friendship, Commerce and Navigation, 'a free market relationship between an industrial community and a raw-material-producing economy', Thompson, A 'Informal Empire? An Exploration in the History of Anglo-Argentine Relations, 1810-1914' *Journal of Latin American Studies*, Vol. 24 (2) 1992, 419-436, p422.

¹⁷ Hopkins, A 'Informal Empire in Argentina: An Alternative View', *Journal of Latin American Studies*, Vol. 26, 469-484. As Gallagher and Robinson put it themselves: 'once their economies had become sufficiently dependent on foreign trade, the classes whose prosperity was drawn from that trade normally worked themselves in local politics to preserve the political conditions for it' Gallagher and Robinson, op.cit., p10.

¹⁸ As Hopkins pointed out, when a dominant power pursues its own interests 'it does not follow as a matter of necessity that this purpose is incompatible with others on the periphery or that gains accrue exclusively to the metropolis', Hopkins, op.cit. p475. As the next chapter discusses, coincidence of interests explains the widespread support for Britain's free trade policies among Spain's commercial and landowning elites.

to the extent necessary to support British interests in securing open markets, political stability and the enforcement of commercial and property contracts. In Argentina, as in Spain, a free trade agreement between an advanced industrial and a peripheral, raw material-based economy was seen as the ideal outcome for Britain. In exchange for much needed primary materials and food it was able to penetrate new markets, absorb the expanding output of Britain's manufacturing industry and avoid the expense of direct rule. For the 'subordinate' primary goods-producing country on the other hand, the outcomes of such free trade agreements were rarely ideal. They led to a loss of bargaining power (and hence control) over trade and investment flows and this inevitably favoured the dominant power with its greater resources and wider trading network. In the longer term, free-trade agreements tended to petrify a structurally unequal economic relationship since the subordinate economy faced immense difficulties in industrialising in face of the overwhelming competitive advantage of a modern industrial power. When Argentina and Spain began to industrialise in the twentieth century for example, they faced deeply embedded political and economic obstacles in trying to put import-substitution policies into practice in a by now even more fiercely competitive international economy.

Despite the criticisms, many historians, even previous sceptics, have concluded that Gallagher and Robinson's ideas are useful in building a rounded picture of Britain's nineteenth century industrial imperialism.¹⁹ Most for example, now agree with their starting point, namely that the industrial revolution in Britain had 'let loose on the continent, forces that implied nothing less than the destruction of the old social and political order' and had thereby defined a new industrialised 'centre' and an undeveloped, agriculture-based 'periphery'.²⁰ The power of this impulsive industrial expansion was reinforced by Britain's wider role in providing the 'public goods' necessary to support the international trading system: together they supported Britain's global hegemonic influence for nearly a century.²¹ A broader issue nonetheless remains.

¹⁹ Hopkins was one such sceptic who has since recanted, albeit somewhat grudgingly: 'The central problem lies with the notion of informal empire [itself], which historians have wrestled with for over half a century. We cannot now do without it, yet there are limits to what we can do with it', A. G. Hopkins, 'Comparing British and American Empires', *Journal of Global History*, ii (2007), p402, cited in Attard, B 'Informal Empire: The Origin and Trajectory of an Idea', unpublished paper, University of Leicester, 2019.

²⁰ Berend, I and Rankí, G *The European Periphery and Industrialisation*, Cambridge University Press, 1982, p8. Berend and Rankí defined periphery in relation to a core. A peripheral nation's economy – its foreign trade, balance of payments and production – is tied to, and subordinate to core countries, a fundamentally unequal relationship that benefits the core. Like Wallerstein, they defined Spain as a 'semi peripheral' economy.

²¹ Akita defines five categories of 'public goods' supplied by Britain that were essential for the operation of an international trading system as peace, safe access to international waterways, international property rights protection, open trade regime, international money system. Akita, S *Gentlemanly Capitalism, Imperialism and Global History*, Macmillan, 2002, p2.

Although Gallagher and Robinson were clear that the origin of Britain's nineteenth century imperialism lay in a process of British industrialisation which had 'caused an ever-extending and intensifying development of overseas regions', they made no attempt to go further in identifying its cause.²² They ascribed the extraordinary upsurge of activity of British industrialisation, 'the exports of capital and manufactures, the migration of citizens, the dissemination of the English language, ideas and constitutional forms', simply, and somewhat tautologically, to 'the radiations of the social energies of the British peoples'.²³ The lack of a clear explanation for the underlying drivers of Britain's industrial expansion creates a problem in locating their analysis within the long debate over definitions and explanations of imperialism. Nonetheless, elements of their approach can be seen as consistent with several of the major explanations of imperialism. For example, theories suggesting that political or economic rivalry among the Great Powers was central to the development of imperialism can still acknowledge that control in the imperial periphery may be exercised informally through a process of negotiation with local elites. Gallagher and Robinson's formulation can therefore be consistent with those 'imperial centre' based approaches that accept a measure of contingency in the process of informal imperialism.²⁴ Nonetheless, there are substantive differences between the primacy of the industrialisation process proposed by Gallagher and Robinson and those of Hobson, Lenin and their followers, who emphasised geopolitical rivalry and the financial interests of the imperial powers as the impulse behind imperialism.²⁵ However, the search by finance capital for profitable investment opportunities among formal and informal colonies that they propose, closely resembles industrialists' search for foreign markets, highlighted by Gallagher and Robinson. Both are likely to lead to an exercise of informal power involving negotiation with local elites, even if the interests and therefore the means, may be different. This is supported by evidence in the Spanish case: throughout the

²² Gallagher and Robinson, op.cit. p4. Jones describes this process in the context of British informal imperialism in Argentina 'Once states cannot expand territorially, they seek to extend or protect their power by adding to monopolies within their territories. The outward pressure from centre to periphery that provided the fundamental cause and the asymmetry of the whole phenomenon was the spread of competitive capitalism throughout the world in the nineteenth century' Jones, C "Business Imperialism" and Argentina, 1875-1900: A Theoretical Note', *Journal of Latin American Studies*, Vol. 12 (2) 1980, 437-444, p444.

²³ Gallagher and Robinson, op.cit. p4.

²⁴ Some critics, like Brewer however believe that Gallagher and Robinson took their ex-centric element too far. For them imperialism, driven by the balance of costs and benefits to the imperialists, depend fundamentally on developments in the centre. Brewer, *A Marxist Theories of Imperialism: A Critical Survey*, London, 1990, p257.

²⁵ Hobson, Lenin and Bukharin for example all described, albeit with different emphases, a process of competition between the great powers: the search for investment opportunities to deal with declining domestic profit rates leads to the strengthening of finance capital linked to increasing monopolisation. Hobson for example, summarised his argument in the phrase: 'finance is the governor of the imperial engine'. Cited in Callinicos *A Imperialism and Global Political Economy*, Polity, 2009, p45.

period, British governments actively supported manufacturers, City of London creditors and direct investors in their negotiations with Spanish governments. There is no evidence they discriminated between finance and industrial interests or adopted the lordly indifference that Platt and Thompson suggested the Foreign Office displayed in South America.²⁶

Other imperial theorists, such as Hilferding and Bukharin, also predicted that geopolitical rivalry would arise from the increasingly centralised concentration of capital and economic organisation within imperial centres. They suggested that this would lead imperial powers to try to dominate territories directly in pursuit of their national interests.²⁷ Hilferding's argument was that British free trade capitalism was initially associated with commodity exports and was largely indifferent to colonial possession, just as Gallagher and Robinson suggested. Later in the century, new imperial powers emerged, dominated by finance capital interests which united banks, industry and commerce and focussed on the export of capital rather than commodities. For these new financial organisations, capital export opened new markets by surmounting protective tariffs while simultaneously boosting domestic production. In this new highly competitive international environment, advanced nations aimed to cordon off spheres of influence, dependencies and colonies from other capitalist powers by incorporating 'part of the world market into the national market'.²⁸ Finance-driven imperialism became the means to dominate large economic areas, which were reserved for exploitation by monopolistic cartels and syndicates and closed to foreign interests. This required a new, more active colonial policy, the frequent deployment of armed force and a strong interventionist state, in contrast to British free trade policy which simply required the opening of new markets for industrial products. Britain had found its free trade-based competitive ideology hard to shake off when the rise of finance capitalism in the late nineteenth century led local colonies to adopt defensive, economic nationalist approaches to trade negotiations with the British.²⁹ In the Spanish case, we can see this in the changing British priorities during the period. Initially it was the demands of Britain's industrial manufacturers that drove its relentless diplomatic campaign to get Spanish governments to sign a free trade agreement. However, in later phases of the Anglo-Spanish

²⁶ Platt, op.cit. and Thompson, op.cit. In the case of Spain however there is evidence of discrimination based on the degree of political influence that such interests could mobilise: Rio Tinto's size and worldwide role for example enabled it to have considerable impact on both London and Madrid governments.

²⁷ Callinicos, op.cit. p51.

²⁸ Noonan, M *Marxist Theories of Imperialism*, London, 2017, chapter 1.

²⁹ Noonan, *ibid.*

relationship, commercial and financial motives became more important and there was a greater emphasis on wider commercial priorities in Britain's exercise of its imperial power.³⁰

Gallagher and Robinson's framework can therefore be seen as consistent with a range of ideas about both the origin and development of imperialism. This becomes even clearer in the case of development and dependency theories that emerged after the Second World War. These generally fit well with Gallagher and Robinson's emphasis on the dialogue between imperial authority at the centre and local elite at the periphery. Frank's approach for example, divided the world into centre and periphery categories: the imperial centre develops at the expense of the periphery which is reduced to a state of dependence. Wallerstein's more sophisticated version separated the capitalist world system into three tiers – core, semi-periphery and periphery – defined by the capacity of the state machine and labour practice at each level to transfer surplus from periphery to core. The original division of centre and periphery is technologically determined but the power of the imperial centre enables it to deliberately weaken peripheral states and impose monopolistic restrictions on the development of industry in the periphery.³¹ For Emmanuel, the centre-periphery was perpetuated by unequal exchange which led to deteriorating terms of trade for peripheral countries. Whatever mechanism is given particular emphasis in these various dependency theories, the conclusions are broadly similar: 'the development of industrialising countries was achieved at the expense of countries subject of imperialism and colonialism' through 'the removal in bulk of their non-renewable real resources and de-development through destruction of local manufactures'. This freezes periphery countries into an unbalanced and dependent pattern, characterised by 'primary sector predominance and by secondary and tertiary sectors specifically fashioned to facilitate imperialist exploitation of their resources and labour'.³² Although there is considerable evidence, set out in later chapters, that these effects contributed to Spain's delayed industrialisation, it is important not to conflate Gallagher and Robinson's ideas about free trade imperialism with dependency theories. Gallagher and Robinson made no claim that informal

³⁰ One example was the 1935 Anglo-Spanish trade agreement negotiation. After extensive discussion, no new trade tariffs could be agreed but Britain did successfully secure a new financial payments scheme. Sharman, N *Britain's Investment Interests in Spain*, MA Thesis, University of London, 2014.

³¹ Wallerstein's approach has significant overlaps with Gallagher and Robinson's: 'Imperialism represents part of an inexorable process of incorporation by which the European capitalist 'core' of the world economy, needing to expand in response to internal pressures, gradually draws areas hitherto wholly external to it into a 'peripheral' or still closer 'semi-peripheral' position [...] Its outstanding features include the redirection of major trades, their replacement with new trades in primary products or raw materials required by the core, the transformation of production processes and global divisions of labour and the enlargement of state structures, not least in the form of Europe's colonial empires, to organise the expanding production'. Wallerstein, I *The Capitalist World-Economy*, Cambridge, 1979, p59.

³² Caldwell, M *The Wealth of Some Nations*, London, 1977, p57.

imperialism leads inevitably to dependency and did not deal at all with the effects of informal imperial domination on the politics of the subordinate power.³³ In Hopkins' view, Gallagher and Robinson had identified a process not an end state, which could equally turn out to be chronic dependency or industrial take-off. It was therefore more accurate to refer to 'informal imperialism' rather than to 'informal empire'.³⁴

There are two further important dimensions to Gallagher and Robinson's concept of informal imperialism that have an impact on local political resistance to free trade policy. As Kiely has pointed out, the adoption of liberal free trade policies by more advanced nations 'undermines capitalist development for later developers by kicking away the ladder and undermining the potential to promote protectionist policies that are necessary to first build up a dynamic and competitive economy'. Empires may not create uneven development in a capitalist world, but they do much to consolidate it.³⁵ This process was ideological as well as material. At its most general, the aim of British imperialists was to 'naturalise the ideas of free trade at home and abroad' by coupling the notion of the free market to the idea of individual freedom which prevents the promotion of collective solutions. Thus, 'an economic choice is presented as common sense and morally superior'.³⁶ The new classical economic ideas were then used to justify the embedded inequality that resulted. As British governments well understood, an industrial trading nation cannot simply flood underdeveloped peripheral nations with its products unless it also enables them to trade in non-competitive goods. Ricardo's theory of international exchange had proposed that free trade leads to a convergence around a country's 'natural' economic specialisms. In British eyes therefore, Spain should take advantage of its climate and resources to exchange its natural advantages in producing food, wine and minerals for Britain's industrial products.³⁷ This would imply allowing its emerging textile and engineering industries to wither away in face of the superior range, quality and price of British

³³ There is, however, inherent in their approach an interest in the interface of dominant and subordinate power. Robinson's later work on Africa was to develop this aspect of their approach and he moved the centre of gravity of conflict to the politics of the periphery. Robinson, R 'Non-European Foundations of European Imperialism: Sketch for a Theory of Collaboration', in Owen, R and Sutcliffe, B (eds.), *Studies in the Theory of Imperialism*, Harlow, 1972.

³⁴ Hopkins, op.cit.

³⁵ Kiely, op.cit. p254.

³⁶ Grocott, C and Grady (2014), op.cit. p547.

³⁷ This was a typical British vision for the future of less developed economies. As Gallagher and Robinson themselves put it: 'the general strategy of this development was to convert these areas into complementary satellite economies which would provide raw materials and food for Great Britain and also provide widening markets for its manufactures' Gallagher and Robinson, op.cit. p9. Chapters two and three show that British policy reflected this view of Spain's economic role.

products.³⁸ Any attempt it made to protect its industries in defiance of this ‘natural’ distribution of resources would lead to inefficiency and economic weakness.

Another important feature of the application of unrestrained trade and investment policy was to encourage the overwhelming concentration of capital investment in certain locations. Its cumulative impact was to deepen the already existing patterns of uneven development. Massey showed how industrialisation within countries subject to imperialist resource extraction reflects this process: ‘countries on the receiving end of imperialism reflect in their internal spatial structure their subordinate and externally orientated position within the world economy’ while ‘most of the physical and economic condition for accumulation are confined to metropolitan countries’.³⁹ Although Gallagher and Robinson themselves do not tackle this type of spatial effect, the second part of the thesis uses their ideas to explore this issue. For example, chapters six and seven show that one of the impacts of Britain’s domination of the mining industry was to influence the geographic development of Spain’s industrialisation. Chapter six discusses how these were then reflected in the regional politics of Spain, notably in Catalunya, Vizcaya and Andalucía, which in turn had significant effects on the development of national politics. Britain was adept at exploiting the conflicting political forces that sprang from this spatial fragmentation: one example highlighted in the next chapter, was its attempt over several years to stoke up the chronic tensions between the Catalan industrialists, Madrid’s commercial elites and Andalucía landowners.

Gallagher and Robinson’s underlying assumption was that economic motives fundamentally shaped the process of informal imperialism, albeit mediated by the outcome of subsequent political negotiation. In this, their ideas reflect the general consensus that ‘of all the explanations of Empire, none is more compelling than the one concerned with economic gain’.⁴⁰ However that still leaves a range of questions over the precise definition of what Hopkins called the ‘notoriously slippery concept’ of informal empire.⁴¹ Gallagher and Robinson themselves described it as a process (‘the sufficient political function of this process

³⁸ There was of course nothing ‘natural’ about the Britain’s manufacturers processing cotton that had been grown in wholly different climates. Trentmann nicely summarises the British perspective, common to much twentieth century economic history writing in both Britain and Spain: ‘Free Trade is framed as a natural expression of rational interests, its rivals dismissed as products of prejudice, ideology, passion and culture’. Trentmann, F *Free Trade Nation: Commerce, Consumption and Civil Society in Modern Britain*, Oxford, 2008, p14.

³⁹ Massey, D *Spatial Divisions of Labour: Social structures and the geography of production*, London, 1995, p80.

⁴⁰ Davis, L and Huttenback, R *Mammon and the pursuit of Empire: the economics of British imperialism*, Cambridge 1988, p6.

⁴¹ Hopkins, op.cit. p469.

of integrating new regions into the expanding economy'⁴²) rather than a settled or an end state. Informal imperialism is a highly contingent concept in which nature and extent of expansion is dependent on the contemporary political and economic circumstances. This implies that 'although imperialism is a function of economic expansion, it is not a necessary function' but depends on 'the political and social organisation of the regions brought into the orbit of the expansive society and also by the world situation in general'.⁴³ Moreover, to demonstrate informal imperialism at work, there has to be a degree of compulsion in the relationship. This may range from direct control by the dominant power, backed by military force, to various forms of negotiated settlement with local elites. Furthermore these forms of imperial control are likely to change over time as 'not all regions will reach the same level of economic integration at any one time; neither will all regions need the same type of political control at any one time'.⁴⁴ As Attard points out, this leaves unanswered a range of definitional issues: is subordination the main criterion for informal imperialism? Or is the use of military superiority to secure commercial ends necessary? Is it, in other words, coercion pure and simple? Or is informal imperialism present when it simply involves the exercise of asymmetric power, even when coercion remains in the background? Or should we look for foreign control and exploitation in order to show conclusively that a state cannot control its relationship with a powerful metropolitan economy?⁴⁵

There have been various attempts to answer these questions and give more specificity to Gallagher and Robinson's general propositions. One is suggested by Gallagher and Robinson's article itself. Central to their proposition was the recasting of the traditional division between the directly ruled Empire and what they called 'the old idea of informal empire as a separate, non-political category of expansion'. For them, there was no separation: both formal and informal parts of the empire were driven by the same force, namely 'the inter-relation of its economic and political arms; how political action aided the growth of commercial supremacy and this supremacy in turn strengthened political influence'.⁴⁶ What constituted 'political action' and how it relates to the exercise of 'political influence' on local elites, must then be defined. For Attard, political action implies 'intervention by, and possibly a continuing involvement of, the British state and its representative "imperialistically" to bring about

⁴² Gallagher and Robinson, op.cit. p5.

⁴³ Ibid. p6.

⁴⁴ Ibid.

⁴⁵ Attard, op.cit.

⁴⁶ Gallagher and Robinson, op.cit. p7.

“satisfactory conditions for commercial or strategic integration”⁴⁷ Political influence on the other hand, moves the focus to ‘the politically dominant groups in the self-governing societies who wanted to cultivate or deepen a close relationship with Britain’.⁴⁸ As long as these elites protected Britain’s essential interests, the formal status of the informal ‘colony’ was irrelevant. The essential point was that in both cases of political action or political influence, the necessary imperial control was maintained.

Thompson proposed an alternative approach by using three axes for assessing the impact of Britain’s informal empire – the extent of its indirect power, the distribution of gains between informal empire and colony and the role of collaborating elites.⁴⁹ Hopkins suggested a third approach, which starts with a definition of imperialism as the diminution of sovereignty through the exercise of power. He interpreted sovereignty as power over key elements of statehood: constitution, law, foreign policy and defence, education and economic development. In defining power, he considered its simple meaning of command (i.e. to get others to do what they would not otherwise) was too limited and added two further elements: enabling (persuading others to do what they would not do unaided) and demonstrative (influence through example). He suggested that a useful way of turning these definitions into a basis for analysis was to use Susan Strange’s categorisation of international power into structural and relational components. Structural power was the exercise of predominant influence in four main areas: credit, production, security and knowledge, beliefs and ideas, while relational power was exercised in bargaining between states over particular interests. The implication is that the outcomes of individual bargains are not a sufficient basis for judging whether a subordinate power is subject to external control – a much wider and longer-term view has to be taken of the overall environment in which control operates.⁵⁰ The thesis uses this distinction between relational and structural power in its analysis of Britain’s free trade campaign, building on the broad consensus that Gallagher and Robinson’s approach provides important insights into the nature of imperialism. Their descriptions of the origins of imperialism in industrial and

⁴⁷ Attard, op.cit.

⁴⁸ Ibid.

⁴⁹ Thompson used these to challenge Gallagher and Robinson’s case that Britain’s relationship with Argentina in the nineteenth century involved the exercise of informal imperial control, suggesting that British influence fell far short of indirect political hegemony. Thompson, op.cit. p421.

⁵⁰ Hopkins, op.cit. pp476-478. Cain and Hopkins usefully illustrate the concept in the context of informal imperialism: ‘Britain exercised structural power over smaller countries if they were subject to her military and naval might or if they were heavily dependent on British trade and credit, so these countries had to accommodate themselves to British political and economic liberalism whether by agreeing non-discriminatory tariff policies or by sound monetary and fiscal policy’. Cain, P and Hopkins, A *Afterward in Dumett, R Gentlemanly Capitalism and British Imperialism*, London, 1999, p204.

financial capitalism may be incomplete, but as this thesis shows, they have made an important contribution to explanations of the diffusion *process* of a globalising capitalism, that can be applied even to complex examples of economic development, such as Spain in the nineteenth and twentieth centuries.

Gallagher and Robinson and the Anglo-Spanish Relationship

Spain's economic importance for Britain in the modern industrial era revolved around three main elements. First, and most important, was the geopolitical factor of Spain and Portugal's location at the hinge of Britain's North Atlantic and Mediterranean trade routes.⁵¹ These were the Empire's trading lifelines, especially once the Suez Canal had opened in 1869: security of the Gibraltar naval base therefore always had the highest priority in British minds.⁵² As a consequence, a consistent British foreign policy objective was to ensure that no other European power should ally with Spain and threaten these routes or the Gibraltar base which protected them. The thesis shows how British governments secured this objective, especially at key points of crisis, from the beginning (the Carlist Civil War) to the end of the period in the Second World War, when Britain's dominance was again under threat from Spain's potential alliances with other Great Powers.

The second main feature of the economic relationship was the deep and longstanding trade and investment link between the countries. From the 1820s, Spain's substantial domestic and colonial markets became a particularly attractive prospect for Britain's rapidly industrialising economy. Driven by the recurrent economic crises of the decade, British manufacturers were anxious to break into Spain's market of some fourteen million people (roughly the population of England and Wales at the time) and its similarly sized colonial population. In 1824 the Foreign Secretary, George Canning had set out ambitious plans for gaining market access to the newly independent Spanish nations of South America and there were parallel pressures to open market access to Spain itself.⁵³ Lobbying by business associations, especially those representing the engineering and cotton goods manufacturers of Liverpool, Manchester and

⁵¹ As Brewer points out, 'much of the history of the British Empire pivots on the need to safeguard the route to India; British policy in, say the Mediterranean, should not be explained in terms of the economic gains made in that area alone but in terms of the maintenance of the empire as a whole'. Brewer, *op.cit.* p2.

⁵² Admiral Fisher expressed the central importance of Gibraltar to Britain's global dominance in referring to the five Royal Navy bases of Dover, Gibraltar, the Cape, Alexandria and Singapore: 'Five strategic keys lock up the globe'. Cited in Kennedy, P *The Rise and Fall of British Naval Mastery*, London, 2017 (originally published 1976), p206.

⁵³ Gallagher and Robinson, *op.cit.* p8.

Glasgow, had already made their mark on government.⁵⁴ However, the absolutist regime of Ferdinand VII, supported by the French, fiercely resisted any substantial change to Spain's restrictive tariffs and allowed British merchants only limited commercial concessions. Following Ferdinand's death in 1833, the arrival in power of a politically liberal regime offered British manufacturers the opportunity to create a more open market in Spain. The first chapter describes how British government and business pressed Spain to conclude a free trade agreement to take advantage of this opportunity. Spain's exports represented another economic attraction for Britain: its agricultural products were able to help meet Britain's trade (and food supply) deficit while, later in the century as Britain's own mineral resources ran down, Spanish iron and copper imports were to become critical to Britain's industrial expansion. During both the world wars of the twentieth century, British dependence on Spanish food and mineral imports was to have serious political ramifications: chapters four and five explore how Britain managed to maintain supplies, largely by use of military force in the form of its comprehensive naval blockade. Spain was also an important target for Britain's extraordinary late Victorian outflow of foreign investment, which was aimed initially at the minerals sector and later, across a wide range of infrastructure-related businesses. As late as the 1930s, some forty per cent of foreign investment in Spain was British-owned.⁵⁵ This dominance was to become a potent source of Spanish resentment, expressed most clearly in the Franco regime's policy of economic autarky.

The third dimension of Anglo-Spanish economic engagement was finance. Behind the broad span of investment and trading relationships lay the operations of the London financial markets, supplying Government loans, business finance, insurance and currency exchange. Given the undeveloped state of Spain's financial sector, the country relied heavily on the London and Paris-based financial markets and services. British financial institutions therefore had a profound effect on Spain's economic environment through the operation of exchange rates and the availability and cost of government loans.⁵⁶ At key points during the period, this influence severely constrained Spain's freedom of economic policy manoeuvre and caused great political resentment.

⁵⁴ These powerful lobbies became increasingly influential in Parliament during the 1830s. Rodríguez Alonso, M *Gran Bretaña y España: Diplomacia, guerra, revolución y comercio, 1833-1839*, Madrid, 1991, p200.

⁵⁵ Edwards, J *The British Government and the Spanish Civil War 1936-1939*, Macmillan, London 1979, p65.

⁵⁶ As Davis and Huttenback put it, 'Europe, may well have been the world's banker but Britain was the majority stockholder in that enterprise', responsible for 75% of all international capital movements in 1900 and some 40% as late as 1913. Davis and Huttenback, *op.cit.* p35.

The thesis argues that in each of these three main fields of the economic relationship, geopolitical concern over the security of trade routes, trade and investment interests and financial operations, the balance of power was so lopsided that its exercise amounted to informal imperialism. Through a mixture of political action and ideological influence Britain ensured that its interests were met and, in the process, drastically constrained Spain's sovereignty. British threats – and on occasion its use – of coercive military and naval power demonstrates that behind the relationship lay a fundamental inequality of structural power. Spain might 'win' some 'relational power' points but only in a game in which Britain had set and enforced the rules.

The Practice of Britain's Informal Imperialism in Spain

This inequity is at its clearest when we consider the geopolitics of trade, the first of the three sets of economic issues linking Britain and Spain outlined above. Any serious threat to British dominance of the Mediterranean and North Atlantic sea routes went to the heart of its imperial strength and was met with military action.⁵⁷ This occurred on three occasions during the period, first in the 1830s, when the Carlist uprising might have led to Spain's alliance with the central and eastern European imperial powers of Russia, Austro-Hungary and Prussia. Britain blockaded Spain's northern coast and financed a ten-thousand-strong private army to ensure that the liberal monarchists retained power. In the First World War, Britain again imposed a naval blockade allowing it to control Spain's trade and to prevent German use of its ports as a base for the North Atlantic submarine war. In the Second World War Britain yet again imposed a strict naval blockade to undermine Franco's support for the Axis Powers. Chapters four and five show that, although both these exercises of British military force were a reaction to the immediate threat posed by Germany, they were also designed to secure Britain's wider economic interests in Spain. Chapters two and three point to two previous potential threats to Britain's control of the Gibraltar Strait. These were met with diplomatic rather than military means, though in both cases, diplomacy was underwritten by overt threats to use British military force. In 1859, Britain brought Spain's invasion of Morocco to a premature halt, fearing that Spain or its potential allies would be able to control the Strait from the southern coast. In 1906, Britain championed a proposal at the Algeiras Conference that Spain itself should occupy the Moroccan coast. By then, Britain's assumption was that it was in a position

⁵⁷ Paul Kennedy quotes the Victorian military expert, Viscount Esher's summary of the crucial importance of the Mediterranean: 'Britain either is or is not one the Great Powers of the World. Her position in this respect depends solely upon sea-command and sea-command in the Mediterranean', Kennedy, *op.cit.* p222.

to control Spain's actions and prevent it from threatening Gibraltar. This move successfully pre-empted France's expansion into the area and prevented any threat to the Strait by a rival Great Power. These events showed that, whether by diplomacy or direct military action, the outcome was the same: the exercise of Spain's sovereignty over its defence and foreign policy was seriously constrained.

In the second, trade and investment bundle of British economic interests in Spain, informal imperial control generally relied on political influence, rather than military force. As a result, securing British economic interests involved a much more complex process of persuasion and negotiation with local elites. In some cases, these elites successfully resisted British demands on specific 'relational' issues. In the longer term however, these usually turned out to be largely pyrrhic victories: Britain's wider 'structural' power was mobilised, and the country eventually adopted policies favourable to British economic interests. An important example, dealt with at length in the next chapter, was the repeated refusal by the Spanish parliament, the Cortes, to concede a free trade agreement with Britain, despite its sponsorship by successive Spanish governments in the 1830s and 1840s. This was a source of enormous frustration to British governments and over three decades they carried on an unremitting diplomatic campaign to secure the approval of the Cortes to a trade deal. Although no formal agreement was reached, a series of tariff reforms were agreed which significantly lowered barriers to foreign trade. Indeed, by the late 1860s, Spain was on course to be one of Europe's most open economies, proof of Britain's control of the wider environment in which the 'the rules of the game' were defined.

British and French 'structural' power was also evident in the opening of the country to direct foreign investment, where financial interests in London and Paris were able to use Spain's need for debt finance as a bargaining lever. From the 1850s, Britain and France between them were able to take charge of the railway and mining booms, siphoning off much of the monopoly 'super profits' they created, despite intense local political opposition. There is no clearer example of the profound asymmetry of the Anglo-Spanish relationship: while foreigners owned half of all Spain's capital invested by 1900, there was negligible Spanish investment in Britain. Meanwhile, a large proportion of Spain's exports to Britain were minerals and agricultural produce, leaving Spain highly vulnerable to the often-wild fluctuations of world commodity prices. The thesis concludes that in the fields of both trade and investment, the exercise of informal imperialism seriously limited Spain's budgetary and economic policy sovereignty throughout the period.

The imbalance is even clearer when we come to the third ‘bundle’ of issues defining the Anglo-Spanish economic relationship, financial transactions and services. Spain’s dependency on foreign finance was a chronic problem throughout the nineteenth century. The frequent recourse of Spanish governments to foreign borrowing left the country particularly vulnerable to direct intervention by lenders. Although usually administered by banks and financial investment houses, imperial authorities were always actively involved. Barbe has termed this form of power the ‘imperialism of debt’ to distinguish it from the closely related ‘imperialism of free trade’.⁵⁸ The first chapter shows how the British government offers of loan guarantee during the Carlist Wars of the 1830s were used to press successive Madrid governments to lower trade barriers. British governments also gave unstinting support to Spanish governments’ unpaid creditors in the City of London. At one point, Lord Palmerston, as Foreign Secretary, threatened to use troops to take over Spain’s main sources of colonial income until debts were repaid and was only persuaded at the last minute that such an aggressive measure would be counterproductive. The profound imbalance of power gave the banks and financial investors immense political influence. The Rothschild’s for example persuaded Spanish governments to sell important sources of the country’s mineral assets to them, to fund debt loan repayments. The Bank thereby acquired control of the country’s major mercury and lead mines, the most productive in Europe.⁵⁹ This fundamental imbalance continued for much of the twentieth century as the country remained highly dependent on foreign loan finance and acutely vulnerable to currency speculation. The Second Republic for example, found its freedom for economic policy innovation tightly constrained as a result of the Bank of England’s insistence that the debts of the Primo de Rivera dictatorship had to be honoured. Indeed, it can be argued that the Republic’s close adherence to financial orthodoxy was a key reason for its failure to meet the economic expectations of its supporters and led to their acute political disillusion. This combination of Spanish financial vulnerability and the readiness of British imperial authorities and their French counterparts, together with their commercial outriders, to use financial disciplines to impose policies on Spanish governments opened the country to overwhelming foreign economic domination. The first part of the thesis concludes that in each of the three main areas of economic interaction Spain was subject to the

⁵⁸ Debt imperialism can lead to political domination, whatever the original motivation for imperialism, strategic, economic or ideological. ‘Economic tools could be considered as a way to conquer colonial empires’, as can free trade. Barbe, *A Public Debt and European Expansionism in Morocco from 1860 to 1956*, Master’s Thesis, Paris School of Economics, 2016, p18.

⁵⁹ López-Morell, M *The House of Rothschild in Spain, 1812-1941*, Ashgate, Burlington VT, 2013.

exercise of Britain's informal imperialism. Although its industrial Great Power rivals, especially France, had great influence, Britain's role remained pre-eminent throughout the period, reflecting its role as dominant imperial power and its deep economic interests in Spain.

The Spanish Reaction to Britain's Informal Imperialism

By any of the measures of informal imperialism set out in the previous section, Spain's independence was tightly constrained throughout the period of Britain's industrial and trade-based empire. The second part of the thesis looks at the Spanish side of the relationship by exploring its reaction to Britain's exercise of economic power. It tracks the evolution of Spanish economic policy and practice at key historical periods to create a series of 'windows' into the dynamics of the wider relationship. For much of the nineteenth century, the deepest economic policy conflict in Spain was over protectionism. While most of the Madrid elite were supporters of a liberal economic policy based on free trade, the Catalan manufacturers, many of them committed industrial modernisers, argued for temporary protection of their 'infant' textile industry and for state intervention to support industrial development. Chapter six examines the theoretical underpinning of these political positions in the writings of two early nineteenth century Spanish economists, Eudald Jaumeandreu and Álvaro Flórez Estrada. Both based their analysis on elements of British classical economic thinking but drew radically different conclusions about the role of the state and the effects of competition on a developing country like Spain. For the Catalan protectionist, Jaumeandreu, free trade put countries with emerging industries at a fundamental disadvantage in face of competition from the advanced industrial countries. This could only be overcome by the state taking collective action to protect and develop its emerging industries behind tariff barriers. More fundamentally, Jaumeandreu and his followers rejected one of the universalist assumptions of classical economics: the proposition that the unregulated choices of individual consumers and firms in competitive markets automatically secure the best possible outcomes for the nation and its communities. Instead, they believed society had an essential role in safeguarding community welfare, an approach that both looked back to the strong bonds of mediaeval society and forward to the need for the social control of unbridled liberal capitalism. In their ideas we can see the different, and sometimes opposing, interpretations of liberalism that were involved in the two sides of the free trade debate. Freedman has usefully defined a typology to distinguish between the main families of liberal thinking by looking at the different emphasis placed on the meaning

of the core values of liberalism.⁶⁰ Freedom is liberalism's most distinguishing concept, but its various families have radically different – and contested – views of the threats to freedom. For the British classical economists, the priority was to protect the market activities of individuals and their property rights from interference by the state.⁶¹ The combination of individualism and free trade would, as John Bright wrote, 'promote the comfort, happiness and contentment of a nation'. This idealistic coupling of free economic exchange and liberalism was the basis of liberal imperialism, a movement embodied in Richard Cobden's view of free trade as an agent for a civilizing mission to spread these values across the world.⁶² The Catalan industrialists shared many of these liberal values, in particular the emphasis on individual economic freedom as the foundation for a nation's development. However, there were very significant differences, reflecting their view that individual enterprises operate within a social context and require active support by the community. The emphasis they gave to this more communitarian version of liberty (which prefigures later developments of liberalism within Britain itself) suggests the state should have a central role in social and economic development, where necessary constraining economic freedom in giving active support to individuals and enterprises.

Free trade supporters claimed that protectionism would simply result in monopoly power for small, privileged groups of producers at the expense of consumers' interests. Far from interfering in the economy, they argued, echoing the British classical economists, the state's role should be minimal: a free and open market would guarantee economic efficiency. For most Spanish politicians of the time and subsequently for many liberal historians, steeped in the assumptions of classical economics, this was enough to characterise the protectionists as a backward looking, self-interested regionally-based lobby group which undermined Spain's adoption of the latest foreign products and technologies.⁶³ The subsequent capture of the protectionist agenda by special interest groups in the early twentieth century as protectionism became absorbed within conservative economic nationalism, described in chapter seven, only appeared to confirm these views. As a result, the modernising ambitions of the economically

⁶⁰ Freedman, M *Ideologies and Political Theory: A Conceptual Approach*, Oxford, 1996 and Freedman, M *Liberalism: A Very Short Introduction*, Oxford, 2015.

⁶¹ Freedman *Liberalism*, op.cit. p66.

⁶² Ibid. p42. Cobden was expressing widely shared aspirations. As Trentmann writes: Free trade was 'the closest modern Britain ever came to a national ideology, as important as parliamentary liberty [...] globally, Free Trade was Britain's civilising mission of peace and progress, domestically [...] for the first time in history consumers were expressly recognised as representing the national interest'. Trentmann, op.cit. p2.

⁶³ Carr for example, recognises the Catalan manufacturers' aspiration for a national policy of support for industry but dismisses their case as a path to 'inevitable inferiority' given their inability to produce at competitive cost. Carr, op.cit. p279.

liberal elements of the Spanish protectionist movement are often overlooked. Chapter six shows that the protectionist movement in fact had strong national reformist and liberal roots, most clearly expressed by its early champion, the Catalan industrialist Juan Güell. For him, the modernisation of Spain required a national programme of industrial development to support private initiative. Only with such a broadly-based and state-supported policy could Spain confront the overwhelming economic power of the industrialised countries, Britain in particular. Güell however, was not an economic nationalist: like his mentor, Jaumeandreu, and his fellow Catalan industrialists, he believed in the benefits of competitive capitalism as described by the classical economists. However his tour of English manufacturing districts had made him acutely aware of the vulnerability of Spanish industry in face of the superior British technology and organisation. Protection was therefore essential if it was to be competitive in the long term. He viewed the idealistic hopes of his free trade adversary, the Manchester industrialist leader, Richard Cobden, for harmony and even world peace, if a free trade system was universally adopted, as wholly unrealistic and little more than a cover for British commercial interests. The chapter outlines the debate between the two men and concludes that while they shared important ideological assumptions, their policy differences reflected the profoundly different economic interests of their countries.

Güell's modernising vision of liberal protectionism came under pressure in the generation that followed him as Spain, like most European countries, adopted trade protection policies. Chapter seven follows the careers of two economic reformers, the Vizcaya engineer, industrialist and politician, Pablo de Alzola and the Castilian liberal conservative politician, Santiago Alba as they struggled to reconcile the defensive economic nationalism of the new tariff laws with the liberal policy origins of protectionist reformism. Alzola, for example, pressed the Conservative government of Antonio Maura to introduce selective support for strategically important developing industries, but his advice was ignored in favour of generalised protection of established interests. Despite an increasing interest in state-led 'regenerationism' following the 1898 Disaster and growing pressure for economic reform from the rising urban working and middle classes, the liberal conservative modernisers within the Restoration regimes were unable to overcome the resistance of these traditional economic interests. A decade later this was confirmed when Alba, by then Finance Minister, introduced his 'extraordinary' 1916 budget in response to the deep economic crisis set off by the First World War. Alba, like Alzola before him, wanted an active state to support the modernising sectors of the economy. After a bitter political battle in the Cortes, this approach was once

again overturned, this time by an alliance of conservatives opposed to tax increases and deficit funding and economic liberals opposed to greater state intervention.

The intensity of this parliamentary conflict showed that the ideological role of the state, rather than protection, was now at the heart of economic debate. This change had been gathering pace over the previous three decades, as it became clear that a wide range of social and economic demands could only be satisfied by collective action by the state. This ideological debate and the associated assertion of national sovereignty had important implications for Spain's relationship with Britain. By the beginning of the twentieth century, Spain was a vital source of minerals for the 'second' industrial revolution based on the new steel, electricity and chemical industries. Britain's overriding strategic concern for the security of its mineral supplies was underwritten by its ownership of the major mineral sources and reinforced by Spain's open investment policies. There had been Spanish opposition to these policies, right from the first initiatives in the 1840s to open the economy to direct foreign investment. The protectionists argued that foreign extraction of these irreplaceable national assets frustrated Spain's industrialisation process by depriving it of the feedstock for the development of its own metal and chemicals industries. As chapter six points out, this issue was first raised in the 1850s over the contracts for railway building which allowed foreign contractors to use their own domestic suppliers for rail and locomotive building. By the end of the century when the scale of mineral extraction became evident, with over ninety per cent of the ores going abroad unprocessed, this resentment had grown and was an important factor in the Conservatives' turn to protectionism.⁶⁴

Spain's growing demands for trade protection and greater control over national resources represented a rejection of economically liberal policies of small state individualism that had been the basis of the previous half century's settlement with the northern industrial powers. A more forceful Spanish nationalism was emerging, based on greater state intervention in the economy combined with an increasing political resistance to foreign economic domination. For many on the right, this revived hopes that Spain could again take on its historic role as imperial coloniser despite the retreat following the 1898 'disaster'. Their campaign for African colonies in Morocco and Guinea received encouragement when the 1906 Algeciras Treaty granted Spanish oversight of northern Morocco with its potentially rich mineral deposits. For

⁶⁴ Cánovas' turn to protectionism was summarised in his statement that 'the credo of the conservative party is the protection of the nation's production' linking it to national interest. Specifically, he complained that the 'superabundant export of minerals from Triana, Cartagena and Riotinto' was 'relegating us to the modest office of simple extractors of minerals' Pugés, *M. Cómo triunfó el proteccionismo en España*, Barcelona, 1931, p266.

other conservatives like Maura, the priority was to build a stronger political foundation for the Spanish state itself, based on strong authoritarian leadership and the creation of a new mass party. For liberal conservatives like Santiago Alba, on the other hand, national strength depended on a reformed and modernised economy. Moreover, he argued this should be founded on a new social consensus involving the emerging social movements of working and middle-class groups, previously excluded from politics. The growing republican and socialist movements also supported an expanded role for the state, which they saw as necessary to achieve democratic national sovereignty and social reform. For all these groups, building a more powerful and actively interventionist nation-state was essential. In practice, the task of reconciling their conflicting aspirations over the role and form of the state proved too much for the Restoration regime. Under the social and political pressures of the First World War and its aftermath, it eventually split into irreconcilable factions.

The final chapter covers the reaction to the Restoration regime's fragmentation. There were the two authoritarian attempts to reconcile the conflicting aims of economic nationalism and industrial modernisation while preserving the power of traditional economic interests; first, Primo de Rivera's eight-year dictatorship following his *coup d'état* in September 1923 and second, Franco's imposition of a totalitarian regime after his Civil War victory in 1939. The chapter charts the development of these progressively more radical nationalist economic policies through the careers of José Calvo Sotelo, Finance Minister under Primo, and of Juan Suanzes, Industry Minister under Franco. Both regimes were based on authoritarian conservative ideologies and both attempted to solve the conundrum of industrialising a backward, still-agriculturally based economy in an increasingly competitive world economy. There was, however, a fundamental difference between them: Primo de Rivera's dictatorship was founded on a radical version of authoritarian economic liberalism. Franco's regime, on the other hand, rejected economic and political liberalism in favour of a policy of economic autarky and political totalitarianism. The repudiation of international engagement by Franco's ultranationalist regime was particularly significant: it represented an assertion of independence by Spain's political elite from the pressures of informal imperialism, primarily Britain's, but also from the new industrial powers of Germany and the US. By contrast, Primo de Rivera's regime had retained Spain's nineteenth century aspiration to regain the great power status it had lost in the Napoleonic Wars. Calvo saw the authoritarianism of Primo's dictatorship as a necessary but temporary measure to re-impose order on a fracturing society. At this stage in his career, he was still committed to the liberal tradition of individual democratic property

rights and supported an eventual return to parliamentary democracy. He applied the same authoritarian reformism to the economic field. He remained convinced of the benefits of international capitalism and, in the tradition of the protectionist liberals, saw state intervention in support of industrial development as a short-term step to make the Spanish economy internationally competitive. Suanzes' career, on the other hand, illustrates his intense political drive to detach the country from the tentacles of informal imperialism. At the same time, it showed the boundaries that wider political and economic forces set on the autarky project. In the end, these limits, combined with growing domestic expectations for individual and consumer freedoms, were to show that autarky as a response to informal imperial dominance was a policy cul-de-sac.

The political trajectory from liberalism to authoritarianism is not an inevitable political development in post-colonial or peripheral states, but it is sufficiently common to suggest that free trade imperialism creates political and economic contradictions that make it more likely. Spain's experience, as a notionally independent state operating in the shadow of the 'informal' empires of Britain and France, provides one of the first examples of such a colony in a world economy driven by the industrialised great powers and the operations of international finance capital. There are parallels with the experience of authoritarian regimes in ex-colonies and other peripheral nations in the aftermath of the Second World War.⁶⁵ Spain was to have many post war successors, informal colonies forced to operate within the US-dominated free trade regime. Indeed, as Grady and Grocott have shown, Gallagher and Robinson's hypothesis has proved just as applicable to the new United States imperium, as it sought to bring new states within its expansionist economy, as it had to the British Empire and its relationship with less developed countries, such as Spain, in the previous century.⁶⁶

Contribution to Historiography

There has been considerable historiographic interest in Spain's political and economic relationship with Britain since the Napoleonic Wars. Both British and Spanish scholars have given particular attention to the Spanish Civil War period and, though in a more limited way, to Britain's participation in the first Carlist War of the 1830s.⁶⁷ However, there has been

⁶⁵ As Trebilcock points out, Spain's experience, as 'a nineteenth century LDC (less developed country), anticipates the ambitions of twentieth century LDCs from a similar background of deprivation and colonisation', Trebilcock, op.cit. p378.

⁶⁶ Grady, J and Grocott, C (editors) *The Continuing Imperialism of Free Trade*, London, 2018.

⁶⁷ These mainly cover the actions of the British taskforce in the war, most recently, Brett, E *The British Auxiliary Legion in the First Carlist War*, London, 2005.

considerably less British research into the relationship during the century between these civil wars, a time when Britain was at the height of its imperial power. The most useful contributions to an understanding of economic relationships in this period have been studies of Britain's dominant role in Spain's mining industry from the late nineteenth century, including the role of the Rothchild family.⁶⁸ Spanish historiography shows a similar bias, though it has tended to cover a wider period, including excellent investigations into the impact of Britain's investment in Spain's mineral industry,⁶⁹ the British naval blockade during the First World War⁷⁰ and Britain's non-intervention policy during the Spanish Civil War.⁷¹ Although there are also some useful summaries of the relationship in the course of general reviews of the period, neither tradition has produced extended studies of the long-term impact of economic forces on the Anglo-Spanish relationship.⁷² Even Carr's magisterial reviews of the period, which deal with Spain's political world in extraordinary detail, give relatively little attention to the political and economic interactions between Britain and Spain, tending to focus on specific issues and sectors.⁷³ The thesis helps to fill this gap in historiography by analysing three important dimensions of the Anglo-Spanish economic relationship during the growth, apogee and decline of the British Empire: the underlying long-term economic interests of the two countries; the interrelationship between British interests and Spain's political elites and; the long, ideological struggle over free trade.

First, and central to the theme of the thesis, are the structural economic interests of the two countries. As Gallagher and Robinson suggest, these underpin – and shape – the contours of the political relationship. There has been considerable work on aspects of these economic

⁶⁸ The meticulous work of Harvey and López-Morell are excellent examples. Harvey, C. *The Rio Tinto Company: an economic history of a leading international mining concern 1873-1954*, Penzance, 1981 and López-Morell, M *The House of Rothschild in Spain, 1812-1941*, Ashgate, Burlington VT, 2013.

⁶⁹ For example, there is a rich vein of studies on the wide-ranging impact of British investment on the mining areas of Andalucía, notably Galán García, A. (ed) *La presencia 'inglesa' en Huelva: entre la seducción y el abandono*, Universidad Internacional de Andalucía, 2011.

⁷⁰ García Sanz's careful investigation into the effects of the blockade on the trade licensing system that Britain introduced. García Sanz, C *La Primera Guerra Mundial en el Estrecho de Gibraltar: Economía, Política y Relaciones Internacionales*, Madrid, 2011.

⁷¹ For example, Moradiellos, E. *La Perfidia de Albión: el gobierno británico y la guerra civil española*, Madrid, 1996, among others.

⁷² Both Trebilcock (op.cit.) and Berend and Rankí (op.cit.) devote substantial sections of their books to Spain in the context of nineteenth and twentieth century industrialisation in Europe, though neither deal with the wider political context in any detail.

⁷³ Where Carr deals with important economic issues, such as the long-running free trade debate, his uncritical acceptance of classical economic principles leads him to assume that the virtues of free trade are self-evident. As a result, for example, he dismisses the progressive arguments made by many of the mid-nineteenth century protectionists. Carr, op.cit. pp277-281.

interests, notably in Spain, in reviews of the visible trade between Britain and Spain,⁷⁴ and in research covering financial and investment flows.⁷⁵ There has however, been much less attention given to the geopolitical importance of the Iberian Peninsula for Britain's wider Mediterranean and Atlantic trade flows.⁷⁶ The relatively restricted scope and period covered by these studies has meant the depth of the two countries' economic interdependence has generally been given less emphasis in the historiography of the period. The thesis suggests that only by taking into account the full range of these underlying economic interests over the whole period can we adequately explain British decisions to intervene in Spain.

Second, as Gallagher and Robinson suggest, interactions between the imperial interests of dominant economy and the local political elites are a crucial determinant of the nature and outcome of informal imperialist relationships. Again, there are some excellent studies by both British and Spanish historians of the relationship between the two governments at specific moments of crisis, notably during the first Carlist war, the Spanish Civil War and the Second World War.⁷⁷ There are also references to intergovernmental discussions in longer form historical reviews, such as Carr's⁷⁸ and in studies of specific subject areas where Britain played a central role, such as Gibraltar and Rio Tinto.⁷⁹ More generally, historiography in both countries has tended to work from a national perspective and downplay the role of the interrelationship between the countries in framing national issues. The thesis suggests that this tendency to look at the relationship over shorter term periods or only in the context of specific events has often failed to give adequate weight to the dynamic, interactive forces, concrete and ideological, that shaped national debates within each country over the longer term. Yet as Gallagher and Robinson's analysis suggests, these interactions should be at the centre of any assessment of the key determinants of a country's history. The thesis methodology goes some

⁷⁴ Vicens Vives and Nadal both provide detailed reviews of Anglo-Spanish trade during the period, especially the wide range of mineral trades. Vicens Vives, *J An Economic History of Spain*, Princeton, 1969; Nadal, *J El fracaso de la Revolución Industrial en España, 1814-1913*, Ariel, Barcelona, 1975.

⁷⁵ Moradiellos and Edwards both note the extent of British direct investment in Spain in the period while Campillo offers a more detailed sector-based review. Moradiellos, op.cit.; Edwards, op.cit.; Campillo, *M Las Inversiones Extranjeras 1850-1950*, Madrid, 1963.

⁷⁶ Paul Kennedy's review of Britain's naval history highlights the strategic importance of these trading routes and details the role played by the Royal Navy in ensuring their security, Kennedy, op.cit.

⁷⁷ Moradiellos (op.cit.) and Edwards (op.cit.) have provided excellent reviews of official British Government views of Spain in the interwar years while both Wigg and Preston among others have covered the Franco regime's relationship during the Second World War. Wigg, *R Churchill and Spain, The Survival of the Franco Regime, 1940-1945*, Sussex, 2005 and Preston, *P Franco, A Biography*, London, 1993.

⁷⁸ Carr, op.cit.

⁷⁹ Stockey (Gibraltar), Harvey and Gómez (Rio Tinto) deal in detail with the changing relationships between British and Spanish governments in their respective fields. Stockey, *G Gibraltar: A Dagger in the Spine of Spain*, Sussex, 2008; Harvey, op.cit.; Gómez, op.cit.

way to restoring the balance by looking at aspects of trade, investment and financial flows and diplomatic interchanges. More difficult to assess is the effect of the flow of ideas: for example, the thesis suggests the export of British classical economic theories to Spain was one of its most potent forms of influence.

The concentration of British historiography on empire and a parallel emphasis on a national perspective in Spain's historiography are also evident in the economic historiography of both countries. In general, economically oriented studies have dealt with specific topics and avoided, or treated only in passing, forms of broader 'informal' economic control highlighted by Gallagher and Robinson. Moreover, most economic studies in both countries have been rooted in the classical theories about the working of the international economy. These usually suggest that national economies are driven by exogenous, universalist forces based on competition and access to resources, rather than by the relative power of countries. These national economic history narratives tend to view the major economic interactive forces as secondary factors, yet in Spain as elsewhere, Gallagher and Robinson point out they shaped the terrain on which national dramas have unfolded.⁸⁰ Elsewhere, there is support for this broader analytic approach, notably in the literature of international politics. Work by Rosenau and Deutsch for example uses systems analysis to chart the way in which wider environment factors created by more powerful nations interact with the internal 'polities' of less powerful nations. Rosenau points to a range of 'penetrative' strategies pursued by dominant countries as channels to influence the internal politics of less powerful economies. Meanwhile, political interests within the less powerful country see their best interest in seeking to 'emulate' the policies and ideologies of the more powerful state.⁸¹ The next chapter shows that both 'penetrative' and 'emulative' forms of interaction were important in defining the Anglo-Spanish relationship from the early nineteenth century.

A third gap left largely untouched in British historiography is the contest between ideologies of modernity within Spain, seen at its clearest in the century-long debate over protectionism. For the British and for many among the liberal elites in Spain, the propositions of the classical

⁸⁰ Gallagher and Robinson, op.cit. p6.

⁸¹ This is consistent with Britain's systematic 'penetration' of the Spanish political system by its campaign of diplomatic, military and ideological pressure outlined in the next chapter. It is also consistent with the 'emulative' response to British free trade policy by much of the commercial and intellectual elite in Spain. Rosenau, J *Linkage Politics, Essays on the Convergence of National and International Systems*, London, 1969, p45. Deutsch developed a similar idea of linkage groups by which political elites are subject to, and overwhelmed by, pressure from external transnational actors. Deutsch, K *External Influences on the Internal Behaviour of States* in Farrell, R (editor), *Approaches to Comparative and International Politics*, Northwestern University Press, 1966.

economists like Smith, Ricardo and Say were self-evident: protectionist trade barriers and state intervention measures were harmful and had undermined progressive attempts to open up and thereby modernise the Spanish economy. Alternative economic modernisation strategies, such as liberal protectionism in the mid-nineteenth century and progressive economic nationalism in the twentieth century, have rarely had a sympathetic hearing. The review of the six economic theorists and political activists in the thesis can only partly fill this important gap in historiography.

More generally, the thesis aims to contribute a coherent view of the Anglo-Spanish relationship by applying the insights of Gallagher and Robinson's conceptual framework to it. This gives explanatory priority to economic factors and to their inter-relation with imperial and local political interests, and in so doing, contributes to historiography in both countries. Moreover, the thesis goes beyond Gallagher and Robinson's span of interest to suggest that an important driver in Spain's turn to economic nationalism was ideological and political resistance to Britain's exercise of informal imperial control. Some aspects of this field have been covered in the literature, but again, many of these concentrate on specific periods and individual biographies. The literature in the field of Spanish economic policy making is mainly Spanish with only limited references to the subject in British historiography.⁸² The thesis adds to this limited coverage by addressing the specific influence of British ideology and policy on Spanish economic thinking at key moments of change during the period.

⁸² The extensive work of Juan Velarde Fuertes has brought very detailed scholarship to the changing Spanish economic ideologies of the nineteenth and twentieth centuries. However, his treatment of the progressive protectionists' economic analysis is limited and unsympathetic. Velarde Fuertes, *J Flores de Lemus ante la economía española*, Instituto de Estudios Políticos, Madrid, 1961; Velarde Fuertes, *J Tres sucesivos dirigentes políticos conservadores y la economía, Análisis de Cánovas del Castillo, Silvela y Maura*, Madrid, 2007; Velarde Fuertes, J '1875-1986: Historia de un proceso de apertura económica al exterior', *Política Exterior*, Vol. 1, No. 2, Spring, 1987, 91-113; Velarde Fuertes, J 'Stackelberg and his role in the change in Spanish economic policy', *Journal of Economic Studies*, Vol. 23 1996, pp.128-140; Velarde Fuertes, J 'El inicio de la economía castiza española: la economía de la Regencia', *Arbor* CLX, 630, June 1998, 183-213.

PART ONE: The Exercise of Britain's Informal Imperialism in Spain

Chapter 1: Britain, Free Trade and the Spanish Liberal Monarchy, 1833 to 1856

By 1833, when Spain's absolutist king, Fernando VII, died, Britain's maturing industrial revolution and dominant worldwide naval power were already shaping a new form of imperial power. The British empire was founded, as Gallagher and Robinson suggested, on an integrated system of industrial production and international free trade. Throughout the world, new territories were assessed for their potential contribution to the operation of this new and dynamic industrial trading system, rather than, as in the past, simply as opportunities to plunder local wealth. In exchange for the raw materials and food to service the voracious demands of its new industrial system, Britain was able to provide these territories with astonishingly broad ranges of cheap goods of the highest quality. All that was required were viable and open local markets and a stable trading environment. Spain, with its substantial and accessible markets and established institutional structures, was an early and highly attractive prospect for this new form of informal imperialism. This chapter shows how British governments developed a combination of diplomatic and commercial policies, backed by military force, which were designed to support these new imperial interests. One dimension of this policy was the destruction of rival local industrial textile producers and support for raw material and food exporters.

In the 1830s, Spain was acutely vulnerable to these pressures. It was a period of turbulent change, a crucial turning point in Spain's political and economic development which saw the faltering birth of a liberal constitutional monarchy and the gradual emergence of a modern, consumer-driven economy in its expanding cities.⁸³ Domestically, the new regime had immediately to defend itself against a Carlist uprising in a five-year long civil war, surviving only with substantial British financial and military support. Externally, Spain's geographical position at the hinge of the fast developing North Atlantic and Mediterranean trade routes exposed it to the growing power of the rapidly industrialising, Atlantic-facing powers, Britain, France and the United States.⁸⁴ Britain, as the dominant world sea power, was especially concerned that Spain did not fall under the influence of the absolutist regimes of the Holy

⁸³ The combined population of Madrid and Barcelona for example, doubled between 1800 and 1860.

⁸⁴ Kennedy op.cit. p71.

Alliance of Eastern empires, which could then gain access to the North Atlantic. It therefore had a particularly strong incentive to ensure there was a friendly and politically stable regime in Madrid.

Britain's active imperial intervention in Spain can be dated to 29 September 1833, the day the forty-eight-year-old Fernando VII died, ending an absolutist regime that had undergone two chaotic periods of revolution, monarchic flight and restoration. In accordance with a Royal Decree allowing female succession and signed by Fernando only the previous year, his widow, María Cristina became Queen Regent for her three-year-old daughter, Isabel. Her legitimacy was immediately challenged by Fernando's brother, Don Carlos, who launched an armed rebellion to win the throne for his side of the family, supporters of a traditional absolute monarchy. In response, María Cristina sought the support of the liberal monarchist party, the *moderados*, for a military campaign against the Carlist forces. The *moderados* agreed to provide the necessary funding in exchange for the creation of a narrowly based elected (though consultative) parliament in the Royal Statute of 1834. However, the other main liberal faction, the *progresistas*, committed to the individual and constitutional freedoms established in the 1812 Cádiz Constitution, argued for a constitution that would make the government accountable to parliament rather than to the monarch. They used their voice in the new parliament to mount a strong and effective campaign which gained widespread popular support.

Britain viewed this febrile political situation with considerable alarm. It was wholly opposed to Don Carlos' absolutist challenge to the Spanish throne, as it was to a parallel bid, by the absolutist pretender, Dom Miguel in neighbouring Portugal. Both Don Carlos and Dom Miguel were seen as allies of the Holy Alliance of Prussia, Austria and Russia and therefore a potential threat to Britain's maritime domination of the North Atlantic. For Britain, a strong liberal monarchy in Spain, founded on the settlement of the 1834 Royal Statute, was therefore an essential anchor of its European foreign policy. Indeed, this geopolitical objective, ensuring Madrid governments did not ally with competitor Great Powers, was to be the principal geopolitical motive for Britain's exercise of imperial power over Spain for the next century, right up to the end of the Second World War.

In pursuing this central goal, the British Government were ready to commit substantial material and diplomatic support to the fragile new regime. On Fernando's death, Lord Palmerston, the Foreign Secretary had immediately appointed George Villiers (later Earl of Clarendon and a future Foreign Secretary himself) as his minister in Madrid to ensure the regime's survival.

Over the next five years, the two worked together intimately: Palmerston kept a close interest in the international implications of Spain's political development while Villiers involved himself directly and deeply in Spanish politics, giving a stream of advice (often in effect, instructions) to the Queen Mother and leading politicians. For example, in his interviews with the Queen Mother Villiers recommended 'the names of various individuals belonging to both the Parties in question whose talents as men of business and orators rendered them fit to form part of such a Ministry without however presuming to designate the particular posts to which they should be appointed'. He also urged that 'a Junta of Generals should be formed a consulting Body for the Government' and 'the whole plan should be published with a Manifesto of the principles and objects of the Government'.⁸⁵

Palmerston and Villiers' immediate mission was to ensure the monarchy's military victory over the Carlists and the establishment of a stable, liberal government in Madrid.⁸⁶ They committed very considerable resources to achieving this end: a Royal Navy blockade of Spain's northern coast, extensive supplies of arms and munitions, financial loans and, most controversially, a 'private' army of some 10,000 troops to support the Spanish forces.⁸⁷ Beyond ensuring survival of the regime, their main objective was to open Spain's borders to foreign trade, suggesting that increased trade would generate customs income for Spain's public finances and help guarantee the regime's long-term stability. However, their wider motive was to develop new markets to meet the growing demands of Britain's own industrial and commercial interests. Having largely sated domestic demand, Britain's business associations, increasingly well-organised in the new city-based Chambers of Commerce, had been pressing for government support to gain access to foreign markets for the fast-expanding factories of its members.⁸⁸ Spain and its colonies with their twenty-six million inhabitants, were a highly attractive market prospect and a trade treaty was seen as to be a fair return for Britain's

⁸⁵ FO72/485, Villiers to Palmerston 17 December 1837.

⁸⁶ As Villiers reminded the Queen Mother at the same interview: 'My Government had made great sacrifices upon no other principle than those of aiding in the establishment of such liberal institutions as might be suited to the condition of Spain and become the basis of Her future advancement and prosperity'. FO72/485, Villiers to Palmerston 17 December 1837.

⁸⁷ Although these resources were substantial (in 1837 they already amounted to some £540,000), French concerns and at home, Conservative hostility to military intervention had limited their effectiveness in the field, as Villiers was to acknowledge in his speech to the House of Lords when he returned to Britain in 1839. *Hansard Series 3 Volume 46*, 23 July 1839.

⁸⁸ The increasingly powerful Chambers of Commerce in Glasgow, Liverpool and Manchester found a ready ear in the new liberal politics of post Reform Act Britain. Palmerston summarised the Government's approach by saying in 1839 that 'the policy of Britain is the commerce of Britain' and that Britain's commercial interests 'are the polar star and the principle or guide to its actions' in support of the European liberal movement. In Spain, as Rodríguez points out, his attempts to conclude a commercial treaty were key to maintaining his project to 'constitutionalise' Spain. Rodríguez *op.cit.* p12.

investment in the survival of the Spanish monarchy.⁸⁹ An important wing of this trade expansion strategy was the destruction of Spain's native textile industry. As in the parallel case of Britain's colonisation of India,⁹⁰ this became an explicit British foreign policy objective. Using 'divide-and-rule' tactics, British ministers put these policies into practice by rewarding sections of the population – in the Spanish case the food and wine interests of Andalucía and the rural regions of Catalunya – while simultaneously attacking native producers of rival cotton products with the openly expressed aim of destroying them. The ideological justification for this assault on Spanish protectionism was the benefit that free trade supposedly brought to all parties: in Spain's case, the exploitation of the country's so-called 'natural' advantages, its wine, minerals and fruits, to meet the demands of Britain's rapidly growing urban-based industrial economy. More broadly, free trade advocates argued that Spain would benefit through its incorporation into the growing economies of northern Europe.⁹¹

Spanish reaction to this policy of economic and diplomatic colonisation reflected the different interests involved: for the wheat and wine exporters and for the financial and commercial classes in particular, freer trade with Britain's expanding market had clear benefits. More amorphously, the new urban consumers and those committed to Spain's modernisation saw advantages in a close relationship with Britain which would give them access to new products and technologies. As a result, there was broad support for free trade, especially among the political elites in Madrid and Cádiz. In other places however, there was strong opposition: the Catalan manufacturers in particular, became the centre of a national movement to resist free trade in reaction to Britain's overt and organised threat to their industry. Their case for state protection to support a national programme of industrial development strongly echoed similar political demands being made in Germany and the United States. However, protectionism's effectiveness as a national movement in Spain was limited by the narrow development of

⁸⁹ Conservatives, many of whom were Carlist supporters, had argued for non-intervention on political grounds in the Civil War and used the expense of the war as a further justification for their case. Palmerston and Villiers saw the commercial treaty as a concrete way of meeting this political pressure. When they failed to secure a treaty, they defended themselves in Parliament by pointing to the long-term benefits of a liberal regime in Spain. *Hansard* debates (Series 3, Volume 46) in House of Commons (22 July 1839) and House of Lords (23 July 1839).

⁹⁰ Beckert, *S Empire of Cotton: A New History of Global Capitalism*, Random House, 2015, p 50. Ambassador Aston's summary of British policy objectives in 1843 (see below) as involving the destruction of the Catalan industry (with the Spanish government's willing support) shows the same British aims and tactics were applied to Spain.

⁹¹ As Richard Cobden put it in his evangelistic 1846 tour of Spain to explain the benefits of free trade, 'Providence has wisely given to each latitude its peculiar productions in order that different nations may supply each other with the conveniences and comforts of life and that thus they may be united together in the bonds of peace and brotherhood'. *Manchester Guardian*, 28 October 1846.

industry outside Catalunya and by the strength and ferocity of the British-supported opposition. Unlike the Manchester manufacturers, whose broad-based campaign successfully achieved reform of Britain's protectionist Corn Laws, the Catalan industrialists failed to win the necessary support for their reform programme among Madrid's political and commercial elites.⁹²

In face of the ferocious resistance by the Catalan industrial interests, British governments were clear that they would need the active support of sympathetic Spanish politicians. A Board of Trade paper of the 1860s summarised Britain's general strategy in seeking to overcome local opposition to free trade:

Experience has shown us that if the work of liberating trade is left to the isolated action of nations, it proceeds but slowly; nor is this surprising. There are in every country where the protective system has taken root, powerful interests and interests, especially powerful under the semi-liberal institutions of most European countries in our day, in which the producing class is largely represented, which steadily resist all liberal progress in the direction of free exchange. Few governments are strong enough to overcome the selfish operation of those classes by purely national forces [...] In all the Continental countries the struggle is between the commercial and industrial classes supported by the aristocracy, on the one side, and the consuming interest on the other, for most part inarticulate and unintelligent and wholly unorganised.⁹³

The British free trade campaign in the first two decades of Spain's liberal monarchy, with its mixture of force, diplomacy and ideological persuasion, was a classic example of the application of this liberal interventionist policy. British policy was designed to overcome the 'selfish operation' of 'purely national forces' of protectionism by close engagement with local politicians prepared to support economic policies that opened the country to foreign trade and investment.

In light of this strategy, the British Government viewed the struggle of the *progresistas* for a fully democratic parliamentary system in Spain with great suspicion, seeing it as a threat to the stability of the new regime and a distraction from the war against the Carlists. There was

⁹² Histories of protectionist campaigns, notably by Graell and Pugés, record the strenuous and largely fruitless efforts of Catalán industrial interests throughout the nineteenth century to build alliances with Madrid elites in support of national industrial development. Pugés, *M Cómo triunfó el proteccionismo en España*, Barcelona, 1931. Graell, *G Historia del Fomento del Trabajo Nacional*, Barcelona, 1911.

⁹³ FO 72/1265, Office of Committee of Privy Council for Trade to Under Secretary of State Foreign Office, 13 July 1869.

particular concern about the possible adoption of a new Constitution with an explicit division of powers between the monarch and parliament. As Palmerston wrote in a despatch to Villiers in Madrid in August 1836, during the height of the country-wide political agitation in support of the principles of the 1812 Constitution:

That the [1812 Cádiz] Constitution should ever the become the permanent settlement of Spain is impossible because that constitution, beside its manifold and glaring defects, contains within itself the elements of political strife which would soon lead to a conflict for Power between the Chamber and the Crown, but its temporary adoption will give the Cortes a bad basis to work upon, instead of the better basis which the Royal Statute afforded.⁹⁴

There was another complicating issue: the French, although notionally working with Britain to secure Isabel's throne, were determined both to ensure there was a strongly anti-revolutionary government in Spain and to prevent Britain benefitting from its new leadership role in the country to win diplomatic and trade advantage.⁹⁵ France therefore supported the *moderado* faction as most committed to resisting political pressure to widen parliament's influence. In response, Villiers and Palmerston worked hard to head off any possible French intervention and to find a compromise between the hard-line monarchist *moderado* elements and the democrat faction of the *progresista* party, committed to the introduction of universal suffrage. In Villiers' report of an interview he had with the Queen Mother in December 1837, he summarised their balanced approach, the so-called *juste milieu* policy:

As Her Majesty had done me the honour to ask my advice as to the formation of a Ministry...I said I would recommend to Her Majesty on no account to call to Her Councils those who professed the ultra-opinions of either the "Exaltados" or "Moderado" Parties, but to address Herself to the really moderate men of both, because among them were to be found the youth, the patriotism and activity of the Country.⁹⁶

We can see in his approach the classic methods of informal imperialism defined by Gallagher and Robinson: negotiations with, and support for, local elites able and willing to conclude deals that would meet both sides' interests. British governments saw the introduction of radical

⁹⁴ FO 72/456, Palmerston to Villiers, 22 August 1836. In fact, as Artola points out, the 1837 Constitution served as a model for subsequent Spanish constitutions. However, Palmerston was correct about the political divisions that would arise from it. Artola, *M La burguesía revolucionaria 1808-1874*, Madrid, 1990, p140.

⁹⁵ Behind their cooperation in the Quadruple Alliance in support of Isabel's monarchy, lay the economic competition between France and Britain over trade outlets for their industries. Palmerston and Villiers were responding to Liverpool and Glasgow merchants wanted to recover the lost exports (there had been 25% decline in exports to Spain since 1815 and a 12% rise in imports from Spain), retrieve ground lost to France and undermine the contraband trade. Rodríguez, *op.cit.* p198.

⁹⁶ FO 72/485, Villiers to Palmerston, 17 December 1837.

democracy, such as the *progresista* proposals for universal suffrage, with its inherent uncertainties, as a threat to such stable political and commercial agreements. This attitude was to dominate British thinking for the next century: indeed, as late as 1946 as chapter five shows, it was the Labour Government's main argument for the preservation of Franco's military regime in the aftermath of the Second World War.

Throughout his five years in Madrid, Villiers worked doggedly to construct a stable Spanish cabinet capable of winning the war against the Carlists and to conclude a trade treaty with Britain. He exerted every form of political pressure to secure these twin objectives. He was intimately involved in the formation of cabinets and policies and consulted by a wide range of political factions. He was pragmatic and ready to work with anyone who shared his aims, irrespective of political party. His goal was always to undermine the radical factions within both parties, those *moderados* still favouring absolute monarchism, and those democrat *progresistas* demanding universal suffrage. He acted as kingmaker in most of the prime ministerial appointments, notably between 1835 and 1837 over the appointments and dismissals of a succession of prime ministers, Toreno, Mendizábal, Istúriz and Calatrava. Throughout the Carlist War he gave advice on the military leadership, strategy and tactics and used Britain's naval, munitions and auxiliary army support as bargaining chips to ensure his advice was taken.⁹⁷

Behind the immediate aim of preserving the monarchy and winning the war, Villiers and Palmerston maintained relentless diplomatic pressure on Spanish governments to allow British manufacturers full access to the Spanish consumer market. Villiers followed every twist and turn of the tariff reform debate in Spain and used his influence over the selection of prime ministers and the desperate need of the Spanish government for finance and military support in pursuit of a more liberal trade policy. In this, he was remarkably successful. He worked particularly closely with his protégé, Juan Mendizábal, Prime Minister and later Finance Minister. Villiers' immediate aim was a significant reduction in tariff levels and in the number of protected products (especially cotton goods), in exchange for British support for government loans. In November 1835, Villiers signed an outline agreement with Mendizábal, in which

⁹⁷ Villiers used Britain's military commitment throughout the War as leverage with both monarchy and government. For example, in an interview with the Queen Mother he reminded her that 'England had lent most important services to Spain, had armed her troops, supplied her with a powerful navy, protected her ports and had exercised a useful control over the policy of France. From the continuation of these services and the sacrifices they entail, England would not shrink; but it must be upon the condition that Spain turns them to account and shows Herself worthy of them'. FO72/485 Villiers to Palmerston 17 December 1837.

Britain would guarantee the 3% interest payments on a loan of £2m and military supplies in exchange for the admission of cotton and other goods at a tariff of 20%.⁹⁸ These extra resources would enable Mendizábal to win the war. They would also allow him to overcome domestic opposition from the Catalan elites desperate to protect their fledgling textile industry, and to consolidate the mainstream *progresista* party under his leadership. To Villiers' dismay, and despite the clear trade and military advantages for both Britain and Spain, Palmerston refused to ratify the proposals. Overriding the political and commercial advantages in Spain was Palmerston's concern to maintain French commitment to the Quadruple Alliance. This four-way agreement between France, Britain, Spain and Portugal had guaranteed the exclusion of the absolutist Dom Miguel from the Portuguese throne and was later amended to cover Don Carlos' claim to the Spanish throne. Palmerston saw the alliance as providing crucial support for the European liberal movement and a counter to the Holy Alliance's influence in Western Europe. France however, viewed the proposed Anglo-Spanish agreement, which linked trade liberalisation and British Government supported loans, as a threat to its diplomatic and competitive trade advantage in Spain.⁹⁹

Palmerston's refusal to endorse Villiers' agreement with Mendizábal had two important consequences: the Spanish civil war was extended for another three years, and the liberal *progresista* political revolution was undermined.¹⁰⁰ The tireless Villiers tried to meet the French objections by proposing a non-exclusive trade agreement. When this failed, Villiers and Mendizábal made several more attempts to persuade Palmerston to agree a treaty, but all foundered. Palmerston's fear of French reaction, together with domestic opposition to the principle of the British Government loan guarantees, undermined Villiers' initiatives.¹⁰¹

⁹⁸ This avoided the British Government itself having to guarantee a loan. Even the interest guarantee did not involve British financial commitment since it was seen as an advance on Spanish customs income, with colonial trade as security for the lenders since they would have prior right to claim the income from Spain's trade with its colonies. The advantages for Britain were self-evident: as Villiers pointed out to Palmerston, the agreement would ensure that 'we would have a complete monopoly in supplying Spain, Cuba, Puerto Rico and the Philippines', a market of some twenty-six million people. Rodríguez op.cit. p211.

⁹⁹ The French Ambassador used his *moderado* allies to lobby the Spanish Government by promising French military support. The French failure to deliver on this commitment was a deep disappointment to the Queen Mother and *moderado* politicians, who had hoped to free themselves from dependence on British support. As a result of this broken promise, Villiers reported that she told him 'she was determined not to address herself to the "Moderados" who she designated as a weak, intriguing, cowardly Party'. FO72/485, Villiers to Palmerston 17 December 1837.

¹⁰⁰ Rodríguez op.cit. p212.

¹⁰¹ Palmerston's overriding concern was to preserve the Quadruple Alliance since it provided the international framework to justify Britain's intervention in the Carlist War. Without it, he was vulnerable to the continual attacks from Conservative Carlist sympathisers in Parliament. He spelt out his strategy in the House of Commons in an extended debate in April 1837, winning a division over British intervention with a majority of 37. *Hansard* Series 3, volume 38, 19 April 1837.

Six months later, in May 1836, the Government fell, partly a victim of Mendizábal's own hubris, but mainly because new French promises of military support enabled the Queen Regent to feel confident enough to dismiss Mendizábal and appoint a *moderado*, Francisco Istúriz, as prime minister. However, María Cristina had badly overestimated her political strength. Only three months later, in August, the French failure to deliver the promised military intervention, and the strengthening political support for the constitutional demands of the *progresista* liberals, led to widespread popular protest. This culminated in the so-called Sergeant's Revolt of 12 August 1836 when the Queen was held hostage by her own bodyguards.¹⁰² As a result of the popular outcry, the Queen Regent was forced to capitulate to the now broad-based political demands for a new Constitution.¹⁰³

Istúriz was replaced by a *progresista*, José Calatrava, who was committed to the introduction of a democratic constitution based on universal, albeit indirect, male suffrage. He also agreed to re-open discussions with Britain over trade, especially after the Spanish Government failed to find private lenders in the City of London for a proposed £2m loan. In December 1836, Villiers revived his original proposals for a commercial treaty but this time, with sufficient amendments to satisfy Palmerston.¹⁰⁴ However, the Spanish approach to the proposals was very different from its position of the previous December. In a meeting with Villiers in January 1837, Mendizábal, now Finance Minister, was cool. According to Villiers, he appeared interested only in general tariff reductions, and pointed to the pressure he was under from Andalucía agriculturists for a reduction in British tariffs on their exports.¹⁰⁵ Effective French opposition lay behind this change. Economically, an Anglo-Spanish treaty would disadvantage the less advanced French industries while, politically, it would give the British and the Spanish *progresista* liberals a decisive military and political advantage. For Mendizábal too, circumstances had changed: most importantly there had been some improvements in the public

¹⁰² Villiers himself played a crucial role in saving Isabel's throne when the Queen Mother tried to resist revolutionary pressure for a new Constitution during the Sergeants' Mutiny at her summer residence, La Granja. Villiers alone was allowed into the palace by the mutineers to negotiate with her. Despite his reservations about the constitutionalists' demands and her outright hostility, he persuaded her to agree to them, arguing that resistance would fatally endanger the throne. Rodríguez, op.cit. pp159-161.

¹⁰³ The new Constitution, agreed in following year, re-established parliamentary accountability and the liberties of the 1812 Constitution and was founded on the sovereignty of the nation rather than the monarch. However, the electorate was restricted, and elections were indirect. As a result, there was strong pressure from the radical, democrat wing of the *progresistas* to widen the franchise, a prospect that particularly alarmed Villiers. FO 72/485, 17 December 1837, Villiers to Palmerston.

¹⁰⁴ Villiers had persuaded Calatrava to appoint Mendizábal as his Finance Minister to help maintain the British pressure for a trade agreement. Palmerston agreed the modifications with some reluctance. Rodríguez, op.cit. p217.

¹⁰⁵ Rodríguez, op.cit. p219.

finances. Funds from a domestic loan, property disentailment revenues and sales from leases of government-owned mines had all come on stream. Meanwhile, mounting Catalan resistance had raised the political costs of a commercial treaty with Britain. For his part, Palmerston was not interested in general tariff reductions, which could be easily rescinded, and told Villiers that only a treaty would do.¹⁰⁶

However, five months later in May 1837, when the expected domestic sources of income in practice proved insufficient, Mendizábal became more accommodating. He offered to discuss a treaty which would involve admission of the still-prohibited British goods at 20% or 25% (Spanish exports to Britain would be subject to the same tariff), a stop to smuggling through Gibraltar and a loan guarantee of £4m. Palmerston too, was more accommodating. Although continuing to refuse a British Government-backed loan guarantee, he suggested a compromise involving private commercial interests. A treaty was never closer but following fresh French and Catalan protests, Mendizábal vacillated and in August, the Calatrava government fell, to be replaced by a *moderado* cabinet led by Eusebio Bardají.¹⁰⁷

Under attack from the Tory opposition for the lack of return for the investment in the preservation of the liberal Spanish monarchy, Palmerston continued to press for a trade treaty.¹⁰⁸ Villiers was more realistic, understanding the fatal political threat that a trade treaty would pose to the war effort by disillusioned Catalans.¹⁰⁹ Palmerston however remained obdurate, his anger fuelled by anxious City of London lenders who were pressing him to pursue the Spanish government for failing to repay their loans. All Bardají could do was to promise a commission to look at tariff reform but five months later he fell from power and was replaced by another *moderado*, Count Ofalia. When the French king, Louis-Philippe, finally decided to refuse French military support, Ofalia acknowledged his desperate need for British support for the war effort.¹¹⁰ Although Villiers, recognising the regime's weakness, asked for patience, Palmerston remained fixed on his goal of a trade treaty. He refused the Spanish request for

¹⁰⁶ Rodríguez, op.cit. p220.

¹⁰⁷ Rodríguez, op.cit. p222. Palmerston's offer was an acknowledgement that Britain was complicit in the vast smuggling operation through Gibraltar that enabled British manufacturers to supply nearly half the Spanish cotton goods market.

¹⁰⁸ The long debate in the House of Commons over several days in April 1837 highlighted the bitter divisions over British intervention in Spain between the Government and Conservatives sympathetic to the Carlists. *Hansard*, Series 3, Volume 38, 19 April 1837.

¹⁰⁹ The Catalan bourgeoisie had been strong supporters of the Government in the war against the Carlists and felt their loyalty was betrayed by the trade negotiations with British which they saw as an existential threat to their commercial and industrial interests.

¹¹⁰ Ofalia's Finance Minister was Alejandro Mon, who was to play a crucial role in liberalising Spain's tax and tariff system in the following decade.

39,000 muskets, originally promised to Calatrava for his cooperation over a trade deal and sent a series of letters demanding that the Spanish government repay its debts. Villiers, seeing a trade treaty was impossible, explored the possibility of a general reduction in tariffs as an alternative but was unable to pursue this: in March 1839, he was forced by the death of his father to return to England to take up the Earldom of Clarendon. By July, in separate speeches to the Lords and Commons, he and Palmerston both had to confess to Parliament their failure to secure a trade treaty: as Villiers (now the ennobled Lord Clarendon) put it, ‘the Spanish have been a little slow to appreciate the benefits of free trade’.¹¹¹

Despite the ferocious pressure they had jointly mounted on often desperate Spanish governments, there was apparently little immediate commercial reward to show for their efforts. Rodríguez has argued this showed that the spirit of Spanish independence remained sufficiently strong to resist British arm-twisting.¹¹² However, although there is evidence of resentment at British tactics, the Foreign Office correspondence shows that Spanish governments were only prevented from concluding a trade treaty for fear of Catalan resistance. The willingness of both Spain’s political parties to bargain away the still vulnerable Catalan textile industry in exchange for lower tariffs on its agricultural exports and tariff income for the treasury also suggests that rural and commercial interests remained overwhelmingly predominant in Madrid. That was to remain the case for the following decade.¹¹³

During Villiers’ stay in the capital, the Madrid political elite had become subject to British direction, a form of control over periphery states that has been usefully described as ‘domination without hegemony’.¹¹⁴ Villiers had set the course, picked the key personnel and negotiated many of the details of Spain’s policies and he had succeeded in his primary objective of winning the war and preserving the liberal monarchy.¹¹⁵ His failure to deliver a trade agreement was due not to Madrid’s resistance, but to the weakness of the Spanish state in face of Catalan opposition and to the competitive diplomatic and commercial claims of the French. Despite the apparent lack of immediate success, Britain’s unrelenting campaign had a very substantial impact on Spain’s trade policy over the longer term. Already, by the late 1830s, its political and ideological pressure was rewarded with the first moves towards the major foreign

¹¹¹ *Hansard*, Series 3, Volume 46, 23 July 1839.

¹¹² Rodríguez, *op.cit.* p237.

¹¹³ Succeeding British Ambassadors in Madrid, notably Arthur Aston continued to offer lower British tariffs to Andalucía food and wine producers as a counter to the Catalan industrial lobbies.

¹¹⁴ Kouvelakis, S ‘Borderland’, *NLR*, vol 110, March 2018, p31.

¹¹⁵ Villiers also had a central role in managing the peace negotiations leading up to the Treaty of Vergara in 1839.

tariff reforms of the following decade. As chapter six records, there was a parallel development of liberal economic thinking among much of the Spanish elite during the 1830s and 40s and the emerging hegemony of British classical economic ideology found support among vigorous free trade organisations in Spain's major cities. In its negotiations with local elites, Britain may not have won every round in Spain, but, as Hopkins suggested in the case of Argentina, it controlled the game, demonstrating its ability to exercise structural power.¹¹⁶

With the victory of the constitutional monarchy over the Carlists, sealed by the Peace Treaty of Vergara in August 1839, tensions between the Queen Regent and the *progresista* liberals intensified over the relative powers of Crown and Cortes, an issue left unresolved by the 1837 Constitution. In March 1840, supported by the Queen Regent, the *moderado* government of Pérez de Castro proposed measures to restrict press freedom, modify the electoral system specified in the Constitution, and crucially for the *progresistas*, administer the electoral system through the town halls, dominated by the *moderados*. This led to a head-on conflict between Cabinet and Cortes. The Queen Regent travelled to Catalunya in a desperate attempt to win the support of the hero of the Carlist war, General Baldomero Espartero, but his need for *progresista* support made him unwilling to compromise the terms of the 1837 Constitution. Widespread demonstrations showed the *moderado* Cabinet had lost popular support and in July 1840 it resigned, to be replaced by a *progresista* Cabinet led by Antonio González. González was committed to 'the rigid observance of representative government' and to leaving the Crown with only nominal influence.¹¹⁷ The resulting stand-off with the Queen Regent was eventually resolved in October 1840 by an agreement to create a 'ministerial-regency' with Espartero as prime minister.¹¹⁸ The Queen Regent was forced to abdicate and fresh elections were held in February 1841, though the *moderados* refused to participate. In May, Espartero assumed the regency himself, with Antonio González as his prime minister. The British – in the person of its new ambassador Arthur Aston – quickly established a close relationship with Espartero. As a result, Aston was able to play a very significant role in the political manoeuvres, aimed at creating a stable regime, sympathetic to British interests and above all, committed to liberalised trade.

Despite a serious split within the *progresista* party over Espartero's authoritarian assumption of power, the new regime was sufficiently united to introduce a path-breaking reform of the

¹¹⁶ Hopkins, op.cit. p477.

¹¹⁷ Artola, op.cit. p137.

¹¹⁸ Only Espartero was acceptable to the local *juntas* which by then were administering the major towns. Artola, op.cit. p144.

tariff laws in the 1841 Cortes session. This involved the abolition of internal customs barriers and a significant reduction of prohibited items from around seven hundred to less than a hundred. By modernising many of the archaic provisions of the tariff system and by maintaining the prohibition on cotton goods, the measures won the support of the Catalan manufacturers, not least by helping create a national market for the region's products. As one protectionist supporter wrote approvingly, they were 'informed by a more liberal spirit than the tariffs previously in place'.¹¹⁹ Indeed, the 1841 law was seen as marking 'a point of inflexion in the evolution of the Spanish tariff system from strict prohibition to a system of protective duties'. By removing obstacles to trade and supporting public revenue, it has been described as a moderate form of free trade.¹²⁰ Nonetheless, British manufacturers were bitterly disappointed by the continued exclusion of cotton goods and by the high rates of tariffs on some other goods, and carried on their campaign for an all-inclusive trade treaty.¹²¹ Seen in a broader perspective however, the 1841 tariff reforms were the clearest evidence that Britain's decade-long free trade campaign was having a significant impact. A momentum for economic liberalisation had been established that was to bear fruit over the next three decades.

Lobbying by manufacturers meant the British Government's main diplomatic interest in Spain continued to be a trade treaty. Moreover, with the *progresistas* back in power under the sympathetic Espartero, Britain saw an excellent opportunity to finalise negotiations. Relying on his close relationship with Espartero, Ambassador Aston worked on a draft treaty with the sympathetic prime minister, González, pursuing the same priorities and methods as Villiers. Spain's desperate need for post-war investment together with pressure from Andalucía agricultural producers for lower British tariffs, allowed Aston to exploit Spain's economic vulnerability by playing the conflicting interests of its regions against each other in a classic imperial tactic of 'divide and rule'. As Villiers had done five years earlier, Aston proposed both sides reduce their tariffs while removing Spain's prohibitions on cotton goods. In

¹¹⁹ Pugés, op.cit. p60. There were important criticisms, notably that machine tool imports were subject to a low duty making the development of a Spanish machine tool industry extremely difficult in face of the advanced industry in Britain, a point powerfully made by the leading Catalan manufacturer in his comments on the proposals, Juan Güell (*Sobre Industria*, 1841, in Güell, *J Escritos Económicos*, Barcelona, 1880, pp7-11). The wool industry was also a victim of the measures.

¹²⁰ Nadal Farreras, *J Comercio exterior con Gran Bretaña 1777-1914*, Madrid, 1978, p91.

¹²¹ The Madrid correspondent of the *Times* reported that 'In England I am told the commercial and manufacturing classes blame the Spanish Government severely for its apathy or obstinacy in not jumping into British views of free trade and reciprocity in exchanges of the produce of national industry'. The *Times*, 2 September 1841.

exchange, he offered support for a British Government loan.¹²² Through the first half of 1842 there were continuous exchanges between Aston and González, dealing both with the proposals themselves and with the political difficulties in securing a Cortes majority for an agreement. It is clear from these exchanges how deeply and directly involved Aston was in Spain's political processes. He worked closely with Madrid politicians, for example offering greater access to the lucrative British markets for wine and wheat to win the support of the Andalucía producers and counter the Catalan objections. When González appointed a commission, to review the British proposals, Aston developed a close relationship with its chairman, the sympathetic free trade supporter, Manuel de Marliani. Following these meetings, Aston sent back an optimistic report to the Foreign Office, though remaining realistic about the depth of the Catalan opposition:

The Government expects opposition from the native manufacturers and those who profit from smuggling, enough to produce disturbances in some of the provinces but if the Government displays proper firmness, I consider the obstacles may be surmounted. The Government will be supported by the Southern and Agricultural provinces. Great difficulty will however I conceive be experienced in obtaining a reduction of duties upon cottons to the extent proposed in the draft of the treaty.¹²³

González asked Aston for a simple reduction of duties on Spanish imports to win over support in the Cortes. Aston however argued that any modification of the British tariff had to be in the form of a treaty since the Cortes could always subsequently withdraw its support. 'I shall endeavour to induce His Excellency to agree to the Treaty before the Law is presented to the Cortes'.¹²⁴ By May however, the political weakness of the González cabinet was becoming clear:

M González has again deferred entering into a discussion of the proposals made by Her Majesty's Government for the conclusion of a Treaty of Commerce [...] a strenuous and probably successful opposition would be believed be made in the Cortes to a Commercial treaty at the present moment and it therefore behoved the Government to act with circumspection [...] it is a difficult question for the Government to solve – they

¹²² The British Government eventually responded positively to the Spanish proposal to contract a loan of £6m but argued this had to be linked to a Commercial Treaty and could not be a separate instrument. FO 72/605, 23rd November 1842, Aston to Count Almodóvar.

¹²³ FO 72/599, Aston to Aberdeen, 22 March 1842.

¹²⁴ Ibid. To support his arguments, Aston drew on a petition from the Cádiz merchants which argued for a treaty of commerce with England 'which will ensure more trade for the rural products of Spain and especially the wines of Andalusia and the brandies of Catalunya [...] the Province of Cádiz will [otherwise] become impoverished because the principal Capitalists would fly from the public misery'. FO 72/601, Aston to Aberdeen, 8 June 1842.

do not command a large majority in the Cortes and a powerful coalition has been formed against them, ready to take advantage of any opportunities to overthrow them. The Catalunya deputies who amount to twenty-four have hitherto supported the ministry, but they will join the opposition the moment the measure for the introduction of cottons is proposed.¹²⁵

This prediction was borne out later in that month when the González government was defeated by an alliance led by *progresista* dissidents. Although the immediate cause of the crisis was the broader issue of Espartero's use of royal prerogatives, the opposition of the Catalan delegates was the decisive factor. The effect of Britain's uncompromising pursuit of its policy objectives was to make a decisive contribution to the deepening of divisions between Spain's elites. Despite the threat to Britain's wider goal of securing the survival of the monarchic regime, it had stoked political instability. In British minds, trade and market access was a vital priority, even at the risk of creating local political volatility.

Espartero's reaction to the failure of the González Cabinet was to appoint an old army ally, General José Rodil, to lead the government. Since it favoured a trade treaty with Britain and was hostile to the Catalans, the new government had limited political support in the Cortes. Aston persisted, nonetheless. In November, as a result of pressures on the public finances, the Rodil government asked for British support for a loan. Using this request as further leverage on the Spanish government to conclude a trade treaty, Aston wrote to Count Almodóvar, the Foreign Minister. He argued that 'the easy introduction of British goods into Spain will induce the English capitalists to advance their money without hesitation because they will see in the increased revenue thus derived to Spain a guarantee for the fulfilment of the contract which they enter into the Spanish Government'. Britain would offer 'the same rates of duty for Spanish as for Portuguese wines and brandies' while other Spanish products 'are to be admitted into Great Britain at moderate rates of duty'.¹²⁶ Aston made two further important points of wider significance. First, in the spirit of Cobden's free trade arguments, he told the Foreign Minister that:

Great Britain seeks no exclusive advantages from the conclusion of a Treaty with Spain. The same concessions which Spain makes to Great Britain, she may equally make to any other country [...] the connection with Great Britain can never endanger the

¹²⁵ FO 72/601, Aston to Aberdeen, 24 May 1842.

¹²⁶ FO 72/605, Aston to Foreign Minister, Count Almodóvar 23 November 1842.

liberties and independence of Spain. It is the interest of Great Britain and Her earnest desire to see Spain powerful and prosperous since the more prosperous she is the greater will be the benefit for Britain.¹²⁷

Aston's proposal was a clear statement of Britain's emerging free trade-based policy that was to gather pace over the next two decades and culminate in the Cobden Chevalier treaty with France in 1860, when Britain unilaterally cut its tariffs in expectation of reciprocity. The move away from bilateral agreements based on exclusivity, reflected Britain's growing confidence in its hegemonic dominance of world trade. The ability to outcompete commercial rivals on a level playing field allowed Britain to use a free trade offer to open new markets to its own benefit. Moreover, the rapidly growing wealth of its own domestic market was a powerful incentive for countries to agree to reduce their barriers to trade. We can see in Aston's offer, the maturing of the strategies of free trade imperialism that Gallagher and Robinson pointed to in their work.¹²⁸

The second point of interest in Aston's letter is its explicit foreign policy offer. Spain, as a second order power with far-flung colonies but without protective agreements with any of the Great Powers, was strategically vulnerable. Aston therefore made a commitment that, as part of the trade treaty, 'Spain will have added security from all external aggression as a result of a closer alliance with Britain'.¹²⁹ This was clearly an attraction for Spain whose military forces were barely adequate to defend its own borders, let alone its distant possessions. For Britain too, such an agreement would have advantages: French influence would be diminished while the important Anglo-Cuban trade would be less vulnerable to the growing influence of the United States.¹³⁰

The Catalan reaction to news of these trade negotiations with Britain was unrelentingly hostile. In the previous year, already resentful at Espartero's failure to cope with the smuggling threat to its domestic market and his heavy-handed repression of the city's radical faction, a radical-

¹²⁷ Ibid.

¹²⁸ This period is one of critical change within Britain as well as in Spain, marked by the furious debates over the Corn Laws and highly effective campaigning of the manufacturing interests spearheaded by John Bright and Richard Cobden's Manchester-based Free Trade movement. The political victory of the free trade ideology meant that Aston was able to make a more effective argument in support of a genuinely open system of trade with Spain than Villiers had been able to do a decade earlier.

¹²⁹ Ibid.

¹³⁰ Hull, *C Anglo-Cuban Relations and the US Dimension, 1898-1964*, PhD Thesis, University of Nottingham, 2008, p46.

progressive alliance had been created to defend import prohibitions on cotton goods.¹³¹ In mid-November 1842, there was a spontaneous revolt in Barcelona, led by the rapidly growing popular radical movement. Espartero, bent on punishing the radicals, reacted by besieging and then bombarding the city. He followed this up by imposing a large collective fine on the city. The depth of Catalan suspicion and hostility towards Britain and its free trade policy became starkly clear when there were demonstrations against the British consul in Barcelona who was accused of supplying shells to Espartero's ships bombarding the city.¹³² Yet again the price of British support for the Spanish regime had been to help foment serious – and violent – domestic division.

The full extent of the British ambitions, with their potential to exacerbate these divisions, became clear in the next stage of the discussions with the Spanish government. The aim was nothing less than the destruction of the Catalan industry. In March 1843, Aston summarised his approach in a progress report on the state of the trade talks to the Foreign Secretary, the Earl of Aberdeen. Undaunted by the preceding November's uprising in Barcelona, the Spanish side had proposed a twenty-five per cent tariff on cotton goods in exchange for a substantial reduction of the British tariff on Spanish brandies. The assumption on both sides was that the price of such an arrangement, designed to win agriculturalists' support, would be the elimination of the Catalan industry. Aston wrote:

*It is assumed also that the admission of British cottons at moderate duties will entirely destroy the manufactures of Catalunya. That to compensate therefore the loss of this branch of national industry it will be necessary to make large concessions in favour of the agricultural interests and more particularly those of Catalunya where much Brandy is made and where the wines are of a quality calculated for the English market. It is besides thought that this will be the only mode of allaying the irritation of the inhabitants of that province upon the conclusion of a treaty of commerce (my emphases).*¹³³

¹³¹ Carr, op.cit. p224.

¹³² The British press saw the incident as a Catalan plot. According to the *Manchester Guardian* (14 December 1842) 'it was the work of the anti-commercial party in Spain, anxious to deter the government from a commercial treaty with England'. The *Times* agreed: 'it was manufacturing and anti-English insurrection which broke out prematurely [...] it was not to have taken place until the presentation of the English commercial treaty when the Catalanian deputies were to have resigned *en masse* and given the signal for revolt'. The *Times*, 13 December 1842.

¹³³ FO 72/624, Aston to Aberdeen 6 March 1843.

There can be no clearer statement of Britain's emerging free trade policy, one aspect of which was the destruction of industrial competitors through the opening of the new market to the superior British producers. The proposed reward for 'agricultural interests' illustrates another typical feature of informal imperialism identified by Gallagher and Robinson, negotiation with domestic elites using divide-and-rule tactics.¹³⁴ It is clear from this exchange that the long-standing fear of the Catalan manufacturers that British policy represented an existential threat were entirely justified, as were their suspicions that the Madrid political elite would be happy to sacrifice the Catalan cotton industry for their own interests. The long-running saga of trade discussions between Britain and Spain thus provide ample support for Gallagher and Robinson's predictions about British free trade policy priorities and methods.

In retrospect, the November 1842 Barcelona uprising proved to be a turning point in the slow break-up of Espartero's political support. At national level, suppression of the free press had led to an extraordinary convocation of newspaper editors speaking against the regime while in many cities, local coalitions of *progresistas* and *moderados* began to organise direct resistance. Through the summer of 1843 there were *pronunciamientos* throughout the country as Espartero's attempts to mobilise the army failed. In the end, he was forced to concede and on 31 July 1843, Espartero boarded a British man-of-war to go into exile, stripped of honours, ranks and titles.¹³⁵

Between 1840 and 1843, Britain and France's responsibility for the oversight of the terms of the Treaty of Vergara ending the Carlist war, led to Spain becoming their *de facto* dependency. Given Espartero's close association with British interests, this meant in practice that, as one French commentator put it at the time, Spain was 'a form of English protectorate, exercised by the envoy of the London Court, Aston'.¹³⁶ The victory of the *moderados* and the return of the monarchy in July 1843 was therefore an important point of inflexion for Spain's foreign policy as it turned away from Britain towards France. Despite the growing French influence, Britain continued to have a predominant influence in trade and commerce.¹³⁷ As Nadal Farreras has

¹³⁴ As noted above, this free trade strategy was being applied in India in the same period. Tharoor and Beckert have both detailed how the same British policy was exercised its successful destruction of the Indian textile industry. Tharoor, *S Inglorious Empire*, London, 2016, pp6-9 and Berkert, op.cit. pp45-50.

¹³⁵ Carr, op.cit. p227.

¹³⁶ Jover Zamora, *J España en la Política Internacional, Siglos XVIII-XX*, Madrid, 1999, p132.

¹³⁷ Spain was still seen as a vital factor in the European balance of power. Palmerston's message to the Madrid Ambassador, Henry Bulwer dealing with the prospective marriage of Queen Isabel's sister to the French King's son, spelt this out clearly: 'The Spanish monarchy is too great and important not to form an essential element in the balance of power in Europe [...] Spain should be politically independent as well as physically and morally strong'. FO 72/695, Palmerston to Bulwer, September 1846.

pointed out ‘the 1840s were a critical decade during which the free trade ideas of Adam Smith moved from theory to implementation and their apparent success led British economists to try to persuade the main European economies that free trade was not a leap in the dark’.¹³⁸ The most visible sign of this British campaign was the high-profile tour of Europe made by the Manchester Free Trade leader, Richard Cobden in 1846. Spain was the first country he visited on a tour that was actively supported by the Foreign Office and very generously financed by Manchester industrialists.¹³⁹ There was an enthusiastic response in the towns and cities he visited, most notably in the traditional trading city of Cádiz, where Cobden was extolled as the Christopher Columbus of modern times. His tour inspired the creation of the Spanish Free Trade Association which was to have a great impact on policy over the subsequent two decades.¹⁴⁰ Cobden’s visit and the very favourable press coverage it generated, was widely credited as making a crucial contribution to subsequent liberalising tariff reforms.¹⁴¹

Most immediately and despite the relative eclipse of its political influence in favour of France, Britain’s free trade campaign had a substantial influence on the new tariff law of October 1849, sponsored by the *moderado* Finance Minister, Alejandro Mon. This legislation responded to the British lobbying by breaching the longstanding policy of total prohibition on cotton goods as well as making further reductions in the number of prohibited products. Crucially too, Mon’s reforms abolished almost all tariffs on exports, clearing the way for the foreign-financed mining investment boom over the following decades. However, the still-fierce Catalan opposition succeeded to ensuring that duties remained sufficiently high on cotton goods to allow the continued growth of the Catalan industry. The 1849 measures were nonetheless seen by both Madrid and London governments and press as a crucially important move towards free trade.¹⁴² This ideological modernisation was also celebrated in Spain as an enthusiastic editorial in the *moderado* paper *La España* showed:

¹³⁸ Nadal Farreras, op.cit. p93.

¹³⁹ Juan Güell, the economist and spokesman for Catalan industry, who was fastidious about statistical accuracy, suggested that Manchester companies provided Cobden some 400,000 *duros* (around £80,000, a fabulous sum at that time) to support the tour. Güell y Ferrer, *J Polémica Con Don Manuel Sánchez Silva*, 1849 in Güell *Escritos* op.cit. p24.

¹⁴⁰ At the Cádiz meeting Cobden was introduced as ‘this illustrious guest [...] may heaven prolong his life so as to enable him to behold the complete triumph of his sound doctrines throughout Europe as he has already done in England’. Cobden’s appeal was as political as it was commercial. In his speech he argued that ‘the supporters of free trade in England have only had one object in view, which may be summed up in a single word – liberty!’ By implication he also took aim at the Catalans: ‘no merchant in England can see himself can see thwarted by the government in his enterprises under pretence of protecting the interests of certain classes, either at home or in the colonies’. *Manchester Guardian*, 28 November 1846.

¹⁴¹ Güell *Escritos*, pxxi.

¹⁴² The new system was warmly welcomed in Britain. Palmerstone reflecting on his fifteen-year campaign on the tariff issue commented that ‘it could only be a matter of surprise that the Spanish Government had not

Coming out of England, economic reform has dissipated the darkness that encompasses the economic world and shaken the monopolist empires [...] Evangelised for over a half a century by the apostles of the science, nobody in this elevated sphere dares to dispute the approach, everyone submits to the yoke of its doctrines [...] Cobden and Bright were the Alexanders of this brilliant conquest, as famous as the Asiatic, made by the logic of their arguments and their furious attacks of heroic eloquence.¹⁴³

Impressed by the new technology of rail and telegraph, the article pointed to ‘the power of steam and instant communications that makes borders useless’. This was used as the basis of a forthright attack on protectionism:

The sonorous words of protection of national industry is nothing more than a charm that puts bars around the faith of the people to prevent examination of the monstrous inequality and injustice of the prohibitive system.¹⁴⁴

Demonstrating the continuing willingness of Madrid elite to sacrifice the Catalan textile industry on the altar of free trade, the article concluded by asking:

What is Spain going to lose by adopting this new system [...] a few sick and weak industries sheltered in the greenhouse of protection will not be able to deal with the air of freedom; some interests, certainly not the general interest, will suffer.¹⁴⁵

The new British Ambassador, Lord Howden, was delighted by this positive political climate which he saw as an outcome of Britain’s liberalisation campaign: ‘My great object ever since I have been here has been to impress on the Government of Her Catholic Majesty the advantage Spain would derive from a bold and liberal modification of their commercial system and having the satisfaction of knowing my efforts have not been without success’.¹⁴⁶ On the ground in Catalunya however, the political resistance to further reductions in import duties remained as strong as ever. Following an interview with the Foreign Minister, Bertrán de Lis, Howden was forced to temper his optimism: ‘He told me he was a free trader but that he had to deal with others that were not and that “nobody who had not been a Spanish Minister and a convert in

sooner perceived how much the interests of that country were sacrificed by the continuance of that most absurd tariff and how greatly its modification would tend to the improvement of the revenue and the development of the national industry’. *The Times*, 29 June 1849.

¹⁴³ The article in *La España* (‘the ministerial paper’) was enclosed by a delighted Lord Howden, Britain’s Ambassador in Madrid, in his report to Palmerston (FO 72/783 Howden to Palmerston, 5 March 1851). The article is a good example in the more economically confident 1850s, of the widespread enthusiasm for the opportunities the emerging global technology and trading system appeared to offer Spain.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid. Howden was particularly pleased by the attack on the Catalan industries, evidence of the success of the British divide-and-rule tactics.

¹⁴⁶ Ibid.

that position to the doctrines of free trade, could have any idea of the difficulties that are met with at every step in the desire of putting them into practice””.¹⁴⁷ Experience was to show just how justified were these concerns.

The British free trade campaign continued undiminished throughout the eleven years of *moderado* power, from 1843 to 1854. However, its priorities were changing as Britain’s industrial and commercial interests expanded. Cotton became less central to its economy as other industrial sectors experienced spectacular growth rates. Meanwhile, Britain’s need for new sources of raw materials to support its industrialisation was becoming critically important. As a result, there was growing interest in the exploitation of Spain’s extraordinary mineral wealth, an interest that was to gather pace in the second half of the century.¹⁴⁸ Alongside the extraordinary expansion of its trade and industry was Britain’s near-monopoly of transoceanic trade, an essential complementary pillar of its imperial strength. The British Government vigorously supported the dominant role of its maritime industry by demanding that countries stop protecting their merchant fleets by charging higher rates for foreign ships entering their ports.¹⁴⁹ Following complaints by Liverpool shipowners at the ‘unfavourable position in which British Navigation is placed in the ports of Spain and her colonies’, Palmerston threatened to impose duties on Spanish ships twice as heavy, ‘so as to exclude them altogether’.¹⁵⁰ Over the following decade, Britain was able to achieve both these free trade measures: unimpeded mineral exports and removal of differential shipping rates. Such was Britain’s growing global power that it was able to force Spain to accept these free trade measures despite the strong French influence on its *moderado* government.

Spain’s chronic economic and political crises made it particularly vulnerable to such external pressure. Economic recovery in the wake of the Carlist civil war had been deeply uneven while its governments had run up enormous debts in building the railway network and in pursuing military adventures in Africa and South America. Although Spain’s most significant private

¹⁴⁷ FO 72/783, Howden to Palmerston, 25 March 1851.

¹⁴⁸ Foreign interest grew in Spain’s agricultural and mineral riches during the 1840s as its extraordinary range of lead, silver, coal, iron, copper, gold, antimony, zinc, cobalt, arsenic and manganese sources became a magnet for foreign investors. Exploitation of Spain’s resources was justified by its governments’ failures: ‘centuries of the most vicious and immoral government, a succession of feeble or wicked princes, the lamentably degraded state of public character through the whole administration of the state and the debasing and destructive results of the successive factions [...] have diverted or choked up the stream of bounty’ *Galigani’s Messenger*, Paris, 30 March 1844.

¹⁴⁹ Kennedy has set out the importance to the British imperial project of its near monopolisation of deep-sea merchant shipping, in this period, achieved by an open seas policy enforced by the Royal Navy. Kennedy, *op.cit.* chapter 6.

¹⁵⁰ FO 72/695, Palmerston to Bulwer, 19 November 1846.

and public sector creditors were French, the City of London institutions were also heavily involved. When Spanish governments proved reluctant to repay these debts, Palmerston gave his whole-hearted support to the creditors: he even threatened armed intervention to sequester and then administer Spain's colonial trade until the debts had been covered.¹⁵¹ He was only dissuaded from direct action by Ambassador Howden, suggesting the widespread anti-British feeling in the country 'would only be concentrated and consolidated' by such action.¹⁵² Palmerston's readiness to use force to recover debt, in face of local hostility, indicates Britain was prepared to use its informal imperial power to achieve financial as well as trade and political goals.

The 1851 tariff reform law made further limited moves towards free trade but only when the *progresistas* returned to power in 1854 was there further significant progress in the long British campaign to open the Spanish economy. The new regime, which governed during the so-called *bienio progresista* between 1854 and 1856, had emerged from a popular uprising by the new urbanised middle classes in Madrid. Its survival, however, depended on the support of discontented generals, and this uneasy alliance of popular politics and military power proved deeply unstable.¹⁵³ Consequently, as in the 1830s, the British Ambassador was drawn in as a power broker between different party factions. Howden's objective was the same as Villiers' two decades earlier, to create and maintain a broad-based and stable government.¹⁵⁴ This was especially necessary as the erratic General Espartero had been brought back as prime minister in an attempt to put a unifying figure at the head of the regime. Within a month of the new regime taking power, Howden was reporting that 'there is a dissension already in the Cabinet between *progresistas* and *moderados* as to the mode of convoking the Cortes [...] I see things

¹⁵¹ This was not an isolated instance of Palmerston's aggressive support for financiers. In 1839 he had instructed Villiers' successor, Henry Southern, to issue threats to the Spanish Government for failing to pay debenture holders of Spanish government bonds on four occasions. This would involve 'either seizing all Spanish Guarda Costas and Ships of War which may be met at sea and by selling them and applying the produce to pay the Bondholders or else by taking possession of some of the Spanish Colonies and by applying the Revenues of such Colonies'. FO 72/524, 11 July 1839.

¹⁵² Lord Howden, who had been appointed Madrid Ambassador in 1850, responded to Palmerston's demand by pointing out that the importance of the 'principle of taking measures that offend the mass of people as little as possible is self-evident in international actions [...] but in Spain where the general susceptibility is beyond description, it is deserving of being carried out in all its minutiae [...] any, even temporary, appropriation of the territory of Spain or say permanent damage done to a branch of incipient commerce [...] would concentrate and consolidate an anti-Anglian feeling which is not wanting already'. FO 72/782, Howden to Palmerston 11 January 1851.

¹⁵³ Carr summarises this development as 'a *pronunciamento* of conservative generals supported by civilian politicians and accompanied by a popular revolt which gave to the discontents of the oligarchs the appearance of a national democratic revolution'. Carr, op.cit. p246.

¹⁵⁴ In a neat historical twist, Howden was reporting his efforts to create a stable, supportive government to Villiers, who as Lord Clarendon, was now the Foreign Secretary.

in a bad light'.¹⁵⁵ Despite his pessimism he worked hard to preserve Cabinet unity. Two days later, although careful not to take sides in 'an exclusively Spanish question', Howden intervened directly: 'I thought it very much my business to endeavour to prevent a rupture in the Cabinet, which from the gravity of its consequences was a European one. I therefore called on General Espartero'.¹⁵⁶ A week later, Clarendon responded with an analysis of the situation based on his long experience as Ambassador, in which he highlighted the same dangers of populist excesses as he had done in 1837 and 1838:

The extinction of constitutional rights, the scandalous violation of the Law, the immorality of the Court and the corruption of the Government together with well-founded and long-standing grievances justify the people of Spain in demanding effectual guarantees for their liberties and the better administration of their affairs but it is to be feared that the excitement of popular triumph may overstep the limits within which these demands should be confined. The power still retained by the Juntas, the rivalries of different leaders and the foreigners who for their own objects are promoting revolution in Spain, must all militate against the re-establishment of order and it is not improbable that the fate of the Dynasty may yet be determined in the streets of Madrid.¹⁵⁷

He followed up with a set of instructions for Howden that echoed the ones he himself had received from Palmerston, twenty years earlier. They were based on the same prior discussions with the French: 'the most satisfactory assurances have been received that it is the determination of the French Government not to interfere in Spain [...] the Emperor is desirous that the Queen should be maintained on the throne [...] despite her defects, hoping the shock she has experienced will induce her to accept the guidance of honest, capable men'.¹⁵⁸ Britain, like France, wanted to maintain the monarchy in power and its policy was therefore 'to act in cordial cooperation with France [...] for in Spain which has for many years been the battlefield of contending British and French interests, an opportunity now arises most favourable for cementing more closely the alliance that exists between the two countries and from which results of momentous importance to the world are at this time pending'.¹⁵⁹ Howden was to

¹⁵⁵ FO 72/845, Howden to Clarendon 6 August 1854.

¹⁵⁶ FO 72/845, Howden to Clarendon 8 August 1854.

¹⁵⁷ FO 72/845, Clarendon to Howden, 15 August 1854. This concern about threats to public order is a thread that connects British policy towards Spain from the 1830s to the 1940s.

¹⁵⁸ *Ibid.*

¹⁵⁹ *Ibid.* The reference to 'results of momentous importance' is to the war in Crimea which had begun the previous year. This had brought France and Britain together as allies against Russia, an echo of the situation in the 1830s when France and Britain were ranged against the Holy Alliance powers, including Russia, which were backing the Carlists.

discourage political division based on pro-British or pro-French positions since ‘Spaniards, even loudly proclaiming their independence and their hatred of foreign influence, are always prone to range themselves in English and French parties and to insist that such parties should be established’.¹⁶⁰ However Britain’s intense and chronic suspicion of the operation of democracy in Spain reappeared. Clarendon warned that ‘of all the combinations, that of a Republic would be the most fatal to the present and future welfare of Spain. The South American states afford a melancholy proof that Spaniards are unfitted for republican institutions...Spain would sink with the same degradation as her ancient colonies’.¹⁶¹

Over succeeding months, Howden worked hard for constitutional stability, successfully advising the Queen to accept Espartero’s pre-eminent role despite her distaste for him.¹⁶² In a report to Clarendon on the advice he gave the Queen he set out for the same ‘*juste milieu*’ policy arguments as Villiers had done twenty years earlier:

I know that there are many ardent spirits in England who would think that I have done wrong in not assisting to form a purely *Progresista* Ministry, rejecting all *Moderado* elements. My belief is that my duty is at this moment to attempt nothing exclusive but on the contrary to attempt everything that tends towards fusion [...] Only when the Monarchy is safe, there is a liberal and temperate constitution, there is an army of precisely the necessary amount and when finances shall have been placed on a footing not to be disturbed by the insane cry now raging among the democrats for the suppression of all the most profitable resources of the State, it will then be my duty (as I conceive it) either not to interfere at all or to interfere in favour of that party whose hands are most pure and whose principles are most stable, irrespectively of those calculations which in times like these my reason refuses to disallow.¹⁶³

This ideal state was obviously some distance off, and Howden remained deeply involved in helping both Queen and Cabinet members to manage the unpredictable Espartero. Two years later however, the regime imploded. Once again, British threats to the Catalan textile industry

¹⁶⁰ Ibid. Clarendon must have known this was a somewhat hypocritical accusation as France and Britain had each assiduously cultivated ‘their’ party interest over the previous twenty years.

¹⁶¹ This was not a theoretical point: disillusion with the monarchy went far beyond the democrat fringe. Carr quotes the conservative General O’Donnell, the main initiator of the 1854 *pronunciamiento*, writing that ‘we are risking our lives and, if need arises, won’t stop short of a republic’. Carr, op.cit. p248.

¹⁶² Howden reported that the Queen asked him (‘somewhat pettishly’) whether she could avoid re-appointing Espartero, saying she was ‘ready to accept any other Liberal ministry and that she would act towards it with greatest truth’. Howden advised ‘there was no possible means of rejecting Espartero as President of the new Ministry’ given that ‘the most energetic and dangerous part of public opinion designated Espartero as the man to head the administration’. FO 72/846, Howden to Clarendon, 28 November 1854.

¹⁶³ FO 72/846, Howden to Clarendon, 29 November 1854.

contributed to the breakdown. The *progresista* regime was caught between its commitment to free trade and the political pressure from the Catalan manufacturers, now joined by militant workers, concerned about their jobs as well as their conditions of work. With British encouragement, the new regime had made further moves towards tariff reform in 1855 and set up a Parliamentary Commission, based on ‘the assumption that free trade would automatically ensure harmony between different interests and result in prosperity for all’.¹⁶⁴ Concerned, not unreasonably as we saw above, that ‘cotton production would disappear from our nation irretrievably’,¹⁶⁵ Catalan workers went on strike in July 1855 when their associations were threatened. This upsurge of organised popular resistance, in the course of which the president of Industrial Institute of Catalunya was assassinated, alarmed the army and helped deepen divisions among the Government’s supporters.

Less controversially, but just as importantly, the Government passed a liberalising law in 1854 dealing with railway and mining development, which opened railway and mineral concessions to foreign ownership. Crucially, the law removed prohibitions on the import of railway supplies and equipment which was to have the fatal effect of delaying development of Spain’s metal industry by forty years.¹⁶⁶ Although widely resented at the time, there was no organised political resistance.¹⁶⁷ It was the French rather than British who took immediate advantage of this economic policy ‘opening’: the willingness of French financiers to make vast sums of risk capital available enabled them to build up a dominant role in Spain’s railway boom of the 1860s. Only in the following decade did Britain’s interest in raw material supplies enable it to build up a similar dominance in the less risky Spanish mining industry.

These economic reforms did not help the *progresistas* overcome the political contradiction at the heart of the government, between the conservative military leadership and the radical democrat elements in the Cortes and the streets. In July 1856, Leopoldo O’Donnell, the Minister for War, concerned, like his fellow generals, at growing social agitation, worked with

¹⁶⁴ Pugés, op.cit. p96. As the London *Times* reported, one of the key motives of reform was once again a public finance crisis. This had led to the resignation of Pascual Madoz as Finance Minister (‘a protectionist beholden to Catalan interests’ according to the paper) and his replacement by ‘a wealthy Saragossa banker, Juan Bruil, a Liberal who favours reductions in tariffs’, *The Times*, 9 June 1855.

¹⁶⁵ Ibid. p99.

¹⁶⁶ As Güell, the Catalan business leader, wrote at the time, the failure to take advantage of the railway boom to develop a native metal industry is ‘an open wound in the body of the nation from which flows without interruption the blood of Spanish jobs and capital which fertilise foreign capital and jobs’. Güell *Escritos*, op.cit. p770.

¹⁶⁷ The London *Times* for example reported that although the Government had been very worried by ‘the number of protests signed by the provincial deputations and *ayuntamientos* against [...] tariff reform’, ‘the sale of national property continues very active’. *The Times*, 10 January 1856.

the Queen to launch a *coup d'état* against the parliamentary majority in the Cortes. He faced down the resistance in the Madrid streets and forced Espartero out.¹⁶⁸ After a brief interregnum, O'Donnell returned to power as prime minister, having constructed the Liberal Union, an alliance of centrist *moderado* and *progresista* elements which was to sustain him in power for the following five years.¹⁶⁹ Underlying this period of political stability was an economic boom created by French-financed investment and by the Crimean War. The British, by now used to Spanish political turmoil, remained sanguine about the change of regime, and carried on with their political pressure for trade liberalisation.

In the new age of economic boom this campaign found strong support among the growing financial interests in Madrid. In April 1859 the Association for Tariff Reform organised a famous series of meetings at the Stock Exchange which attracted large audiences including aristocrats, politicians, intellectuals and senior civil servants. Dominated by the ideas of Adam Smith, the meetings established the intellectual hegemony of free trade, so it became 'not only a conviction but a matter of refinement and taste to the point of fascination', a point explored at greater length in the second part of the thesis.¹⁷⁰ A decade later this intellectual hegemony was to lead to the apogee of Spain's free trade legislation, Laureano Figuerola's tariff reforms of 1869, which included a commitment to the progressive abolition of all trade tariffs. Britain's long campaign for free trade had not only won over the political parties outside Catalunya, more profoundly, it had made free trade the common sense of debate, a necessary ideological victory for enduring informal imperial control.

Britain's long-standing and deep diplomatic and commercial interest in Spain over the first decades of the liberal monarchy confirms Gallagher and Robinson's proposition that British foreign policy was shaped by the trading demands of its expanding industries. Britain's paramount concern was the geopolitical security of its Atlantic and Mediterranean trade routes, but its main economic goal was access to Spain's domestic and colonial markets for British textiles. This chapter has shown British ministers pursued these aims relentlessly and in so doing, became closely involved in the detailed management of Spain's politics. Their

¹⁶⁸ Despite Espartero's Anglophilia, British views on his fall were mixed. According to the *Times* 'the coup by O'Donnell represents reaction after two years of ineffective liberal government led by Espartero, 'a servile instrument in the hands of the Democrats and of England in the view of the French press'. The *Times*, 29 July 1856.

¹⁶⁹ Carr, op.cit. p254.

¹⁷⁰ Pugés, op.cit. p101. Numerous books and periodicals emerged during *La Controversia Económica en 1859* (itself the title of a collection of articles). The 1861 Tariff Reform meeting at the Stock Exchange ('Does protectionism contribute or undermine the nation's wealth?') concluded that protectionism reflected the 'exclusivity and egoism of Catalunya' op.cit. p103.

unremitting campaign illustrates the priority British foreign policy gave to the goal of securing the expansion of trade and commerce, working wherever possible in alliance with cooperative local elites. Moreover, the essentially imperialist nature of the relationship was revealed by Britain's readiness to intervene militarily to assert its dominant role when its geopolitical dominance in the region was threatened. In Spain's case, there were external constraints on the exercise of British military power, partly as a result of the country's political maturity and traditions of independence but largely because of the need to accommodate the interests of other Great Powers, especially France. Although this meant the bar for military intervention was set relatively high, it was nonetheless met on a number of occasions and was always present as a threat. Military force, however, was the most extreme form of Britain's exercise of power and governments preferred to use a mixture of incentive and threat to achieve their strategic economic objectives. In Spain's case, this was done by offering inducements to raw material and food suppliers while attacking native producers of rival cotton products with the clear and expressed aim of destroying them. The combination of carrot and stick, characteristic of imperial management of colonies, was only partially successful in Spain, not because of resistance by the political elite, but because a weak central state was unable to overcome the opposition of the Catalan industrialists. Britain nonetheless successfully secured political and ideological support for a more liberal trade regime, which allowed it to enter other product markets where there was little resistance.¹⁷¹ In this, we can see Hopkins' distinction between structural and relational power at its clearest.¹⁷² Britain successfully exercised *structural* power as shown by the progressive removal of Spain's barriers to foreign trade and investment and more broadly, by the dominance that free trade ideology had gained by the late 1860s. On the other hand, Britain encountered setbacks in its use of *relational* power to secure a specific trade agreement over textiles, a result of Spanish governments' failure to overcome Catalan resistance in parliament. Although based in the Catalan textile industry, the protectionists were not the monopolistic defenders of regional or sectional interests, as they were so frequently characterised, but leaders of a campaign of national resistance to the exercise of economic imperialism implicit in Britain's free trade policies. Britain's consistent, often fierce, diplomatic and press denunciations of the Catalan industrialists should be interpreted as recognition that the Catalan opposition represented a direct challenge to the foundations of its policy of trade imperialism. Gallagher and Robinson's model of informal imperialism provides

¹⁷¹ In the event however, it was the opening of the country to foreign investment from the 1850s that created the most significant direct economic opportunities for Britain in Spain.

¹⁷² Hopkins, op.cit. p477.

both an important and useful analytical framing and explanation for both Britain's intervention in Spanish politics and the increasingly nationalist Spanish response, explored in part two of the thesis.



Figure 1: Henry, Third Viscount Palmerston (1784-1865)



Figure 2: George Villiers, Fourth Earl of Clarendon (1800-1870)

Chapter 2: Britain, Spain and the War of Africa, 1859-1860

The diplomatic and public exchanges between Britain and Spain over the ‘War in Africa’ of 1859 provide a second important ‘window’ into the evolution of the Anglo-Spanish relationship during the nineteenth century. By the 1860s, Britain had achieved an unchallenged dominance over Spain’s foreign policy and its high-handed interference in the conduct of the war was to show the country was firmly within scope of Britain’s informal empire. On the other hand, the furious and often-violent reaction of politicians and public across Spain to this interference reveals a widespread and growing resentment at the country’s loss of sovereignty and a developing sense of national self-consciousness.¹⁷³

In October 1859, just three years after the Army-supported coup against the *bienio progresista* of 1854 to 1856, Spain invaded Morocco following a minor skirmish near its port enclave of Ceuta. The ostensible aim was to claim reparations for the damage caused during the action: the wider political aim was to build an imperial presence in Africa and to re-establish Spain’s status as a European Great Power. Six months later, Britain, concerned that its dominance of the Western Mediterranean might be undermined by a permanent Spanish occupation of the Moroccan coast, brought the War of Africa to an abrupt and humiliating end. Its ruthless use of diplomatic, commercial and military power during and after the war demonstrated that Spain had lost its decision-making independence to Britain over central areas of its foreign policy and use of military force. Such loss of autonomy over crucial state functions is an important marker of the exercise of informal imperial power¹⁷⁴ and the Africa War provides unequivocal evidence of its exercise in Spain: Britain dictated the boundaries of Spain’s foreign policy to prevent any threat to its vital economic and strategic interests.¹⁷⁵ The British Government’s grip on Spain’s foreign policy in pursuit of trade and geostrategic dominance during the war provides further support for Gallagher and Robinson’s hypotheses about the exercise of Britain’s informal imperialist power in the nineteenth century. The reaction in Spain, an outburst of popular patriotism, much of it aimed at Britain, also provides early evidence of a

¹⁷³ Although the chapter relies on the diplomatic exchanges between Britain and Spain as a major primary source, the popular as well as the political attitudes and responses to the War were a central issue. The chapter therefore draws extensively on contemporary Spanish and British press as primary sources to explore popular views of the War and Britain’s role in it. Newspapers are a particularly useful source in an era in which the advent of the railways and the telegraph were creating a nationwide readership and with it, an emerging public opinion.

¹⁷⁴ Hopkins, op.cit. p477.

¹⁷⁵ The Spanish press used a parental image to describe the British and French restrictions on Spain’s freedom of action during the lead-up to the War: ‘It is being treated as business between France and England, as a matter between two guardians dealing with the interests of a minor’, *La España*, 30 October 1859.

nationwide response to foreign dominance and shows this concern was no longer confined to industrial interests directly threatened by free trade. Spain's War of Africa is sometimes dismissed as a minor colonial engagement, no more than a historical footnote. Even in Spain the conflict is scarcely remembered despite the intense interest it aroused at the time, its effects apparently limited. In fact, the war both marked, and contributed to, profound economic and political changes in Spain: it stimulated the growth of a popular national consciousness, the revival of the country's colonial ambitions and a growing resentment of Britain's role in the country. All three developments were to reverberate through the politics of Spain for the following century.

The most long-lasting of the war's effects was to create a focus for a popular nationalist movement in Spain. The extensive demonstrations of patriotic support for the war were unexpectedly broad and deeply felt throughout society. Although nurtured by traditionalist myths (notably, those surrounding the Moors' expulsion from Spain), the intense upsurge of nationalistic feeling before, during and after the war, actually owed much to the new technologies and infrastructure that had been taking root in the country over the previous two decades. The railway boom of the 1850s had brought new wealth to previously isolated parts of the country, connecting them to the political and intellectual currents of Madrid. By linking national and regional press, the telegraph made an essential contribution to the shared culture on which the new, self-conscious nationalism depended.¹⁷⁶ These technologies were enabling the emerging urban classes across Spain to develop the strong sense of common endeavour evident in the army's impressive mobilisation in the autumn of 1859. This new movement was to gather momentum for the rest of the century and emerge fully in Spain's twentieth century nationalist regimes.

The second important effect of the war was to launch a national dialogue around Spain's colonial ambitions in Africa. An apparently straightforward assertion of local military authority widened dramatically over a few weeks to become a campaign of imperial conquest and exploitation. For many, the war was seen as an opportunity to rebuild a Spanish empire, enabling it to become once again a great European power.¹⁷⁷ For others, the war was a platform

¹⁷⁶ Anderson explored the role of communication media in the modern nation building process. Anderson, B *Imagined communities: reflections on the origin and spread of nationalism*, London, 2016.

¹⁷⁷ Pereira, J (Editor) *La política exterior de España: De 1800 hasta hoy*, Barcelona, 2010, p463. Ginger also points to 'cultural and aesthetic outlooks grounded in Liberal nationalism' which reflected 'the reassertion of Spanish power and dignity as part of its national rebirth through military success and the assertion of a Christian civilising mission', Ginger A 'Some Cultural Consequences in Spain of the Spanish Invasion of Morocco, 1859-60', *Journal of Iberian and Latin American Studies*, vol. 12, 2006.

for economic development and a civilising mission to demonstrate Spain's moral superiority to less developed societies.¹⁷⁸ In practice, the war was to reveal, in brutal detail, Spain's economic and political weakness and led to the postponement of its colonising mission to the end of the century.¹⁷⁹

A third long-term effect of the war was to define Spanish nationalism in opposition to the exercise of British imperial power. In much of Spain, Britain had been widely admired over the previous half-century both for its support during the War of Independence against Napoleon and for its active backing of the liberal monarchy during the first Carlist War. British political and social institutions as well as its industrial dynamism and intellectual liberalism were seen by many in Spain as models to follow.¹⁸⁰ Resentment at the harmful effects of its free trade imperialism on the Spanish economy had been largely confined to the directly threatened Catalan textile industry while Britain's occupation of Gibraltar, although a slight to national pride, was generally accepted as inevitable. However, the Africa War, with its implicit strategic threat to the Atlantic and Mediterranean trade routes, forced Britain to exercise, openly and clearly, its financial and diplomatic power at Spain's expense. The result was a wave of anti-British rhetoric and popular feeling which helped to define the objectives of Spanish nationalism for the following century.¹⁸¹ The war crystallised the desire for national independence, political and economic, which was to vie with the reality of Spain's dependence on the more fully industrialised powers around it, Britain in particular.¹⁸²

¹⁷⁸ An editorial in *El Día* during the war expresses this moral mission, a view that was to become increasingly prevalent in Spain over the next few decades: 'Civilisation needs these slave races to become races of free men. It is necessary, indispensable, then that we civilise Africa, not so much for colonisation as for its peaceful influence, the thousand measures it can offer as a civilised, Christian people' *El Día* quoted in *La España*, 24 November 1859.

¹⁷⁹ Over the decades following the Africa War, even sceptics like Prime Minister, Antonio Maura were drawn – disastrously – into the mission to colonise Morocco. For politicians of the Right, a new Spanish empire in Africa remained a dream right up to the 1940s, when Franco saw acquisition of the French North African colonies, and Morocco in particular, as a potential reward for his support for the Axis powers.

¹⁸⁰ An editorial in *La Época* typifies these conflicted feelings about England: 'We wish no ill to England. We admire the strength of its political customs, its commitment over centuries to liberty, its capacity to steer between reaction and revolution, avoiding absolutism and demagoguery, its system of representation. We don't blame Great Britain but if one day, not understanding the Spanish character, they threaten us with arms to make us cede our rights, before we concede defeat, we will fight to maintain our honour as we always have. We don't want to fight England, but if necessary, we will do our duty' *La Época*, 27 February 1860. Such schizophrenic attitudes run through the Anglo-Spanish relationship and are characteristic of situations of asymmetric national power.

¹⁸¹ The *Times* summed up the reaction in Spain: 'There has been an outburst against England. For some weeks, Spanish society was closed to Englishmen. The newspapers were full of denunciations; even the walls were covered with indignant or jeering remands on the perfidious islanders'. The *Times*, 5 April 1860.

¹⁸² Even when anti-British sentiment at its height, many distinguished between admiration for the British people from their hostility to its government as shown by a contemporary editorial: 'We do not believe in any way at all

By the late 1850s the two decades of relative peace since the first Carlist War, together with modest economic growth, had created the conditions for the modernisation of Spain's political and economic life. With it came a new confidence in Spain's capacity to re-assert its colonial ambitions in Africa. In the late eighteenth century, doubts about Spain's military capabilities had led the country to abandon its long, antagonistic engagement with its Moroccan neighbour over territorial occupation, religion and piracy to concentrate on mutually beneficial commercial exchange.¹⁸³ Both Spain and Morocco saw trade as a greater priority and took advantage of the opportunities created by a quickening European economy to conclude a number of trade agreements. These culminated in the trade and peace treaty of Mequinez in 1799, which gave Spain some exclusive trading rights and privileges, together with further protections from local taxation for its merchants and their agents. There was even discussion of Spanish withdrawal from its military outposts in Vélez and Alhucemas in exchange for further trade advantages and the Cádiz Cortes in 1814 actually gave its approval for the exchange. However, in a harbinger of their future intervention in the area, the British, who were building up their presence in the Mediterranean, put pressure on the Moroccans to refuse the Spanish proposals.¹⁸⁴

The launch of France's long campaign to colonise North Africa radically changed the situation. Its invasion of Algeria in 1830 was a significant challenge for both Britain and Spain. For Britain, there was now a Great Power rival to its strategic dominance of the Western Mediterranean and its burgeoning trade routes. In response, the British consolidated their influence at the court of the Moroccan Emperor, partly to counter the growing French power in the region, and partly to extend foreign markets for their own goods. With no direct territorial aspirations in the country, Britain achieved such a position of trust that, by 1856, it was able to negotiate a new, highly advantageous, trade agreement with the Sultan's government, which dramatically expanded British trade privileges. Unlike the previous bilateral arrangements between Morocco and the European powers, these concessions

in the enmity of a nation, whose importance we are the first to recognise, and with whom Spain has generally sustained a good understanding', *La España* 21 December 1859.

¹⁸³ This strategy was only partially successful as Spanish merchants were faced with strong competition from Marseille-based French traders and anyway preferred to trade in the Americas. Madariaga, M, *España y El Rif: Crónica de una Historia Casi Olvidada*, Melilla, 2000, p54.

¹⁸⁴ Madariaga, M, *España y El Rif*, op.cit. p56.

constituted a serious encroachment on the country's sovereignty.¹⁸⁵ This breach was swiftly followed by other European powers looking for similar benefits.¹⁸⁶

For the Spanish, the French colonisation of Algeria represented a threat to their long-held dream of a dominant role in North Africa.¹⁸⁷ The visible weakening of Morocco's imperial authority, demonstrated by the French incursions into the Moroccan-Algerian borderlands in 1844, had already increased Spanish hopes that the country could take territorial as well trading advantage of the sultanate. There was a revival of political debate over the need to assume once again the country's 'historic role in Africa'.¹⁸⁸ By the late 1850s, the combination of relative political stability, a modernising economy and the strengthening force of liberal nationalism seemed to make these aspirations practically, as well as politically, achievable.¹⁸⁹ Spain could, it seemed, not only re-establish its imperial mission, lost in South America, but take up its historic role again, as an equal among the European powers.¹⁹⁰ Despite these hopes however, Spain was in practice caught between Britain and France, and 'could do no more than trail behind the two great powers and submit to their will. Uncertain, ambiguous, Spain's policy towards Morocco wavered unpredictably between peace and war'.¹⁹¹ The frustration caused by this ambiguous approach was to become apparent in the confused events of 1859 leading up to the war.

Over the previous few years, the increasing tension between Spain and Morocco had been reflected in a series of local skirmishes around the Spanish enclaves of Melilla and Ceuta.

¹⁸⁵ Barbe, op.cit. The British strategy in Morocco is itself further evidence to support Gallagher and Robinson's argument that expansion of trade and domination over local elites was Britain's preferred nineteenth century foreign policy.

¹⁸⁶ At an international conference in Madrid in 1880 these concessions were eventually codified: thirteen European powers agreed a common and highly exploitative framework for trade with Morocco, Barbe, op.cit. p15.

¹⁸⁷ As the French Prime Minister, Prince de Polignac, remarked 'Spain would like to take an active part, but this would require expenditure over and above its resources' Madariaga, M, *España y El Rif*, op.cit. p59.

¹⁸⁸ Ibid. p62. Already under the premiership of Narváez, Spain had occupied the Chafarinas islands off Algeria, in 1848 just ahead of the French who were distracted by the 1848 revolution. However, the British Government objected to a proposed further expansion into the Perejil island near Ceuta, close to the Strait, and only allowed Spain to occupy this area subsequently to stop the French doing so.

¹⁸⁹ The *Times* summed up this new confidence: 'Spanish affairs have undergone of late a remarkable transformation. The kingdom has become more independent, more powerful, more prosperous and more opulent'. The *Times*, 5th October 1859. As Escrigas points out this meant that the country was able to afford a tripling of the military Budget between 1850 and 1865, Escrigas J *El Papel de las Fuerzas Armadas en la acción exterior de España* in Pereira, J (Editor) *La política exterior de España: De 1800 hasta hoy*, Barcelona, 2010, p260.

¹⁹⁰ There was a strong feeling in Spain that it had European support for its ambitions: 'The true European question, which Europe answers unanimously apart from England, is whether we have risen from the position of prostration in which we have been for so many years, even centuries, and are able to occupy the place among nations, that our historic, political and geographical situation suggests'. *La España*, 30 October 1859.

¹⁹¹ Madariaga, *España y El Rif*, op.cit. p60.

Measures to strengthen their defences had been negotiated with the Moroccan government, but just as the agreement between the two governments was being finalised in August 1859, a premature Spanish initiative to build a new blockhouse near Ceuta angered local Berbers, who tore down the fort and burnt its Spanish flag. Despite the Sultan's apology and offer of reparations, the Spanish issued an ultimatum demanding the death penalty for the local perpetrators. The death of the Sultan himself, later in the month, led to a delay in the ultimatum's expiry date to the end of October.¹⁹² Meanwhile in Spain a wave of patriotic support, encouraged by the Government, had swept the country. General Leopoldo O'Donnell, head of the army as well as President of the Council of Ministers, supported war largely for domestic reasons: political opponents would have to bury their differences while popular prestige for the army would help prevent the re-emergence of civil strife. O'Donnell 'judged it more prudent to occupy the army in a foreign adventure to distract it from any temptation to act a saviour at home'.¹⁹³ There was support among some in Government too for an overt colonialising project and for a more independent foreign policy, equidistant between Britain and France. As Vilar points out, the initial Ceuta skirmish was 'one of the innumerable frontier incidents which in itself had no importance, but which the Liberal Union Government tried to use to step up Spain's international influence through armed foreign interventions'.¹⁹⁴ Rubio also argues the war was pursued for broader geopolitical reasons. For him, 'the War of Africa was motivated by a need to defend Spanish settlements in Morocco and to guarantee the security of the southern flank of the Peninsula, and both these initiatives were successful'.¹⁹⁵ However plausible, these reasons are all essentially *post hoc* rationalisations of a process that appears to have been based largely on opportunistic decisions taken for a variety of motives. There is little evidence of a thought-through strategy at the time, rather the exploitation of contingent events to take forward a variety of policy ambitions from different parts of the political elite.¹⁹⁶ One of those events was the remarkable and unexpected popular support for the military adventure that emerged spontaneously in the late summer and autumn of 1859. There is strong evidence of the range and depth of this support from the enthusiastic reports of

¹⁹² The delay gave scope for negotiations in which the conciliatory Moroccan government showed it was prepared to compromise. The Spanish however made agreement impossible by increasing their demands for compensation.

¹⁹³ Madariaga, *España y El Rif*, op.cit. p71.

¹⁹⁴ Vilar, *J La Proyección Española*, op.cit. p463.

¹⁹⁵ Rubio, J *¿Que ha sido la política exterior para España?* in Pereira, J (Editor) *La política exterior de España: De 1800 hasta hoy*, Barcelona, 2010, p694.

¹⁹⁶ Madariaga appears to acknowledge a strong element of Spanish opportunism when she concludes that 'for Spain, the events in Ceuta provided the pretext for the armed conflict [...] for the Spanish Government, in light of the country's internal confusion, it was providential', Madariaga, *España y El Rif*, op.cit. p71.

members of parliament and newspapers across the country.¹⁹⁷ Even more remarkable was the wave of donations to the military campaign from all levels of society and from all parts of the country.¹⁹⁸ This was accompanied by an extraordinary literary outpouring of support, often expressed in nationalist terms.¹⁹⁹ These revived old myths of Isabel the Catholic and resistance to the Moor during the Reconquest but surrounded them with the social attitudes and ambitions of the new modernising Spain. For the first time, an identifiable, if febrile, public opinion was emerging.²⁰⁰

The rising tide of national feeling during August and September 1859 encouraged Spain's obdurate reply to the Sultan's conciliatory responses and swept aside protests, mostly from *progresista* members in the Cortes, at the rush to war. The Sultan's offer of compensation for Spanish losses, and a willingness to compromise further on the limits of Spanish Ceuta in the just-completed treaty was also dismissed. The Spanish Government finally made agreement impossible by raising their demands for compensation and by adopting 'the high-handed and arrogant language of a colonial power' This 'contrasted with the refined tone of El-Jatib [the Sultan's representative], who was moderate, conciliatory and extremely courteous'.²⁰¹ Despite strenuous efforts by the British Consul in Tangier, Sir John Drummond Hay, to engineer a compromise, the Sultan's defiance was finally triggered by the Spanish demand for the death sentence for twelve of the perpetrators, 'reflecting the majority Government view that it was unacceptable to deliver twelve Moslems to the enemy'.²⁰²

Britain's efforts to contain the dispute went far beyond the local peace-making efforts of Drummond Hay. Britain's strategic and trade interests were vitally involved. The immediate and main concern for Britain was the security of Gibraltar. Tangier was also considered vital to Britain, both as a potentially hostile naval base and as the main source of supplies for Gibraltar.²⁰³ Behind these immediate geostrategic issues however, lay a wider concern about France's growing power in the Mediterranean. A Spanish victory would enable France to

¹⁹⁷ In reporting a meeting of Congress on 29 October 1859 (at which the *moderados* had offered 'unconditional support to the Government in taking arms against the Moroccan Empire'), *La España* commented that 'the provinces are united in common feeling'. *La España* 30th October 1859.

¹⁹⁸ In its 29 October *Report of Congress* *La España* also reported that Members of Congress had given evidence of enthusiastic and material support from across the country. *La España* 30th October 1859.

¹⁹⁹ Madariaga points to 'the upsurge of popular support reflected in popular events, literature, song and drama as well as the nationwide public and private donations'. Madariaga, *España y el Rif*, op.cit. p73.

²⁰⁰ As Vilar put it, the War of Africa 'is perhaps the only one that really succeeded in mobilising Spanish public opinion', Vilar, *J España en la Europa de los Nacionalismos* op.cit. p548.

²⁰¹ Madariaga, M *En El Barranco del Lobo*, Madrid, 2005, p19.

²⁰² Madariaga, *España y El Rif*, op.cit. p70.

²⁰³ As the *Times* put it, 'Tangier is our beef market for Gibraltar. The beef is not very good, but it is cheap and plentiful', *The Times*, 10 November 1859.

dominate Morocco and undermine the Sultanate from its Algerian colony, shutting Britain out of Moroccan markets and allowing Spain a trading monopoly through Tangier.²⁰⁴

Given these considerations and with war looking increasingly probable, Britain made a formal proposal to arbitrate on 12 September 1859. Spain's foreign minister, Saturnino Calderón Collantes rejected the British offer with the emotional statement that only Spain itself could 'wash away the offence caused to the flag'.²⁰⁵ Ten days later, on 22 September, Britain's Foreign Secretary, Lord John Russell instructed Andrew Buchanan, the British Ambassador in Madrid, to seek explicit reassurances about Spain's objectives.²⁰⁶ Russell's instructions made clear his belief that Spain was the aggressor, remarking that hostilities 'appear to have arisen from outrages committed by Moors in the vicinity of Ceuta but that those outrages appear to have been provoked by the excitements and defiances of the Governor of Ceuta'.²⁰⁷ Nonetheless he would not interfere with Spain's initiative to seek compensation: 'if the Spanish Government only seek redress for wrong and vindication of their honour, Her Majesty's Government will not interpose any obstacles to their obtaining such reparation'. However, there must be clear limits to Spain's actions: 'if the outrages of the wild Moorish tribes are to be made a ground for conquest, and especially on the coast, Her Majesty's Government are bound to look to the security of the fortress of Gibraltar'. Underlining his anxiety about Gibraltar, he asked for written reassurances that any occupation of Tangier would be temporary since 'an occupation till an indemnity is paid might become a permanent occupation and such a permanent occupation Her Majesty's Government consider inconsistent with the safety of Gibraltar'.²⁰⁸ The request for written confirmation was viewed in Spain as particularly humiliating, given its implication that Spain's word alone was insufficient.²⁰⁹

On 27 September, Buchanan, following Russell's instructions, sent a letter to Collantes in which he referred to previous assurances by Spain that it sought 'no conquests in Africa but only propose to obtain reparation for offences which have been offered to them by the Moors

²⁰⁴ In his note to the Spanish Government a month before the declaration of war the British Ambassador, Andrew Buchanan, emphasised 'the interest which they take in the Government of Morocco and the importance which they attach to the commerce of Tangier with Her Majesty's Government possessions in the Mediterranean'. *London Gazette* 8 November 1859.

²⁰⁵ Madariaga, *España y El Rif*, op.cit. p76.

²⁰⁶ Russell to Buchanan, 22 September 1859, *London Gazette* 8 November 1859.

²⁰⁷ Russell to Buchanan, 22 September 1859, op.cit.

²⁰⁸ Foreign Office Correspondence: *The London Gazette*, 8 November 1859 p1.

²⁰⁹ There was no doubt in British minds from the tone of the correspondence that Spain would respond positively to its demands, representing clear evidence of Britain's confidence in its power to compel compliance if necessary. The Spanish replies, always very prompt and reassuring, as well as its subsequent actions, show this confidence was wholly justified, often to the dismay of the Spanish press.

of Ceuta'. Reflecting British concern about the stability of the Moroccan Sultanate, Buchanan warned that any indemnity should not result in Morocco's bankruptcy or in a permanent occupation of Tangier.²¹⁰ Buchanan summarised his demands by saying that 'it would give satisfaction to the Queen and Government to learn there is no intention to make conquests in Morocco or to occupy permanently any portion of the Sultan's territory'.²¹¹

So began a series of direct, diplomatic *demarches* between the Governments over the following two months, later to become notorious in the Spanish press as 'the famous exchange of notes'.²¹² This exchange provides unequivocal evidence of Britain's dominant power and the strict limits it imposed on Spain's independence of action. For example, Collantes' letter of 7 October, replying to Buchanan, shows his reluctant and offended compliance with British demands: there is no desire for territorial aggrandisement but only 'the sacred duty of defending their dignity and the honour of the nation' and 'definitively, the Spanish Government in the fulfilment of their intentions, would not continue the occupation of that fortress [Tangier] on the supposition that they should have found themselves obliged to establish themselves there in order to secure the favourable issue of their operations'. He attempted to salvage some national self-respect from this humiliating acknowledgement of superior force by asserting that Spain 'would do what its honour required'.²¹³ A Government circular, published in the *Madrid Gazette* on 24 September, made clear that the aim of the war was to punish aggression and that there was no plan to acquire territory. However, it went on, 'in practice it is not possible to predict how military operations might go and what sort of guarantees it might be necessary to establish', a face-saving qualification that was seized on by the Spanish press as giving scope for independent action.²¹⁴

Despite the apparent, if qualified, Spanish acceptance of British conditions, the enthusiastic and ever-growing warmongering in Spain raised serious concerns in London. A week later, on 15 October, Russell instructed Buchanan to tell Collantes that although 'Her Majesty's Government accept with pleasure this assurance' in the letter of 6 October, he was to re-iterate the British demands and say that:

²¹⁰ This stipulation was also widely resented in Spain. As *La España* put it, 'there could be no injurious or terms more imperious. All nations have the right to decide about how to ensure payment of indemnities', *La España*, 16 November 1859. Buchanan's point was prescient however: in the event Morocco's economy was severely undermined by Spanish reparations.

²¹¹ Foreign Office Correspondence: *London Gazette*, 8 November 1859.

²¹² An editorial in *La España* in December 1859 underlines its 'energetic protest' at the 'famous exchange of notes'. *La España* 21 December 1859.

²¹³ Foreign Office Correspondence: *London Gazette*, 8 November 1859 p1.

²¹⁴ *La España*, 16 November 1859.

Her Majesty's Government earnestly desire that there may be no change of possession on the Moorish coast of the straits. The importance they attach to this object cannot be overstated; and it would be impossible for them or indeed for any other maritime power, to see with indifference the permanent occupation by Spain of such a position on that coast as would enable her to impede the passage of the straits to ships frequenting the Mediterranean for commercial or any other purpose.²¹⁵

In the following days, Russell was further alarmed by press reports of Cortes debates, during which the Government itself had talked of territorial acquisition and several deputies had argued the war should be the start of a campaign to colonise Africa. He sent telegrams to Buchanan on the 19 and 20 October asking about the 'alleged intention of Spain to obtain a cession from Morocco of several miles of territory on the coast of the Straits of Gibraltar'.²¹⁶ Following Russell's instructions, Buchanan wrote to Collantes on 21 October, again referring to Government statements during the Cortes debate that 'certain territory lying between the fortress of Ceuta and the mountainous ridge, or Sierra of Bullones, should be ceded to Spain'. He asked for a reply from Collantes 'at his earliest convenience' in which he would 'name the points on the coast which...would be included within the territory of Spain'.²¹⁷

Collantes complied, replying the same day with an assurance that Spaniards would not 'occupy any point on the Straits whose position could afford to Spain a superiority dangerous to navigation. In this matter, their views have always been so disinterested and faithful that they cannot believe there should be any doubt about them'. Attempting to maintain some measure of independence from this repudiation of the recent Government's statements in the Cortes, he wrote that he was sure Britain could not 'have any other object than to secure the security of the interests of Great Britain and in no way to interfere in the conflict which two independent nations are about to be engaged in'.²¹⁸ Collantes' compliance was confirmed in a Government circular in the *Madrid Gazette* on 29 October, which reiterated the commitment that Spain 'will respect the existing interests and rights of all the people. It will not occupy permanently any point whose possession would give Spain a superiority that would represent a danger for the free navigation of the Mediterranean'.²¹⁹ For the Spanish press, this renunciation of any

²¹⁵ *London Gazette*, 8 November 1859, p2.

²¹⁶ *Ibid.*

²¹⁷ *Ibid.*

²¹⁸ *Ibid.*

²¹⁹ *Madrid Gazette*, 29 October 1859, reported in *La España*, 16 November 1859.

possible territorial expansion represented a betrayal: ‘the Government’s weakness has laid open the wounds in the hearts of all Spaniards’ as an editorial in *La España* expressed it.²²⁰

In Britain, the first reaction to the rising tension between Spain and Morocco had been amused interest: the prospective war would be ‘a curious supplement to the European contests of the nineteenth century’, as the *Times* put it. There was a nostalgic echo of Spain’s historic role in the impending expedition, and it was remarkable that:

Spain should at length bestir herself and assume a position worthy of her ancient name [...] she ought once more to distinguish herself by victories over the barbarian and the infidel. Accordingly, the expedition is organised with a dash of the Crusade in it and that after the offending Moors have been punished, the dominions of a Christian Crown may be possibly aggrandised at the expense of the Crescent.²²¹

As the military preparations in Spain got under way during October, this feeling developed into a genuine admiration, of both the mobilisation itself and the wider aim of Spanish political revival:

We now hear of estimates of 100,000 men, of a whole fleet of gunboats, of an efficient transport service and what is more notable than all, of ferment in the popular mind equivalent to a great national revival. In all this there is nothing to suggest either envy or alarm; on the contrary, we should be extremely rejoiced to see Spain resuming that place among the nations of Europe to which her history and no less, her territory fairly entitles her.²²²

By the end of the month and with war now imminent, there was a more sober understanding of the French threat to British interests arising from Spain’s strategic weakness. While the paper still supported Spain in taking punitive action:

The case is different when the Cabinet of Madrid undertakes operations under the direction and with the help of a great and ambitious Power. We cannot avoid perceiving that in these alliances the stronger State must have complete control over the weaker and that it is not Spain which goes to war, but France under the shelter of her name and perhaps with the intention of reaping the fruits of war.²²³

These divisions of view between London, Madrid and Paris over the aims of the war were to widen steadily over the next few months.

²²⁰ *La España*, 16 November 1859.

²²¹ *The Times*, 20 September 1859.

²²² *The Times*, 5 October 1859.

²²³ *The Times*, 28 October 1859.

Spain formally declared war on 29 October 1859 and immediately blockaded port access to Tangier, Tetuán and Larache. Popular support surged, with a flood of public and private donations, popular events, literature, song and drama.²²⁴ As the *moderado* daily, *La España*, reported on the day of the declaration:

The patriotism of the Spanish nation is the same as in 1808 and the ardour has not cooled, the heroism has not diminished [...] from the moment war became known about, there has been a unanimous explosion of enthusiasm [...] writers have said the same, all think the same: the provinces are united in common feeling.²²⁵

The paper pointed to the enthusiastic support from across the country, highlighting the Basque contribution ('gold and their sons'); Catalan recruits; Valencian farmers' offers of their crops to the army; soldiers who have completed their service but who have refused to return home 'because the homeland is in danger'. Political divisions were put aside: 'party members forget their allegiances to enlist under the nation's flag where there is a place for everyone: the enthusiasm is universal. Here is the Spanish nation'.²²⁶

There were also expressions of international support, especially by European powers. France's Algeria invasion had stimulated a general interest in colonial conquests and there was a feeling that Spain had the right to defend its interests on the other side of the Strait with a show of force, not least to counter Britain's influence in Morocco. This wider European support – itself partly fuelled by widespread continental resentment at Britain's dominance – together with the relatively successful mobilisation of the army, gave the Spanish Government and people confidence that Britain's imposition of limits on Spain's ambitions could be defied. *La España* for example pointed to the broad European support for Spain's actions:

Despite all nations of Europe, as judged by the press, wanting to see Spain triumph in Africa and extend the benefits of civilisation to those regions, Great Britain is trying to deny Spain the right to obtain from Morocco solid guarantees about the future.²²⁷

The outrage of the business-supporting daily, *La Correspondencia*, at British attitudes was typical:

We cannot believe a great nation would favour the savage, Moroccan tribes [...] and try and put obstacles in the way of our invasion of Morocco [...] It is usual for the British press to sacrifice all moral notions of justice and law in the defence of free trade

²²⁴ Madariaga, *España y el Rif*, op.cit. p73.

²²⁵ *La España*, 29 October 1859.

²²⁶ Ibid.

²²⁷ *La España*, 29 October 1859.

for its cotton and its dominance of the sea; but this egotistical policy leads to unsustainable antagonism.²²⁸

Two weeks later, *La España* summed up the general view: 'Like the rest of the non-government press and the people, we declare that Britain has no right, no existing interests in Tangier nor in any of the points of the coast of Africa'.²²⁹

The newspaper rhetoric quickly became vitriolic, attacking in equal measure the British Government for its arrogance, the Spanish Government for its pusillanimity and the British press for its unwarranted insults to Spanish national honour. Russell and Buchanan's letters, including their 'insolent and unjustified accusations about the Governor of Ceuta', were a clear indication that, as the *moderado* *La España* put it, 'our fate has been at the mercy of the whims of Lord John Russell'. Moreover 'after this act of exemplary humiliation in response to the pressures of a foreign minister, the rest of the government are forced into a false position in which its own weakness had placed it'.²³⁰ The *progresista* Liberal daily, *La Iberia* agreed:

The limits of prudence have been reached for those who take glory in being Spaniards in not being able to defend themselves against a powerful enemy. The government's concession to Britain has exacerbated the country's humiliation and diminished our honour.²³¹

The British press, assiduously read in Madrid, was another favourite target. The *progresista* Liberal *El Clamor Público* welcomed 'the protests at the insolence of the *Daily Telegraph*', while the Liberal Democrat-supporting *La Discusión* rejected the *Times*' arguments that, in its own interests, Spain should not make war: 'Thank you, dear *Times*, the Spanish people are too strong and don't need the zealous protection of Great Britain'.²³² For its part the Catholic daily, *El Conciliador* called on the government to 'protest at the *Daily Telegraph*'s insolence in attacking and defaming the Queen with calumnies'. For the periodical, *Estado Militar de España*, the British attacks on Spain were a tribute to Spain's new relevance: 'the language of the English press clearly reveals the transcendental character of our Africa question'.²³³

The atmosphere of jingoistic national confidence was even reflected in the arguments among the Madrid government's own supporters. Rather than accepting the realities of geopolitical

²²⁸ *La Correspondencia*, quoted in summary of press reports in *La España*, 30 October 1859.

²²⁹ *La España*, 18 November 1859.

²³⁰ *La España*, 16 November 1859.

²³¹ *La España*, 18 November 1859.

²³² Quoted in summary of press reports in *La España*, 30 October 1859.

²³³ Quoted in summary of press reports in *La España*, 29 October 1859.

power set out in the British government letters, *El Clamor Público* argued Spain still had ample scope for territorial expansion:

The Government has not failed, in its exchange of notes, to achieve the material guarantees sufficient to stop a recurrence of the aggravations that led us to have to take up arms. There is no commitment not to take possession of a greater or lesser amount of Moroccan territory, only an obligation not to take a position in the Strait which would give our country a dangerous superiority over its shipping [...] In practice, this commitment has no effect since even if we took possession of the whole coast, we would not represent a threat to shipping.²³⁴

As the tide of patriotic fervour reached into all parts of Spain, the subsequent six months of war were to see the resentment of Britain's role become increasingly intense and widespread. In the first weeks of the war there were even accusations that Britain was covertly supplying modern weaponry to the local Moroccan militia.²³⁵ Evidence was produced that apparently showed Drummond Hay acting as broker, using his long-standing commercial contacts in the Tangier business community.²³⁶

A month later in December, another – this time, overt – act of British diplomatic pressure caused further Spanish fury, when Britain attempted to add financial pressure to its diplomatic attempts to rein in the Spain campaign by calling in a two-decade-old debt. During the first Carlist War Britain had supplied munitions, arms and provisions worth some £440,000 (44m reales). According to Madariaga, the British action was 'designed to provoke a financial crisis in Spain and ensure the Government was made unable to sustain such a costly war'.²³⁷ In fact, the move probably had the less ambitious aim of demonstrating to Spain its financial vulnerability. In any case, its most immediate effect was to provoke further outrage at British partiality, with *La Esperanza* arguing it was:

An intolerable insult for the Spanish people, a violation of the rules of nobility, and even more of friendship. To accede to it would be for Spain not only an outrageous humiliation but deeply imprudent.²³⁸

²³⁴ *El Clamor Público*, 26 November 1859.

²³⁵ As Madariaga points out however, 'whether or not it was true, the Moroccans had very few arms, canons or munitions, as shown by the low level of deaths to injuries among Spanish casualties. Nonetheless Spain condemned England's sale of arms', Madariaga, *España y El Rif*, op.cit. p80.

²³⁶ 'The Spaniards persist in complaining bitterly of Mr Drummond Hay to whom they impute divers practices unfavourable to their cause. He is accused of supplying the Moors with ammunition, assisting them with his counsels and superintending himself, in Moorish costume, certain of their preparations', *The Times*, 24 January 1860.

²³⁷ Madariaga, *España y El Rif*, op.cit. p77.

²³⁸ *La Esperanza*, quoted in summary of press report, *La España*, 20 December 1859.

For *La España*, the British motive was clear:

Our war in the neighbouring continent has led to a belief that we threaten British mercantile interests and its political influence. This has led to acts of manifest hostility [...] we have continually, new proofs of hostile feelings towards us [...] The issue of *los fusiles viejos* is part of this conduct [...] it is flagrant mockery to allege that our prosperous state and comfortably provided Treasury allows it to demand payment for a debt that had been renounced years before, precisely when we are involved in a foreign war.²³⁹

In Britain, there appears to have been a realisation that, by arousing nationalist opposition, the move had backfired, and the Government decided not to press the matter, enabling the *Times* to argue somewhat disingenuously that:

England is not chargeable with the petty act of spite which has been so volubly talked about [...] we deserve credit rather than censure for our conduct in this affair [...] our proceedings are characterised rather by extreme liberality than malicious rigour.²⁴⁰

However, in Spain, the issue had become such an issue of national pride that the Government decided to pay off the whole debt.²⁴¹ The bad feeling left by this controversy, on top of the widely-believed accusation that Britain was selling arms to the Moroccans, was reinforced in the following month when the British government prevented citizens in Gibraltar from offering their services to Spain. Although Russell assured the Spanish Government the policy was not aimed at Spain ‘this doesn’t suggest much good-will by the British Government towards Spain’.²⁴²

Meanwhile, the mobilisation of the Spanish army had been completed and in early January it began a slow advance over the thirty-four kilometres from Ceuta to Tetuán with the aim of asserting Spain’s dominion over the area. Despite fierce resistance from the 15,000-strong Moroccan forces in the mountainous terrain, the army finally arrived in Tetuán on 4 February. They found the city sacked and deserted. There immediately followed a deadly cholera outbreak, which killed some 800 Spaniards in fifteen days alone. By April, some 33,000 out of the army of 55,000 had been affected and there had been 2700 deaths (compared to the army’s total battle deaths of 318). Nonetheless, the superior numbers and more advanced

²³⁹ *La España*, 21 December 1859.

²⁴⁰ *The Times*, 30 December 1859.

²⁴¹ ‘Although Lord John Russell has renounced any pecuniary claim against Spain, it is understood [...] the Spanish government will not accept any delay in the resolution of the issue, given that national pride is involved and that it will pay without recourse to unnecessary delay’, *La España*, 27 December 1859.

²⁴² *La España*, 10 January 1860.

technology of Spain's army had overcome the guerrilla forces of the feudal sultanate: the victory was celebrated throughout Spain as the beginning of a new era of expansion for the country, in turn adding further pressure on the relationship with Britain.²⁴³

Facing continuing Moroccan resistance, O'Donnell at the head of the army, decided to march on from Tetuán to Tangier. There was strong press support for this decision, especially by the Government-supporting Unión Liberal paper, *La Época*. The paper retreated from its previous defence of the government's commitment not to make territorial gains and argued that:

The sea cannot be considered as the patrimony of one nation but the property of all because commerce can only prosper through reciprocity of communications [...] England has less moral authority than any other nation to affect these scruples as the power that possesses Malta and Gibraltar, two of the most powerful keys to the Ocean and the Mediterranean [...] England has no reason to demand that we should give up Tangier [...] the policy of strict neutrality is the only advisable course for England.²⁴⁴

This view was widely supported across the political spectrum. The liberal democrat supporting *La Discusión* argued that:

The whole of Europe has seen the bravery and constancy of the Spanish soldier facing danger and [...] it is necessary the area conquered by the Spanish army should be ours, specifically that Tetuán, Tangier and Mogader remain ours.²⁴⁵

These aspirations were totally unrealistic. For Britain, the idea that Tangier should be in the hands of a European power was an anathema, given its potential use as a naval base able to command the entrance to the Gibraltar Strait. A British naval unit was therefore sent to Tangier as a warning to O'Donnell that a Spanish attack on the city would be unacceptable. The Madrid press was outraged that Britain was now setting limits on Spain's military tactics as well as on its overall campaign. It continued to look for ways for Spain to make permanent territorial gains from its military victory, pointing to trade and religion as justifications. *Las Novedades* for example argued that:

Keeping what we have conquered, seeking indemnification and guarantees about future conduct is the least we should look for [...] spontaneously there has also arisen a

²⁴³ The Press saw the victory as a first step: 'there has been one aim among all sections of our society, to take up the thread of glorious traditions in Africa and to seek in that country, not only reparation for our injured honour but our expansion' (*La España* 24 February 1860). There was also widespread and bitter resentment at the constraints on expansion imposed by Britain. Typical was the article in *La Iberia* asking 'by what right would England prevent us taking land in Africa?' Article reprinted in *La Época*, 27 February 1860.

²⁴⁴ Quoted in *La España*, 11 February 1860.

²⁴⁵ Quoted in *La España*, 17 February 1860.

demand for a trade agreement, involving a ‘most favoured nation’ condition [...] together with a demand for territory we do not occupy, a port on the Atlantic Ocean and all the territory between Tetuán and Melilla [...] enforced, if the Moors do not comply, with a naval assault on one or more Atlantic ports.²⁴⁶

El Horizonte also wanted freedom for Christian missionaries, security for foreigners and measures to develop commerce.²⁴⁷ *La España* had even wider colonial ambitions:

There has been one aim among all sections of our society, to take up the thread of glorious traditions in Africa and to seek in that country, not only reparation for our injured honour but our expansion [...] justifying the war, as the Unión Liberal do, solely by the injury to our flag was inexcusably unpatriotic.²⁴⁸

The military successes reinforced the already-strong popular anti-British feeling throughout the country. In the new era of popular nationalism, this feeling was reflected in the streets. In the wake of the occupation of Tetuán, the *Times* reported that:

A correspondent writes to us of the bitter feelings of hatred which is manifested throughout the Spanish Peninsula towards England and Englishmen. Ludicrous is the whole demonstration, if it be anything like what his letter describes. We in this country can hardly conceive the feeling of national hatred. We are so indifferent to foreign nations that we treat them all with impartiality which, if somewhat cold, is at least courteous [...] The reasons are said to be Lord John Russell’s despatch requesting information as to Spanish designs in Africa and his civil request that they would think about paying the money which they borrowed during the Civil War.²⁴⁹

However, the paper argued, such populist nationalism should be firmly resisted and there could be no change to British policy:

It is impossible for this country, which has so many interests in those parts, which has a large trade with Morocco and which has to see to the defence of Gibraltar, to allow any Power to establish itself in such force on the other side of the strait as to interrupt our commercial proceedings or to endanger an important garrison [...] The animosity has mainly been the work of the Press, which is the organ of the Court which uses these

²⁴⁶ Ibid.

²⁴⁷ Ibid.

²⁴⁸ *La España*, 24 February 1860.

²⁴⁹ *The Times*, 10th February 1860.

means of exciting national fanaticism [...] Mr Buchanan should endeavour to impress on the Spanish Ministry the perverse folly of the course which it is pursuing.²⁵⁰

With Spanish feelings running so high, the Foreign Secretary, Lord John Russell, also felt it necessary to reiterate British policy. However, he tactfully played along with the Spanish government's public line that its limited war objectives owed nothing to external pressure. In a House of Commons debate on 3 February Russell maintained that:

The policy of Spain in these respects is its own policy; that it was conceived independently of representations and that it has not arisen from any urgency or pressure of any sort on the part of the British Government. Señor Collantes, the Spanish Minister explicitly remarks [...] the views of his Government [...] were formed at the origin of the dispute [...] We cannot see how any room can now be left for misapprehension on the topic before us or how it can be any longer presumed that Great Britain has acted maliciously or overbearingly towards Spain.²⁵¹

This was not the view in Spain. Even the government-supporting press continued its anti-British polemic, with *La Época* asking:

By what right would England prevent us taking land in Africa? Who has nominated it as the arbiter between nations? Who has given it authority to mark out boundaries? Is Africa, specifically the coast of Morocco, inviolable for us because England occupies Gibraltar, seized by treachery, because some parts of that coast supply it with fresh meat?²⁵²

However, the paper recognised that Tetuán could not be seen as a strategic centre since it was not linked to any of the great mercantile centres in Africa or Europe. Instead, Spain should aspire to a more useful gain, an Atlantic port such as Tangier or Mogador, as compensation. It went on, somewhat hopefully, to assert that Spain had a strong hand in the negotiations:

Europe will not allow us to be obliged to take such a humiliating role, it will not tolerate gains legitimately made, to be snatched from us [...] We will not suffer from the double standards in international rights [...] England, that is to say, the immense majority of English people, know that the alliance with Spain is too precious to compromise it with an unjustified protection for a barbarous people.²⁵³

²⁵⁰ *The Times*, 10th February 1860.

²⁵¹ *House of Commons*, 3 February 1860, reported in the *Times*, 4 February 1860.

²⁵² *La Época*, 27 February 1860.

²⁵³ *La Época*, 27 February 1860.

These widely shared views were soon seen to be wildly optimistic. In March, after a number of engagements in the march toward Tangier and under British urging, Morocco decided to sue for peace. Acutely aware of the vulnerability of his military supply lines to the Royal Navy's stranglehold of the Strait, O'Donnell halted his advance towards Tangier. There followed negotiations under British diplomatic oversight, and a treaty was eventually signed on 26 April 1860. By this point, the harsh realities of maintaining a large occupying force against a determined population had become glaringly evident to the Spanish Government. *La Época* marked out the line of retreat by arguing that Spain was not able to push for immediate colonisation, as the ultra-*moderados* had so noisily demanded. Instead of a war of conquest the paper argued that it should be seen as:

The prologue to a story of glory and territorial expansion. Spain has a future in Africa: to deny it would be to deny historical and geographical reality. But we are not in a position to achieve this great task [...] our country is at a stage of nascent development; it lacks many of the elements necessary to reach the level of more civilised countries; industry and commerce need capital [...] the roads, railways, canals, the great arteries of modern society.²⁵⁴

The terms of the treaty were to reflect this realistic postponement of Spain's ambitions. As the *Times* patronisingly remarked:

The dream of African conquest seems to have melted away before the Spanish people under the stern realities of a campaign. Spain like her famous knight is apt to tilt at windmills and to preface the exploit with sonorous challenges to giants and enchanters.²⁵⁵

Spain had accused 'the old splenetic, perfidious but happily powerless realm of England' of depriving the world of the magnificent spectacle of a new crusade. 'From all parts of Spain, the troops of Her Catholic Majesty had gathered for the conquest of Africa' but the Spanish government had now recognised its own limitations. The proposed treaty showed that:

The campaign was scarcely worth undertaking [...] it is plain that with all her exertions and at an expense much beyond her means, Spain has not been able to march an army more than a few miles into Morocco and that the Moors may next year be as insolent as ever without fear of a fresh chastisement.²⁵⁶

²⁵⁴ *La Época*, 22 March 1860.

²⁵⁵ *The Times*, 5 April 1860.

²⁵⁶ *The Times*, 5 April 1860.

It was certainly true that the final Treaty closely reflected the original British diplomatic ‘red lines’. The Spanish were to withdraw from Tetuán and were granted most favoured nation status and some limited commercial advantages. Territorial gains were limited to minor enlargements of the Ceuta and Melilla settlements and a small port on the Atlantic coast to support the Canary Islands fishing fleet. Only the size of the reparation bill, some £3m (20m duros) to be paid by December 1860, caused any British concern. Amounting to some twenty-five per cent of the Moroccan Gross Domestic Product, this was far more than the country could possibly afford and therefore posed a serious threat to the regime’s stability.²⁵⁷

Unsurprisingly, these limited terms caused widespread disappointment in Spain and the government faced a strong backlash in the press and Cortes once the Treaty was published in June 1860. On 12 June 1860, the Cortes held a debate on the Treaty terms and Nicolás Rivero, the Democratic Party leader made a strong attack on the Government. Rivero argued that Spain had always had a part in Africa from Roman times, ‘we have a great need to possess African territory’. He castigated the government for its commitment to complying with British demands *before* the war had even begun (‘is that worthy of a great nation?’). He pointed to the irony of Britain preventing Spain from acquiring new territory because it might threaten shipping through the Strait: ‘this said by a Great Power which truly upsets Mediterranean navigation, and which possesses a part of our nation’. Finally, he attacked O’Donnell, as President of the Council of Ministers and head of the Army, for not challenging the Moroccan refusal to consider the concession of Tetuán during the February peace negotiations.²⁵⁸

O’Donnell responded by repeating the original war aims. Spain had gone, ‘not in a spirit of conquest [...] not to threaten the interests of Europe but to restore our honour and exact guarantees for the future and indemnities for our sacrifices’. Appealing to the patriotic benefits (‘Europe has seen, astonished, a nation that it believed prostrate [...] bring back a flag of victory’), he argued that one day

Spain may be called on to rule over a part of Africa, but I ask if this is the opportune moment to do so? Is it not once we have used all our resources to develop our internal wealth, to construct roads and improve ports, when we have reached the level of other nations, then we can use our treasury for African conquests?

²⁵⁷ This concern led Britain to refinance the reparation bill (see below). Although Morocco was able to afford to repay the British loan it fatally weakened the country’s finances. As Madariaga notes ‘military defeat followed by indebtedness meant the war of 1859-60 was an ill-fated event for Morocco: it contributed to leading the country into political and financial dependency on foreign powers’ Madariaga *España y El Rif*, op.cit. p84.

²⁵⁸ *La Época*, 13 June 1860.

Moreover, he asked

Were we going to say to England that we were going to make ourselves masters of the Straits and rule over the seas? Even if England allowed us, would the rest of Europe with their commercial interests?²⁵⁹

This speech, with its appeal to patriotic celebration alongside a realistic assessment of Spain's vulnerability, was well received and marked an important turning point in the country's acceptance of the war's limited achievements.

The aftermath of the war provided further evidence of Britain's capacity to set limits on Spain's foreign policy ambitions and of the country's acute economic vulnerability. Although committed to leave Tetuán by the Treaty of 26 April, Spain continued to occupy the city to ensure the Moroccans paid the agreed war indemnity. This led to British fears that Spain's reluctance to abandon its military gain might lead to the permanent settlement of Tetuán, which would threaten its own domination of the Straits and create a chronic source of instability within Morocco. For its part, Spain could ill-afford the costs of financing an additional army division to occupy the area.²⁶⁰ Given Spain's inability to resolve the issue, Britain took the initiative by organising a loan to enable Morocco to pay the otherwise unaffordable reparations over an extended period. A financial scheme, engineered between the City of London and the Foreign Office, involved a City company, Robinson, Fleming and Blyth, issuing a loan of £501,200 at an interest rate of 5%. The loan was supported by the British Government and security was provided by half the customs revenues at Moroccan ports to be collected by British agents. Agreement between Britain, Spain and Morocco was reached in October 1861 and in May 1862 the Spanish army finally evacuated Tetuán, two years after the end of the war.²⁶¹

From Britain and Spain's viewpoint, the geopolitical status quo had been more or less satisfactorily restored, but for Morocco, the effects of the war were deep and long-lasting. The country's yearly repayments of the British loan amounted to some twelve per cent of its customs revenue. While financially affordable, they represented a significant economic burden for the following two decades: the final payment was only made in 1882 when British civil servants left the country. Even then, the loan represented only part of the reparations demanded

²⁵⁹ Ibid.

²⁶⁰ The costs were a serious concern to the Spanish Government as O'Donnell himself acknowledged in the Cortes debate on the outcome of the War. *La Época*, 13th June 1860.

²⁶¹ The British were sufficiently concerned that Spain might be tempted remain in Tetuán to threaten the Strait that diplomatic pressure was applied supported by the loan arrangement to compel them to leave. Madariaga, *España y El Rif*, op.cit. p84.

by the Spanish (£0.5m of the total £3m). The rest, also secured on customs revenues and overseen by Spanish agents, was only fully reimbursed in 1887, when Spanish agents finally left the country, a quarter of a century after the war. As Barbe points out, this was the equivalent of six years of Morocco's exports.²⁶² By 'transforming a simple war compensation into a long term financial commitment', British-led financial engineering made possible the extraction of very substantial reparation payments from a poor country like Morocco.²⁶³ Combined with the forcing open of the Moroccan market (which in itself created a chronic trade imbalance), the longer term outcome were deep economic crises and eventual colonisation. As Madariaga concludes, 'military defeat followed by indebtedness meant the war of 1859-60 was an ill-fated event for Morocco: it contributed to leading the country into political and financial dependency on foreign powers'.²⁶⁴

For Spain, the effects of the war were less traumatic. Nonetheless, for it too, the Africa War was a brutal reminder of the price paid for its dependence on foreign powers and its vulnerability, as a developing country, in the new era industrially based empires. Despite widespread expressions of jingoism during the war ('we don't want to fight England, but if necessary, we will do our duty'²⁶⁵), the Spanish Government always strictly complied with British strategic policy directives, recognising, if reluctantly, the profoundly asymmetric relationship of power. For Britain, the War of Africa was a relatively minor event, especially as it coincided with a major regime crisis in China where the imperial Great Powers were in conflict. However, at the time it caused considerable anxiety, first and foremost because of the growing importance to the British economy of the Mediterranean trade routes protected by the Gibraltar naval base. As the *Times* put it: 'Although we may discourage such enterprises as the war in Morocco yet the peace and prosperity of the Peninsula are to us, perhaps, the most important Continental question'.²⁶⁶ Britain was therefore able and willing to exercise the power created by its maritime dominance.²⁶⁷ There is an interesting analogy with America's relationship with Britain over the Suez crisis: in 1956, an ex-imperialist power, Britain, was brutally reminded that unauthorised wars by dependent nations can be stopped in their tracks, albeit in the Suez case by overwhelming financial, rather than naval, force.

²⁶² Barbe, op.cit. p23.

²⁶³ Barbe, op.cit. p21.

²⁶⁴ Madariaga, op.cit. p84.

²⁶⁵ *La Época*, 27 February 1860.

²⁶⁶ *The Times*, 11 April 1860.

²⁶⁷ As a Spanish newspaper noted at the time, Spain's fleet of 35 steamships faced Britain's worldwide fleet of 600 vessels, of which 350 were steam driven. Even the world's next largest navy, the French, had only 147 steamships. *La España*, 7 January 1860.

The War of Africa provides a useful 'window' into the state of the Anglo-Spanish relationship at the apogee of Britain's imperial power: Britain was able to impose, unilaterally, its strategic and commercial priorities on Spain. Its exercise of imperial power, carried out through negotiations with Spain's local elites and backed by military force, removed a potential threat to its strategic trade routes and enabled it to widen its trading presence in Morocco. Spain's compliance, albeit reluctant, with these policy imperatives supports the picture of British exercise of informal imperial power suggested by Gallagher and Robinson, in both its objectives and tactics. The long-term impact of the war on Spain's own policies and attitudes was significant, notably by stimulating the revival of its colonial ambitions and a modern nationalism that reached deep into the society. From a broader European perspective, the Africa War was an important harbinger of the growing imperial rivalry over territory and trade that was to lead to the Moroccan crisis of 1905 and to culminate in the First World War. The next two chapters explore the changing relationship of Britain and Spain in these crises, as Britain's own power was increasingly challenged by rival industrial empires.

Chapter 3: Britain and Spain: the 1898 ‘Disaster’ and the Algeciras Conference of 1906

In the 1898 war with the US over its remaining colonial possessions in the Caribbean and the Philippines, Spain suffered a shattering defeat that destroyed its navy. It was a definitive confirmation that the country had lost any pretence to political or economic equality among the European powers.²⁶⁸ Less than a decade later, the Algeciras Conference of 1906, called to resolve imperial rivalries over the colonisation of Morocco, confirmed Spain’s subordinate role. This chapter explores the relationship between these events, both of which involved Spain in the redistribution of old imperial colonies among the industrially dynamic empires, first as loser and then as minor beneficiary. As both events demonstrated, Spain was now a dependency, a quasi-colony serving British, and to a lesser extent, French interests. In both crises, competition for trade advantage, commercial and geopolitical, was the major factor driving Britain’s policy towards Spain. In this respect, the two crises had much in common with Spain’s experience over the previous century, most recently during the War of Africa. They show both the resilience of Britain’s informal imperial domination of Spain and the continuing applicability of Gallagher and Robinson’s concept to the relationship despite the fundamental social and economic changes taking place within both countries. The final quarter of the nineteenth century had been a period of relative political stability in both countries, but these conflicts were to reveal that by the end of century there had been significant changes in the underlying nature of the Anglo-Spanish relationship.

Most importantly, forty years on from the Africa War, Britain’s position in the world was radically changed. Although still the world’s leading industrial and financial power, Britain no longer enjoyed the unchallenged dominance of the 1860s: economic and political rivals were increasingly defining limits to its influence. The Spanish-American War of 1898 showed that Britain’s authority in both the Caribbean and Far East was now significantly curtailed, as the balance of world power moved towards the United States. Similarly, the agreements over Morocco’s fate at the Algeciras Conference involved extensive negotiations with the rising empires of Germany, Russia and America, a situation quite unlike the resolution of the War of

²⁶⁸ In an indication of Spain’s low priority in Britain’s diplomacy, the British Prime Minister, the Marquess of Salisbury was brutally frank. In a note to Salisbury, the British Ambassador in Madrid, Henry Drummond Wolff commented: ‘from what you told me some time ago, I know that Spain is regarded as a negligible factor’, cited in Neale, R *British and American Imperialism, 1898-1900*, Queensland, 1965, p12.

Africa when Britain had defied European concerns and acted alone. The result for Spain however was little different: despite its attempts to reach out to other Powers to break out from Britain's dominance during both crises, the country remained firmly within the orbit of Britain's informal empire.

By the turn of the twentieth century Spain's foreign policy approach was contradictory. On the one hand, its governments had struggled over the previous half century to retain its last significant colonial possessions in the Caribbean and Far East. It had also fought to regain the country's lost imperial status by exploiting the declining power of the Ottoman empire in north Africa. On the other hand, the 1895 Cuban uprising and subsequent civil war, together with the comprehensive defeat by the US in the Caribbean and Philippines three years later, showed Spain had neither the political nor the economic resources necessary to be a successful imperial power.²⁶⁹ Despite these reverses and the lack of popular appetite for further imperial adventures, strong political forces, especially in the army and among conservative business interests, continued to argue for colonial expansion. As an economic policy, colonisation was seen as a way to resolve Spain's sharpening social and economic crises. In the case of Morocco, one of Spain's main aims was to win privileged access to new markets and exploit the country's mineral wealth.²⁷⁰ France's long campaign to destabilise the Maghreb, first in Algeria and then in Tunisia, had shown the increasing vulnerability of the Ottoman empire and Spain, it was widely argued, should share in the spoils.²⁷¹ In the decade following the Algeciras Conference, Spanish Governments therefore became willing – though always subsidiary – partners in the final act of France's colonialization of Morocco.

Britain too faced contradictory pressures. Its long dominance of world trade and finance was coming under serious threat from the United States, Germany and Japan and, more broadly, from the growing world-wide movement of protectionist nationalism. Politically and diplomatically, the 1897 crisis over China's dismemberment showed that the rise of the US, Russia and Japan had seriously undermined the 'Concert of Europe', the loose framework that had successfully settled great power conflicts since the Napoleonic Wars.²⁷² Britain could

²⁶⁹ Balfour *The End of the Spanish Empire*, Oxford, 1997, p60.

²⁷⁰ Balfour, S and Preston, P (editors), *Spain and the Great Powers in the Twentieth Century*, London, 1999, p26.

²⁷¹ The aspiration was to join the imperial powers in their strategy of economic colonisation. As Jones describes this strategy, 'the penetration of peripheral economies in the interests of the centre, a process of colonisation by stealth, involving the allocation of economic rights'. Jones, H *Algeciras Revisited: European Crisis and Conference Diplomacy, 16 January – 7 April 1906*, EUI Working Paper, 2009, p3.

²⁷² Jones, op.cit. p5.

now no longer be confident of its scope for independent action: it was faced by the Triple Alliance, Germany, Austria-Hungary and Italy, on the one hand, and on the other, a developing partnership between France and an increasingly assertive Russia. This was compounded by the accumulating evidence of its own imperial overreach. In the second half of the 1890s, the struggle for hegemony in South Africa, the rivalry with France over the undefined West African borders, the China crisis and the struggle to maintain dominance at sea from the new navies of Germany, Russia, Japan and the US, all put increasing pressure on British power and resources. Despite his imperturbable public front, Prime Minister Lord Salisbury's policy of 'splendid isolationism' looked increasingly vulnerable.²⁷³ Events were pushing him inexorably into a new era of cooperation as his assertive Colonial Secretary, Joseph Chamberlain, and Arthur Balfour, the Treasury First Lord, actively explored possible alliances, first with Germany and later the United States. The shock of Russia's takeover of Port Arthur in 1897 led to the *de facto* co-operation with the US over the Spanish-American war, the following year. Only six years later, these pressures were to lead to the 1904 *Entente Cordiale* with France, the basis of the agreement at the 1906 Algeciras Conference and the bedrock of Britain's First World War alliances a decade later.²⁷⁴

By 1898, the most immediate challenges to global stability came from America's drive to assert its imperial control in the Caribbean and to extend its influence in the eastern Pacific. Over the previous half century, the US had made a series of initiatives to purchase Cuba from Spain: the economic disruption caused by the revolutionary uprising on the island in 1895 and the civil war that followed had created both the opportunity and the domestic support for US military intervention. The US Ambassador in Madrid, General Woodford set out the economic and commercial considerations lying behind the American position in a report to his Secretary of State, John Sherman, which hinged around control of Cuba's sugar and tobacco output.²⁷⁵

²⁷³ In his famous 'dying nations' speech at the Albert Hall in May 1898, he argued that Britain's colonies, its standing in the world, and its flourishing commerce meant that Britain could look at the future 'without anxiety [...] we can defend ourselves and our possessions against any possible invader and we have the means to do it, whatever is said about our isolation'. However, the speech also suggested a possible alliance with the US and set out an ideology which justified and promoted American imperialism. De la Torre del Río, R 'La prensa madrileña y el discurso de Lord Salisbury sobre las "naciones moribundas"' (Londres, Albert Hall, 4 mayo 1898), *Cuadernos de Historia Moderna y Contemporánea*, Universidad Complutense, 1985, p170.

²⁷⁴ From the beginning, the *Entente* was aimed at restraining German ambitions: the conflict over Morocco was seen by both sides as its first test. Britain's Foreign Secretary, Sir Edward Grey set out the British view that the object of Germany's raising of difficulties over the Morocco issue was 'to disturb the Anglo-French *entente*' since problems over French role in Morocco had only been raised in Spring 1905. Report of 20 December 1905, Hooch, G and Temperley, H (editors) *British Documents on the Origins of the War, 1898 – 1914*, Volume 3, *The Testing of the Entente 1904 – 1906*, HMSO, London, 1928, [Hereafter referred to as *British Documents*].

²⁷⁵ Woodford argued that 'the sugar of Cuba is as vital to our people as are the wheat and cotton of India and Egypt to Great Britain'. Meanwhile US citizens had made 'enormous pecuniary losses' because of the war:

Despite efforts by the British Ambassador to negotiate a compromise, Spain's inability either to settle the war or to accept American suzerainty of the island, led to the despatch of the American invasion fleet eight months later. For Britain on the other hand, the Cuban uprising in 1895 was not an issue of strategic importance. Salisbury summarised Britain's view: 'it is no concern of ours, we are friendly toward Spain and should be sorry to see her humiliated but we do not consider that we have anything to say in the matter, whatever the course the United States may decide to pursue'.²⁷⁶ The comment pointed to Britain's definitive acceptance of US hegemony in the Americas and to the implied abandonment of Spain.

Two main factors were behind this British view. First, was commerce.²⁷⁷ Throughout the nineteenth century, Cuba had been coveted by foreign powers for its potential markets and above all, for its vast sugar production. Trade with a Cuba free of Spanish colonial restrictions was a particularly enticing prospect for British commerce. As Hull puts it: 'Britain was not enamoured with Spanish rule of Cuba. Corruption in Spain's colonial administration, delays in settling British claims, the continuation of slavery and a protectionist commercial policy were serious impediments'.²⁷⁸ He points out that the powerful Chambers of Commerce in Glasgow, Manchester and Liverpool were also pressing the British Government for access for their engineering, textile and carrying trades respectively, during this period. Spain's Philippine colonies had similar attractions for Britain's powerful trading companies operating in the Far East.²⁷⁹ The second factor behind Britain's support for the US was its strategic vulnerability. Salisbury's fruitless attempts to mobilise the Concert of Europe machinery to settle rival imperial designs on China had shown the rise of the new industrial empires had severely limited its effectiveness. Even Salisbury now acknowledged that Britain needed new alliances to protect its important commercial interests in the Far East. He was particularly concerned about the threat posed by a redistribution of Spanish territories in the Pacific to other European powers: to avoid this, British ownership, or at least US oversight, of the Philippines

'large amounts of capital had been invested by America citizens in the sugar and tobacco plantations and in the iron mines and railways of Cuba [...] they are being destroyed alike by the Spanish authorities and by the insurgents [...] all the investments and loans of American capital are thus practically unproductive and in great danger of being finally and completely lost'. FO 72/2063 Drummond Wolff to Salisbury 22 April 1898.

²⁷⁶ Neale, op.cit. p3.

²⁷⁷ Neale highlights the strong commercial influence on British policy in the Far East: Under great pressure from the major trading houses, 'Britain's first interest in the Far East was commercial' and its major preoccupation was to 'ensure the continued protection of British investment', Neale, op.cit. p96.

²⁷⁸ Hull, op.cit. p46.

²⁷⁹ Ibid.

was seen as essential.²⁸⁰ In either case, US support was essential, especially as Britain's own acquisition of the Philippines would have been viewed as a hostile act by rival European empires. In light of the pressure on its naval resources, Britain favoured an expansion of United States territories and therefore of US naval power and diplomatic weight in the Pacific.

In face of Britain's covert support for the American position, the Spanish Government reacted with a desperate search for European allies. Drummond Wolff reported to Salisbury in May 1898 that 'the Austrian, German, French and Russian Ambassadors had been constantly summoned and consulted' as the American stance had become increasingly aggressive.²⁸¹ However, its attempts, alongside Austria, to marshal European dynastic support for Spain before, during and after the Spanish American war, all ended in failure. During the War itself, two incidents exposed the tacit support for the US that lay behind Britain's ostensible diplomatic neutrality. First was its refusal to open coaling facilities to Spanish ships on their way to the Philippines through Suez. Balfour and Chamberlain, anxious to offer 'every possible favour to the United States', took a hard line in their interpretation of neutrality rules and refused to coal the Spanish fleet and allowed it only a twenty-four hour stay in port.²⁸² The second issue emerged when the Spanish built new fortifications, equipped with modern guns, around Gibraltar. These were designed to resist possible US invasion, prevent the coaling of the American fleet in the Bay of Gibraltar and deter any British attempt to extend its area of control beyond the Rock. Britain however saw the guns as an existential threat to one of the Empire's main strategic assets. The Spanish Government initially refused to dismantle the guns, a reflection of conservative political pressure (especially by the army, where the issue was seen as one of national prestige) and the sympathetic attitude shown by the other European powers.²⁸³ The guns were only removed after sustained British pressure, including the threat of military action, in another demonstration of its readiness to use military power to support its strategic interests.

²⁸⁰ In a note to Britain's Washington Ambassador in March 1898, Arthur Balfour, then Minister in charge of the Foreign Office, looked for US support 'in opposing any action of foreign powers which would tend to restrain the opening of China to the commerce of all nations'. Quoted in Neale, op.cit. p97.

²⁸¹ FO 72/2064, Drummond Wolff to Salisbury 7 May 1898.

²⁸² Salisbury's private sympathy for Spain was reflected in his more legalistic approach: he proposed the fleet should have sufficient coal to get them to nearest Spanish port but without asking about their actual intentions. This implied no softening of policy: his coldly pragmatic interpretation of British interests was reflected later in the conflict when the US fleet sought, and were granted, coaling facilities in the Far East. Neale, op.cit. p96.

²⁸³ There was a desperate but vain hope that the European Powers might at the last-minute challenge British power: 'Continental Europe cannot remain indifferent to our complete annihilation'. *Liberal* editorial quoted in Ambassador's report to London. FO 72/2064 Drummond Wolff to Salisbury 15 May 1898.

The 1898 War then highlighted two features of Britain's power at the end of the nineteenth century. On the one hand, it was willing and able to force Spain, with military power if necessary, to conform to its interests; on the other, Britain's commercial interests could now only be achieved through compromise with other rival empires. The aftermath of the 1898 War confirmed both these conclusions. After its unconditional surrender, Spain tried to minimise its losses in the negotiations with the US over peace terms.²⁸⁴ Despite deep Spanish resentment at British partiality during the War, the Spanish Court and Cabinet appealed for British support, 'realising that England was the one power which could, if it so desired, support Spain against exorbitant territorial and financial demands from the victorious republic'.²⁸⁵ However, Salisbury refused to intervene without an American request, confirming Spain's belief that it was Britain's policy to support the United States over Spain. Salisbury's Albert Hall speech in May 1898 had crystallised this deep Spanish resentment. Its implication that 'dying' nations should give way to the interests of the 'living' nations, that international law was determined not by the rights of individual states but by the powerful, seemed to be confirmed by British behaviour. Especially resented was Britain's support for the American takeover (and subsequent distribution) of Spanish colonies under the guise of neutrality and the open military threat it made itself during the Gibraltar guns issue.²⁸⁶ Less than a decade later, during the Morocco crisis of 1905 and the subsequent Algeciras Conference of 1906, Spain's dependence on British power was again made ruthlessly evident.

France's colonisation of north Africa in the second half of the nineteenth century gained momentum after what Ade Ajayi has called the 'kid glove' acquisition of Tunisia in 1881.²⁸⁷ By the late 1890s, France was pressing on the Moroccan borders with the same tactics, using their now well-established colony in Algeria as a base.²⁸⁸ The French policy, the so-called

²⁸⁴ It chose Paris rather than London for the peace talks, hoping for French help to escape or at least ameliorate British influence. In an echo of previous turns to France at moments of crisis, highlighted in chapter four, their hopes were to be disappointed. Spain's interests were no more central to French policy making than to Britain's.

²⁸⁵ Neale, op.cit. p83.

²⁸⁶ De La Torre points out that the Spanish press saw Salisbury's original speech together with a similar one, at the Lord Mayor's Banquet in November 1898, as clear evidence of Britain's hostility to Spain. Moreover, the Anglo-US alliance was viewed as an existential threat since that it would have a Gibraltar beachhead available for invasion of one of the 'dying' nations. 'The "dying nations" speech powerfully contributed to create such a negative view of British policy that no fear appeared unjustified' De La Torre, op.cit. p180. This resentment of Britain's role in the War and its aftermath reinforced the gathering forces of nationalism in Spain, explored in the second part of the thesis.

²⁸⁷ Between 1859 and 1869 France had secured financial control in Tunisia through government support for unaffordable public works, opening the way for direct colonisation in 1881. Ade Ajayi, *J Africa in the Nineteenth Century Until the 1880s*, UNESCO, 1998, p456.

²⁸⁸ Ade Ajayi, op.cit. The agenda of the Algeciras Conference, with its concentration on policing, banking and investment concessions, was to be dictated by the issues that arose from this strategy.

pénétration pacifique, encouraged, and then sought to take advantage of, divisions within the weakening Ottoman empire and, locally, between the warring tribes and the Sultan. Whereas in Tunisia, France had only had to settle with Italy's claim, rival imperial interests in Morocco were much more complex. Throughout the nineteenth century a number of powers had established trading bases in Morocco, winning capitulation rights which gave them judicial and later, tax immunity. Towards the end of the century, a series of unequal agreements had in effect made Morocco a quasi-colony, whose nominal independence depended on rivalry between the European powers.²⁸⁹ By then, Germany, Sweden, Norway, Denmark and Portugal had joined the original capitulation powers, highlighting the need for a universal system to regularise access to Moroccan markets.²⁹⁰ An international conference was convened in Madrid in 1880 to manage these rival claims. Britain and Germany insisted on 'an open door for trade', the placing of 'the trade of all nations on an equal footing in Morocco'.²⁹¹ The Madrid Convention granted 'most favoured nation' treatment to all the signatory 'capitulation' powers (Russia joined the following year), a policy vigorously opposed by Spain and Morocco, who tried but failed to limit the scope of European powers to intervene.²⁹² Maintenance of an 'open door' policy for trade depended on the fiction of Morocco's territorial integrity and independence to avoid the dominance of any of the Great Powers. Britain had a further, geopolitical reason for maintaining Morocco's nominal independence: to preserve its control of the entrance to the western Mediterranean, it 'was resolutely opposed to France acquiring the Mediterranean seaboard of Morocco'.²⁹³ Britain therefore strongly disapproved of France's aggressive colonial campaign in Africa, designed to achieve the territorial annexation of Morocco on the Algerian model. Faced with hostility to outright occupation, France adopted the same *pénétration pacifique* as it had carried out in Tunisia involving a strategy of economic and cultural infiltration through the offer of loans, technical advice and military assistance. To accommodate the strategic and trading interests of other European powers in Morocco, a parallel dimension of the French colonial strategy was to negotiate separate agreements with rival powers over spheres of influence, based on offers of compensation.²⁹⁴ The approach was

²⁸⁹ Early capitulation agreements with France and Spain had been extended to Austria, Italy, the US, Holland and Belgium. Spanish citizens had already acquired the right to buy and own land in 1799, and in 1856 Britain negotiated the same right. Britain also secured a special tariff agreement giving it unrestricted access for its imports, a facility then opened up to other powers under 'most favoured nation' provisions. Lutsky, V *Modern History of the Arab Countries*, Progress Publications, 1969.

²⁹⁰ Ibid.

²⁹¹ Morel, E *Morocco and Armageddon*, Independent Labour Party Pamphlet No. 11, 1915.

²⁹² Jones, H op.cit.

²⁹³ Morel, op.cit.

²⁹⁴ Ibid.

successful and cost effective: ‘through diplomatic imperialism it was well on the way to colonising the country without destabilising internal relations between European powers’.²⁹⁵ Using the well-established ‘Concert of Europe’ mechanisms, France’s bilateral negotiations with the main powers secured acceptance of its freedom of action in Morocco. The first agreement was with Italy in 1900 when France offered to leave Italy a free hand in Libya, an initiative however, that had the side effect of alienating its Triple Alliance partners, Germany and Austria. This was followed in 1902 with secret discussions with Spain, during which the French proposed joint oversight of Morocco. Bearing in mind Britain’s opposition to a French presence on the other side of the Gibraltar Strait and its willingness to see Spain as a buffer,²⁹⁶ France suggested Spain should be responsible for the northern zone from Uassan and Fez to Agadir. However, without explicit British support, the Spanish Government, having accepted the deal, failed to sign it, evidence yet again of British dominant role in determining Spain’s foreign policy.²⁹⁷

For France, the crucial agreement was with Britain itself, signed two years later in April 1904. The Entente Cordiale was conceived as a ‘mutual absolution of sins’ after the clash at Fashoda in east Africa six years earlier: it allowed Britain informal colonial oversight of Egypt in exchange for a similar freedom for France in Morocco.²⁹⁸ Behind the public commitment not to alter either Egypt or Morocco’s status, the treaty’s secret provisions explicitly recognised the barter over control of the two countries. In the case of Morocco, this involved the division of Morocco into spheres of influence (with Spain overseeing northern Morocco) and the demilitarisation of the Mediterranean and the north part of Morocco’s northern coast.²⁹⁹ Although driven by the immediate need to resolve conflicts over rival imperial claims in Africa, the Entente represented the culmination of Britain’s search for allies in the wake of the 1897 crisis in the Far East. It was to prove extraordinarily resilient. Its first effect, later in 1904, was to draw Spain into an explicit agreement with France, over its role as administrator of a protectorate covering the northern coast of Morocco amounting to a fifth of its territory.³⁰⁰

²⁹⁵ Jones, H op.cit. p4.

²⁹⁶ For example, Britain’s Madrid Ambassador, Henry Drummond Wolff, had written to the Prime Minister, Lord Salisbury, in 1898, suggesting Spain could be used as buffer to French expansionism in Morocco: 2, 13, 14 August 1898 FO 72/2065, 9 December 1898, FO 72/2066. Two decades later, the then-Foreign Secretary, Lord Curzon, summarised this long-standing British view, saying he preferred ‘an incompetent Spain to a competent France for political and strategic reasons’. McKercher, B *Esme Howard: A Diplomatic Biography*, Cambridge, 2006, p253.

²⁹⁷ Olivie, F *La Herencia de un Imperio Roto*, Madrid, 1992, p230.

²⁹⁸ Lutsky, op.cit.

²⁹⁹ Ibid.

³⁰⁰ Madariaga pointedly describes Spain’s subordinate position as a ‘sub-tenancy’, ‘graciously ceded to it by France’. Madariaga *España y el Rif*, op.cit. p115-6.

Despite the misgivings of many in Spain,³⁰¹ Britain and France pushed Spain into an agreement, to ensure the security of their own defensive borders and to safeguard their mutual interests in West Africa.³⁰²

Most immediately, the Anglo-French Entente gave the green light to the French application of the *pénétration pacifique* of Morocco. In June 1904, the French Government guaranteed a crippling loan which the Sultan used for extravagant personal expenditure and military suppression of rebellious tribes. The security for these floating debts were trade tariffs, combined with administrative oversight of the Moroccan Government itself. Shortly afterwards, in 1905, a French mission was despatched to oversee reforms of banking and police and the grant of concessions for mining and infrastructure investments. At this point Germany intervened, arguing that Anglo-French Entente had not adequately recognised the economic interests of the other European powers trading in Morocco. In March 1905, Kaiser Wilhelm made a dramatic visit to Tangier, landing from his yacht, and promising to maintain the Sultan's sovereignty and Morocco's territorial integrity. He also called for a genuinely open trading market in Morocco for all powers, especially for the signatories of the 1880 Madrid Convention. The tension created by this intervention quickly became acute. France had been caught off-guard, convinced that an informal agreement with Germany had recognised their mutual economic interests in Morocco. However, France was not ready to go to war; its army was unprepared, its principal ally, Russia was pre-occupied with its war with Japan and the alliance with Britain was untested. Britain made clear it would only go to war if France itself were attacked.³⁰³ Although there was strong public support within Germany for its government's aggressive policy, the real objective was to disrupt the new French alliances and war was only a last resort. In pursuing this goal, the German Government argued for a conference to agree equal economic access to Morocco based on a reconvening of the 1880 Madrid Convention.³⁰⁴ Britain strongly opposed the German proposal. From May to

³⁰¹Conservatives were particularly wary of an alliance with Britain in light of its pro-American role in 1898 and because of previous problems with Moroccan expeditions. 'Yet successive Spanish premiers recognised that there was no other option but to maintain a military and administrative presence in Morocco as part of the agreements with Britain and France' Lutsky, op.cit.

³⁰² Balfour, S *The End of the Spanish Empire*, op.cit. p200.

³⁰³ Britain's Foreign Secretary, Sir Edward Grey did not think 'people in England would be prepared to fight in order to put France in possession of Morocco' but if war was forced on France by Germany to break up the entente, public opinion would be on the side of France', *British Documents*, January 1906.

³⁰⁴ Germany's case was that France could not bring in changes without consulting countries with rights under the 1880 Madrid agreement and it was therefore a defence of collective rights expressed in the Concert of Europe. Germany also proposed that the Moroccan government should have a role in European powers' bargaining process, in the belief that Germany would be able to control the Moroccan government, and that it would be able to unite the Concert of Europe against French self-interest. Jones, op.cit. p5.

November 1905, The *Times* kept up a steady campaign, maintaining the Germans had no legitimate interests in Morocco and that the conference would be ‘a capitulation’ for England.³⁰⁵ The French Foreign Minister, Delcassé, was also strongly opposed to the conference. However, when he put this hard line to the French Cabinet in June 1905, he was rebuffed and forced to resign. Despite British scepticism, the French Government decided an agreement with Germany would provide a more secure foundation for their colonisation of Morocco.³⁰⁶

After extensive diplomatic exchanges between France and Germany over the summer and autumn of 1905, an agenda for the conference was agreed, based on three main points: an assertion of Moroccan independence, ‘economic freedom and equality of the Powers in Morocco’ and the reform of police and banking.³⁰⁷ Part of the British preparation for the conference was to secure Spain’s position, especially in light of the political hostility to Britain. By June, the British Ambassador in Madrid, Sir Arthur Nicholson, was able to reassure the Foreign Office. In conversations with the Prime Minister, Montero Ríos and Foreign Minister, Sánchez Roman, Nicholson reported that they had both ‘reiterated more than once, that the chief aim of their foreign policy was to be on specially intimate terms with Great Britain’ and that relations should be ‘fraternal and perfectly frank and loyal’. However, in an indication of the deep and continuing resentment of Britain, he asked that this view, ‘which was shared to the full by the King and Prime Minister, should be considered as communicated confidentially’.³⁰⁸ Two months later, Montero Ríos delivered a similarly reassuring message to the French Ambassador at San Sebastián, the summer retreat of the Court. Spain’s objective, he told the Ambassador, was that the ‘northern Coast of Morocco should be more or less in the sphere of Spanish influence’ with its large number of Spanish subjects and where ‘real Spanish economic interests existed’. Rather plaintively, although with a realistic recognition of his role as supplicant, ‘he expressed hope that France representing the three Powers ‘would bear in mind what were the modest but real interests of Spain in Morocco’.³⁰⁹ The Ambassador summed up Montero Ríos’ position:

Spain was in a very difficult position: she was too weak to do anything by herself and therefore had put herself and would continue to put herself in line with France and Great

³⁰⁵ Cited in Morel, op.cit.

³⁰⁶ Jones, op.cit. p6.

³⁰⁷ Lutsky, op.cit.

³⁰⁸ *British Documents*, 29 June 1905.

³⁰⁹ Ibid.

Britain on the Morocco Question, but she could not help feeling deeply hurt and depressed at the high-handed and discourteous manner in which she was being treated by Germany.³¹⁰

The close alliance between Britain and France, which was to characterise the conference throughout, was already evident in the lead up to the Conference. Sir Arthur Nicholson now appointed as the British delegate, summarised the instructions he had received from his Foreign Secretary, Sir Edward Grey: 'I have no doubt that you desire me to act in complete harmony and perfect understanding with France and Spain throughout the proceedings of the Conference and to support their views to the best of my ability'. The reasons were clear: 'should the Conference fall through, it would be almost inevitable that Germany would consider her hands to be quite free' which would leave Britain 'without the reservations and safeguards which we had obtained from France'.³¹¹ Four days later Sir Arthur wrote again to Sir Edward Grey, commenting on the Spanish delegate's invidious position as Chair of the Conference, holding the ring between two powerful forces:

I am inclined to think that the Spaniards would not be distressed if the Conference fell through altogether. At present I find them all, Prime Minister, Foreign Minister and Under Secretary in rather a nervous condition. Successive Spanish Governments and this one during its short term has been no exception, have been bullied and hectorred considerably by the Germany Embassy which has succeeded in establishing a feeling of such uneasiness. I cannot conceive why they should be so easily terrorised from Berlin as of all countries in Europe Spain is perhaps more than any other safe from the 'mailed fist' [...] economically and commercially, Spain is not dependent on Germany, but the fact remains that the Spanish statesmen are overawed.³¹²

The following week, Grey reiterated his instructions to Nicholson, highlighting the centrality to British thinking of the Entente with France: 'Germany will refuse to concede a special role for France while we have pledged to help her achieve this. If we do, this will be a success for the Entente [...] our main object therefore must be to help France to carry her point at the Conference'. In light of reports that the French Ambassador 'had considerable apprehension that Germany would aim to detach Spain from France' Grey wrote that 'all the influence you

³¹⁰ *British Documents*, 24 August 1905.

³¹¹ FO 600/77, 12 December 1905, Correspondence of Foreign Secretary (Sir Edward Grey).

³¹² *Ibid.* 16 December 1905. As Nicholson pointed out, Germany had little direct economic or diplomatic leverage over Spain so the deference of Spanish diplomats to German demands can be seen as a symptom of Spanish insecurity and a hope that, as during the 1898 War, Germany might act as a counterweight to Britain's dominant role.

have will no doubt be used to keep her thoroughly with us'.³¹³ Spain's important role in the proceedings of the Conference and the possible danger that Germany might successfully draw the country into an alliance against the two Entente powers led Britain once again to mobilise its full diplomatic resources to secure its interests. The uncertainties felt by the participants revealed by these preparatory manoeuvres was to be carried into the conference itself and were an indication of the growing volatility of relationships between the imperial powers.³¹⁴

The conference opened in January 1906 and was attended by thirteen nations: France, Spain, Germany, Britain, Austria-Hungary, Belgium, United States, Italy, Morocco, Holland, Sweden, Portugal and Russia. Jones has summarised the Conference as 'a process of dismantling Moroccan sovereignty and turning the state into a European colony [which] occurred through negotiation – negotiations which utilised the existing structures of international European politics'.³¹⁵ At its root, this process involved undermining Moroccan sovereignty through European control of banking and police and cloaking an imperial takeover in diplomatic process. Far from meeting the Moroccan delegation hopes that the Conference would reduce French influence and lead to the offer of international loans, the long debate over a European policing system involving bartering colonisation rights between France, Spain, Germany and Italy. Only the United States opposed the principle underlying the Conference, namely the division of Morocco into European spheres of influence.³¹⁶ Beyond its strategic imperative of control over the Gibraltar Strait, Grey summarised Britain's own objectives in a letter to Nicholson: respect the sovereignty and independence of Morocco; maintain order especially at the ports (noting that only France and Spain had the suitable personnel and experience) and; safeguard Britain's economic interests by securing the open door ('this we consider has been done by our Agreement with France').³¹⁷

By far the longest debate at the conference (almost leading to its breakdown) concerned the policing issue, which became a surrogate for the rivalry over spheres of influence. France proposed Spain should share the police mandate in order to avoid it being given to a number

³¹³ *British Documents*, 21 December 1905. The British recognition that minor players could play a decisive role in Great Power rivalries (especially in Spain's case in light of its special status as Conference chair) and that the French alliance was new crucial for success, is an indication of the growing restraints on Britain's diplomatic independence.

³¹⁴ Even the location itself became the subject of prolonged bargaining, with the Germans arguing for Tangier, to maximise the political impact of their new ally, the Moroccan Government, on proceedings. The French and British suggested San Sebastián, after rejecting Tangier as unstable and Madrid for reasons of climate. Late in the process, Algeciras emerged as a compromise. Jones, *op.cit.* p7.

³¹⁵ Jones, *op.cit.* p8.

³¹⁶ *Ibid.*

³¹⁷ *British Documents*, 13 February 1906.

of smaller powers. Britain supported the Franco-Spanish option, citing a range of pragmatic reasons (available resources, proximity, colonial experience, access to Muslim troops). Germany's aim throughout was to restrict the scope of French influence, if possible by internationalising policing and thereby 'neutralising' Morocco, an outcome bitterly opposed by the French and Spanish with strong British support.³¹⁸ The Germans then spent some weeks bargaining over the number of ports subject either to joint Franco-Spanish or international policing, all the time looking for support from other Conference participants to limit the French role. In the end, the close British relationship with France, combined with German failure to develop alliances with other participants, proved decisive. The outcome was an agreement that seven of the eight ports would be policed by a two thousand-strong Franco-Spanish force, and one, Tangiers, by an international diplomatic body. By contrast, the rest of the Conference agenda, the establishment of a French-dominated State Bank (with shares for other participants, and a privileged share for Spain), and creation of an open trading regime and a new tax system, was covered in a short final stage.

Throughout the Conference, the role of Spain was kept under tight review by the British. Britain was particularly concerned that its delegation, and the Foreign Minister, the Duke of Almodóvar, as Chair, would fall under German influence. On the opening day of the Conference, Nicholson reported to Grey that:

I am afraid from what I can observe the attitude of the Duc de Almodóvar that he will require a good deal of stiffening if we are to rely on his affording us much assistance during the Conference. He is a pleasant, agreeable man, but weak and is entirely dominated by the German Ambassador.

He noted another problem: 'The Spanish do not believe that France will present a firm front to German demands and they are consequently timorous and hesitating [...] I trust to be able then to overcome their fears and induce them to act up to their engagements'.³¹⁹ The remarks reveal the power that Britain felt it had over Spain, as does Nicholson's report to Grey at the end of February that 'the Duc de Almodóvar is now most willing and satisfactory'.³²⁰ The hapless Spanish delegation however found the management of the Conference extraordinarily difficult, on occasion causing the British to despair. After three weeks, during which 'practically no

³¹⁸ When the proposal emerged in January, Britain's Ambassador in Madrid reported a conversation with Montero Ríos, President of the Council, who said that 'any Spanish Government who accepted neutralisation would be stoned by the people as neutralisation meant for Spain the giving up of historical traditions and annihilation of her aspirations', *British Documents*, op.cit. 23 January 1906.

³¹⁹ FO 600/77, 6 January 1906, Correspondence of Foreign Secretary (Sir Edward Grey).

³²⁰ *British Documents*, 28 February 1906.

progress has been made towards eliciting the views of Germany as to the finance and police questions', Nicholson confessed that he was 'bewildered with various solutions that are scattered abroad' and worried that in this state of uncertainty 'the Spaniards would accept anything they could obtain from anyone, so as to satisfy public opinion in Spain. My impression is that their agreements with France do not weigh very heavily in the balance'³²¹. This concern was still evident a month later when the Madrid Embassy reported to Grey that the Germans were putting pressure on Spain as chair of the conference to abstain from a conciliation process which favoured France. The Foreign Secretary, Grey responded that 'it would be fatal if the Duke allowed himself to be swayed by Germany in matters of procedure at Conference'. Instead, Grey insisted he should vote for projects which embodied the principles of the Franco-Spanish agreement at San Sebastián. Nicholson agreed that Spain should not try and mediate, however 'I admit some reason for a little uneasiness as to attitude of Spanish delegates though they are now acting quite loyally'.³²²

Some of the complexities that lay behind these Spanish feelings emerged the following month when Sir Maurice de Bunsen, the new British Ambassador in Madrid, reported on a meeting he had held with the Prime Minister, Moret and Ojeda, the acting Foreign Minister. De Bunsen suggested that:

Although Spain has been led, by her determination to follow England, into honest cooperation, for the present with England and France, she does not like supporting France in Morocco. The old feeling, dating from Napoleonic times, has not died out yet [...] Moret does not like the prospect in Morocco. He thinks the Sultan will support the Inspector General of Police, who will be a German in disguise, in making the new Police a failure. In these circumstances, he would rather Spain had nothing to do with the Police.³²³

De Bunsen concluded that 'Spain wishes to uphold her position in Morocco but shrinks from the effort and responsibility involved in taking a prominent part [...] in brief the position here is that Spain at present is determined to follow us, even if she be thus brought into closer contact with France than she likes'.³²⁴ Spain's foreign policy was being compelled to reflect Britain's interests, despite the strong resentment of its past behaviour.

³²¹ FO 600/77, 28 January 1906, Correspondence of Foreign Secretary (Sir Edward Grey).

³²² *British Documents*, 22 February 1906.

³²³ FO 600/77, Correspondence of Foreign Secretary (Sir Edward Grey), 19 and 24 March.

³²⁴ *Ibid.*

Nevertheless, when the Conference finally wound up at the beginning of April, both British and Spanish opinion was broadly positive about both the process and outcome. De Bunsen reported that 'general satisfaction is expressed at Madrid at the manner in which Spain has emerged from the Algeciras Conference' with some even claiming 'the position she has secured should replace to a considerable extent her lost Colonies'. However, 'Ojeda (the acting Foreign Minister) takes a rather less complacent view [...] there had been some increase in Spanish prestige owing to the intervention of England which has induced France to agree to fair partition of influence with Spain'.³²⁵

A year later, in his Ambassador's *General Report on Spain for 1906*, de Bunsen summarised the longer-term impact of the Conference on Spain. He reported that the Spanish press is generally satisfied at Spain's position but 'in reality little interest is taken by the country at large in what goes on in Morocco'. Only at a crisis is there any interest in the demand for a preferential position but 'the acute period having passed Spain relapses again into indifference'. During the year, the Morocco Society had tried to promote a policy of Spanish penetration into the interior and some improved harbour works at Melilla and Ceuta were approved in the budget but nothing more:

It can hardly be said that the action of Spain in the field of foreign affairs is determined by any consistent line of policy [...] in Morocco her policy is founded on the forlorn hope that her Settlements on the north coast may prove the starting point for an expansion of Spanish influence into the interior.³²⁶

Spain's reluctant embrace of its subordinate imperial role in Morocco was soon evident in the political reaction to the Algeciras Conference.³²⁷ However, despite the mixture of apathy and outright opposition, the logic of its involvement in the Great Power dismemberment of Morocco was to lead to an escalating military involvement which accentuated Spain's deep social and political divisions. The legacy of Algeciras was to haunt the country for the next three decades.³²⁸

³²⁵ *British Documents*, 4 April 1906.

³²⁶ *General Report on Spain for 1906*, *British Documents*, 27 April 1907.

³²⁷ Opposition to involvement in a Moroccan war was clear by the following year. The Spanish Socialist Party, PSOE argued against the 'absurd colonial wars' calling for Moroccan independence at the VII International Socialist Congress in 1907. In 1908, the Spanish occupation of Mar Chica led to protests with the unjust recruitment system ('*rendicion a metalico*') being the main demand driving support for the campaign against imperial ambitions in Morocco. In 1909 the authorities' attempt to repress this movement was to lead to the Tragic Week in Barcelona. Madariaga, M *En El Barranco del Lobo*, Madrid, 2005, p62.

³²⁸ The initial hopes of an economic dividend were largely disappointed and the financial and human costs of its colonial adventure caused chronic political instability. Balfour *Deadly Embrace*, op.cit. p36.

The two crises, in 1898 and 1905, coming at a time of growing international turmoil confirmed Spain's status as a marginal player in a world dominated by increasingly assertive imperial powers. Despite its attempts to take advantage of imperial rivalries to further its interests, Spain remained ultimately subject to British power. Both France and Germany had attempted to win Spain's support by offering an alternative form of partnership but neither had the same mixture of effective naval power and economic interest to rival the British. The Algeciras conference, a settlement between three empires over Morocco's colonisation, was a demonstration of Britain's still dominant, though now diluted, power. Spain's own colonial ambitions, which were far beyond its capacity to sustain, were used to secure the compromises between the Concert of Europe nations that would allow France to take a leading role in the colonisation process. More broadly, the Algeciras Conference showed that despite its recent failure over the Spanish-American War, the European powers' diplomatic machinery was still able to reconcile conflicting imperial rivalries. However, the extraordinary, three-month length of the Conference and the war scares before and during the Conference, were evidence of its declining effectiveness. Less than a decade later it was to fail totally in the Balkan crisis of July 1914. At the beginning of the twentieth century however, Britain was still able to exercise its dominant power in the western Mediterranean and to negotiate an agreement with Spain's political elites that served its interests, albeit through compromise with rival imperial powers. Over the next forty years this power was to slip away, to be mobilised fully only at moments of extreme crisis in the two world wars.

Chapter 4: Informal Imperialism and Total War: Britain and Spain in the First World War

The 1914-1918 World War, the first total war fought across the globe, shattered Britain's imperial model and fundamentally changed the country's relationships with its colonies, formal and informal, including Spain. As the war intensified from 1916, its impact reached into every level of British and Spanish societies and, in the following year, led both countries into deep political and economic crisis. The First World War, in Spain as elsewhere, marked an inflection point in Britain's declining imperial influence and therefore provides a particularly important 'window' into the long-term nature of the informal colonial relationship between the two countries. The war starkly highlighted the fundamental inequality of the Anglo-Spanish relationship, together with Britain's ability and readiness to resort to force to maintain its dominant role. In the most dramatic form, the war confirms the continuing relevance of Gallagher and Robinson's concept of informal imperialism to Britain's relationship with Spain. Despite its dependence on Spanish resources (most urgently, minerals for munitions production), Spain's foreign policies continued to be shaped by the interests of the British Empire. The intense pressures of war stripped away Spanish illusions, born of the Algeciras Conference and subsequent treaties with France over Morocco, that the country was beginning to regain control over its foreign policy and restore its international status. From the beginning of the war in 1914, Britain's underlying political and economic control had been made unambiguously clear when the Royal Navy blockaded the Iberian Peninsula. This was reinforced a year later, when Britain introduced an administrative licencing system for companies wishing to import or export goods within Spain itself. In constraining Spain's freedom to determine crucial aspects of both internal and external policy making, Britain was again demonstrating the reach of its informal imperial power. However, the war also had brutal lessons for Britain in its exercise of that power: its dominant role in Spain now depended on close collaboration with its wartime allies. Although the objectives of Britain's informal imperialism remained the same, geopolitical security and economic exploitation, its power could not now be exercised alone. The return of peace was to show this dependency on negotiation with other powers was not simply a product of wartime emergency but reflected the increasing fragility of Britain's traditional grip over Spain's foreign policy.

By 1914 the extraordinary century-long expansion of Britain's domestic economy – along with the trade routes that sustained it – had confirmed Spain's vital role in the Empire's world-wide

trading network. Preventing any rival Great Power from gaining a dominant role in the Iberian Peninsula and the vital refuelling base of Gibraltar remained one of Britain's paramount strategic objectives. However, there was now a further strategically vital issue: Spain had become the foremost European exporter of minerals, notably iron ore, copper and sulphur. These minerals were especially critical in wartime when the need for steel and sulphur-based explosives was vastly expanded. For Britain, there was no adequate substitute to Spain as a source of supply for much of its munitions, shipbuilding and weapons industries. Norway had only limited resources, African and South American mines were still largely undeveloped and Australian supplies were limited, distant and expensive.

Spain, for its part, remained economically dependent on Britain. On the declaration of war in August 1914, Britain had immediately imposed a sea blockade around Europe and subjected Spain's maritime trade to a strict licencing system, directly enforced by the Royal Navy. Moreover, Britain operated the majority of the world's oceanic fleet, which carried Spain's essential bulk raw material imports, most importantly, its wheat and cotton. Spain's economic dependence was underlined in other ways: alongside France, Britain was both a vital market and source of hard currency for Spain as well as the dominant player in several of its key industries, notably the mining and infrastructure sectors. The biggest impact on the Spanish economy, however, came from Britain's near monopoly control of its coal supply. Spain's own sources in Asturias suffered from a markedly inferior quality of coal, a poor distribution network and a lack of investment. Consequently, from the 1880s Spain's industry and domestic customers had become increasingly reliant on British coal and the largely British-owned distribution networks, a dependency that Britain used ruthlessly, both as weapon and bargaining counter throughout the war. Despite their mutual economic dependency, the wildly unequal economic and political strengths between the countries meant that Britain's influence in Spain remained paramount. Although it played a crucial role in sustaining the Allies' war effort, Spain failed to achieve any of its hoped-for foreign policy goals.

Historians have often seen Spain's neutrality during the war in the domestic context of 'the irreconcilable division of two Spains in their respective *germanophile* and *francophile* versions',³²⁹ a political division which helped drive the Restoration political system into deep crisis. Recent research has shown the limitations of this view and firmly connected Spain to international events, although, as Garcia Sanz has pointed out, there has still been 'little

³²⁹ Ruiz Sanchez, J-L, Cordero Olivero, I and Garcia Sanz, C (editors) *Shaping Neutrality throughout the First World War*, Sevilla, 2015, p13.

treatment of the geo-strategic dimension of the belligerents'.³³⁰ In fact, Spain fully shared the 'social and economic dynamics created by the war as a great transnational phenomenon in the Western hemisphere'³³¹ and it is clear these external forces had a decisive effect on the country's intense political crises. Britain remained the strongest of these external forces, economically and diplomatically, as it had been for the previous century. From the very beginning of the war, political protagonists in Spain were clear that British economic interests would be a major constraint on their scope for political manoeuvre. Barely two weeks into the war, the pro-Ally Liberals, led by Count Romanones, succinctly set out the reasons in a notorious newspaper article:

Geo-political, economic and diplomatic imperatives impose collaboration with the Entente. Spain is surrounded by the Allies, the sea-lanes are controlled by them, the vast bulk of our trade is with France and Britain and theirs is the largest proportion of foreign investment in the country. Moreover, Spain's economic life depends on British coal and American wheat.³³²

However, the intensely hostile reaction of German sympathisers to the suggestion that Spain might join the Allies led Romanones to disown the article. Instead, he agreed to support a policy of strict neutrality, one that remained in place throughout the war. The dispute highlighted much broader political divisions in Spain. For many Republicans and intellectuals, joining the Entente was a vehicle for Spain's own modernisation and democratisation. Luis Araquistáin, a future socialist deputy and Ambassador under the Second Republic, summarised this case in a book, published less than a year after the outbreak of the war, in which he argued that Spain should join the Allies on moral grounds:

The federal British Empire is a lofty example of colonisation that Germany should not be allowed, nor will be able, to surmount or equal. England is defending its spirit of liberty and the liberty of all peoples [...] It has a spiritual force less obvious than the vulgar materialism of Germany.³³³

Correspondingly, Germany's supporters in Spain, largely made up of the ruling elite and traditional vested interests, saw in Germany the route to the conservation of traditional Catholic and monarchist values and to the possibility of substantial post war territorial gains in French

³³⁰ García Sanz, C *La Primera Guerra Mundial en el Estrecho de Gibraltar: Economía, Política y Relaciones Internacionales*, Madrid, 2011, p37.

³³¹ Ruiz Sanchez *et al*, *op.cit.* p14.

³³² 'Fatal Neutralities', *Diario Universal*, 19 August 1914, cited in Romero Salvado, F *Spain 1914-1918: Between War and Revolution*, London, 1999, p7.

³³³ Araquistáin, L *Polemica de la guerra*, Madrid, 1915, p184-5.

Morocco, Portugal, Gibraltar and Tangier.³³⁴ They understood, as did Germany itself, that Spain's strategic vulnerability prevented it from joining the Central Powers: their political effort was therefore focussed on preserving, and exploiting opportunities created by the 'strict neutrality' policy.

Neutrality had advantages for Britain too by immunising its naval base at Gibraltar and the supply of vital raw materials, from direct attack. However, it was Britain's naval blockade and control of shipping, rather than Spain's neutrality, which gave Britain its pre-eminent influence in the Iberian Peninsula. Throughout the nineteenth century, Britain's dominance of the world economy and of its formal and informal colonies had depended on its overwhelming sea power. In military terms, this flowed from the Royal Navy's huge numerical superiority over the other major powers, combined with its ability to put vessels into all the seas and oceans of the world.³³⁵ Under this shelter, Britain developed a dominant role in oceanic commercial shipping and by 1914 it possessed nearly half the world's steamships,³³⁶ most of them large and modern.³³⁷ It was this combination of commercial and naval dominance that made Spain, a country geographically close to Britain and economically dependent on maritime trade but possessing only a small, outdated fleet, extremely vulnerable.³³⁸ Moreover, Britain's relatively small land army meant that economic warfare, conducted largely by blockading maritime trade, was a critical factor in its confrontation with Germany. This strategic vulnerability on land meant the blockade had to be strictly and comprehensively enforced, including the critically important flank covering the Atlantic and the western Mediterranean. These trade routes and ports were vital, both to secure Britain's trading lifelines and to prevent Germany from developing its own supply routes to America and beyond. From the beginning, Spain was an

³³⁴ Romero Salvado, F 'The Great War and the Crisis of Liberalism in Spain, 1916-1917', *The Historical Journal*, 46, 4 (2003), p894.

³³⁵ In 1859 it was estimated the Navy had a thousand combat and non-combat vessels. Throughout the century, Britain easily surpassed the formal 'two-power' standard adopted in the 1889 Naval Defence Act which stipulated that the Royal Navy maintain a number of battleships at least equal to the strength of the next two largest navies.

³³⁶ A Board of Trade report on shipping summarised its position in 1914 as follows: 'At the outbreak of war the British Mercantile Marine had the largest, most up-to-date and most efficient of all the merchant marines of the world. It comprised nearly one half of the world's steam tonnage (12.4m tons out of about 26m tons net) and was four times as large as its nearest and most formidable competitor, the German Mercantile Marine.' *Report of the Departmental Committee on Shipping and the Shipbuilding Industry*, Board of Trade, 1918, CAB 24/41/23, p6.

³³⁷ Crucially its fleet of over 8500 steamships was predominantly made up of large and modern vessels: 90% were over 1000 tons, and two thirds (67.7%) were less than 15 years old, *Ibid.* p9.

³³⁸ In 1914 *Lloyds List* registered a Spanish fleet of some 589 steamships with an average size of less than 1000 tons, mainly involved in coastal trade (Cabinet Office *Memorandum*, November 1917, CAB 24/32/17).

important focus for the British blockade, second only in importance to Germany's North Sea ports.³³⁹

For all the warring parties, these essentially defensive strategies held during the first year of the war, and Spain remained largely on the side lines. However, by the end of 1915, the prospect of a long and bitter struggle on the battlefields began to be mirrored elsewhere, both in the domestic societies of the combatants and in the 'shadow' conflicts in the neutral European countries. By mid-1916 it became clear that the war would be long, ruthless and total, and that neutral countries would become increasingly involved in the struggle. This was particularly the case for Spain, given its critical geo-strategic importance: Britain, France, Germany and, later, the United States all widened their activities in Spain during 1916, seeking to gain both immediate and long term strategic and commercial advantage. In turn, this intensifying international struggle drew Spain ever-more deeply into the war, sharpening its internal political divisions and adding significantly to the enormous economic and social dislocation already created by the war. Domestic and international politics became inextricably linked: arguments developed between pro-German and pro-Allied factions, for example over whose victory would yield more territorial benefit, feeding the growing crisis of the Restoration regime.³⁴⁰ By the early months of 1916, the vulnerability of Britain's munitions and shipbuilding industries to Spanish mineral supplies had become acutely evident. The sharp decline in Britain's domestic coal output worsened matters by reducing the amount available for export. As a result, there was less coal available for Spain's rail transport and mineral processing, both of which were heavily dependent on British imports. This had the serious and perverse effect of threatening supply of minerals for Britain's own munitions production. A further turn of the screw was the growing shortage of shipping to transport the minerals to Britain. The enormous and rapidly growing demands for the worldwide movement of military personnel and logistics had led to stringent restrictions on Britain's ocean fleet. Early the following year, the launch of Germany's unrestricted submarine war was to turn these problems of coal supply and mineral transport into fully-fledged crises.

More immediately, in early 1916, Britain began to ration its increasingly scarce coal energy and transport resources by tightening administration of its Spanish blockade and coal licensing system. As García Sanz has shown, this involved setting up elaborate legal and bureaucratic processes within Spain to enable Britain to intervene directly in a neutral country's commerce,

³³⁹ For the same reason, Spain became a main focus for Germany's unrestricted submarine war in 1917.

³⁴⁰ Romero Salvado, 'The Crisis of Liberalism in Spain', op.cit. p911.

‘a politicisation of commerce [that] demanded working approaches for which bureaucracies were not prepared’. As well as stirring up considerable Spanish resentment over the loss of sovereignty, it also met opposition in London by domestic and international Chambers of Commerce, concerned about ‘the definitive abandonment of liberal policies’. The Bank of England too was worried about government interference in the banking system: the freezing of deposits and cancellation of accounts in foreign (and especially neutral) countries was a threat to the City’s credibility as a clearing house for international finance.³⁴¹

Britain’s deeply intrusive administrative processes had a particularly significant effect in Andalucía, home to a wide range of Spanish and foreign companies. The survival of many of these firms, reliant on the grant of coal licenses and trade credit (through the London Joint Stock Bank) came to depend wholly on British decision making. Matters were complicated by the strong British investment presence in the region, including one of Spain’s largest and most profitable companies, the mining giant, Rio Tinto. The British feared German competition would re-emerge after the war and present a significant threat to its dominance of Spain’s mineral and infrastructure sectors. Britain’s decisions over licensing were not made simply to win the war: they were also designed to build up its long-term commercial strength in the region. García Sanz’s work exposes the highly aggressive action Britain took to drive firms with German connections into bankruptcy, and then acquire their assets. She provides graphic examples of crude manipulation of the ‘black’ list of firms, led by the local British Consul in Malaga, to ensure British firms benefited from the forced sale of companies, closed as a result of being denied coal supplies.³⁴² Moreover, as she shows, these were not isolated incidents. For example, British firms had been responsible for 57% of red oxide exports from Malaga in 1915. By 1916 their share was 89%, a gain made largely at the expense of Dutch and Scandinavian companies forced out of the business by Britain’s denial of export licences.³⁴³

Commerce and trade were not only a vitally important war front but, more broadly, a field of general conflict *between* imperial powers, one that deeply involved allies as well as enemies. Britain’s control of sea routes and coal supply enabled it to secure commercial advantage in Spain, particularly at the expense of its French allies, further powerful evidence of the

³⁴¹ García Sanz, op.cit. p93.

³⁴² The crucial entrepreneurial and commercial role played by the Consul was recognised by the Foreign Office and this was to be reflected in a major re-orientation of its organisation towards the explicit commercial role that emerged shortly after the end of the War. Cabinet Memorandum, *Report on the Consular Service*, 8 May 1919, CAB 24/5/44.

³⁴³ García Sanz, op.cit. p106.

continuing reach of Britain's 'informal' imperialist power in Spain.³⁴⁴ However, in a harbinger of its future fragility, Britain's commercial pre-eminence began to come under challenge during 1916. The first serious threat to British economic hegemony in Spain emerged in the form of the United States. From the start of the war, the US had vigorously exploited the withdrawal of the French and British from many of their traditional industrial export sectors in Spain. The US share of Spanish imports for example rose from fourteen per cent in 1913 to forty-five per cent in 1917.³⁴⁵ It had initiated trade campaigns in Spain in 1916, with the explicit aim of supplanting Britain. As the US Consul in Valencia wrote: 'Great Britain is liable to be a very important trade rival at the conclusion of the war [...] therefore I believe the present is the time to prepare for serious trade battles to be waged as soon as the war is over'.³⁴⁶ Spain itself supported this interest, seeing trade with US as a way to escape French and British economic dominance. This jockeying among the Allies for post war commercial advantage went far beyond Spain. The Paris Economic Conference in May and June 1916 was convened to overcome the war's first eighteen months of rivalry and inconsistent administration across all fronts and to improve the integration of the Allies' economic war effort. However, the agreements to establish joint protocols and policies could not disguise the underlying economic conflicts. There were bitter exchanges over how to treat German commerce after the war for example, with France particularly determined to weaken a future competitor, a portent of its aggressive approach to reparations at the Versailles Conference in 1919.

By 1917, the political and economic stresses of 1916 became major crises, as both Allies and Central Powers suffered debilitating military losses and ever more severe economic disruption. Neutral countries were swept up in the maelstrom. In Spain, the Restoration regime could no longer contain the political forces unleashed by the war, including now the increasingly insistent demands of the Catalan regional movement and empowered working-class organisations. These came to the boil in the General Strike of August 1917, centred on Barcelona. The brutal repression of the strike by a politically assertive military marked a turning point in the declining credibility of the Restoration regime. Meanwhile, Britain's vulnerability was being exposed, geopolitically by Germany's declaration of unrestricted

³⁴⁴ For example, while Britain worked to dominate the Red Oxide business in Andalucía, France's share remained at the same, low level of 3%. It was effectively prevented from enjoying the fruits of war by the British determination to preserve its post-war position. Ibid. p105.

³⁴⁵ Montero Jiménez, J *Neutrality and Leadership: The United States, Spain and World War 1* in Ruiz Sanchez *et al*, op.cit. p261.

³⁴⁶ Ibid. p260. For example, from 1916 Spain used New York rather than London for the gold conversion of its wartime profits.

submarine war and economically, by deepening crises in its coal, shipbuilding and munitions industries. Spain had a key role in both these areas: as a result, Anglo-Spanish relations became an important matter of concern for the British Cabinet for the last two years of the war. Three economic issues assumed enormous strategic significance for both countries: coal and ore supply, shipping resources and public order. As Garcia Sanz put it, ‘control over commerce became a political question of the first order’.³⁴⁷

For Britain, the maintenance of ore supplies for its munitions industry was a paramount issue.³⁴⁸ In February 1917, the Ministry of Shipping reported that ‘Great Britain is dependent on Spain for 70% of its total imported iron ore supplies, about 500,000 tons a month, of which half is shipped from Bilbao and the remaining half from the Mediterranean ports’. The Munitions Ministry confirmed that Spanish ore supply was its ‘most serious requirement [...] during the last three months, shipments have averaged under 100,000 tons a week against a requirement of about 150,000 tons a week [...] there are no working stocks and many furnaces have already shut down’.³⁴⁹ Discussions with Spain about increasing ore supply had started the previous year as part of negotiations over a general agreement covering ore, coal and Valencian fruit. However, they had foundered when the British made a derisory offer of 10,000 tons of coal a month in exchange for 200,000 tons of ore. In retaliation, Spain considered blocking iron ore exports but Romanones had refused, pointing to the ‘precariousness of the Spanish position’. He noted that ‘national industry was totally at the mercy of the British supply of coal’,³⁵⁰ demonstrating Spain’s dependency and subordinate status even when holding an apparently strong negotiating hand.³⁵¹

By March 1917, however, the pressures on both sides led to the reopening of discussions. Spain sent a senior envoy to London, the Marqués de Cortina, who successfully negotiated an agreement, eased by the Romanones Government’s political sympathy for the Allied cause. Britain’s heightened vulnerability was reflected in the new offer it made: 150,000 tons of coal a month, permission for unlimited imports of Egyptian cotton and a promise to buy Spanish fruit and wine. However, nine days after agreement was reached, the Romanones Government

³⁴⁷ García Sanz, op.cit. p111.

³⁴⁸ Cabinet Memorandum, *Supplies of Raw Materials from Spain*, Ministry of Shipping 15 February 1918, CAB 24/42/32.

³⁴⁹ Cabinet Memorandum, 8 February 1917, CAB 24/6/10.

³⁵⁰ Garcia Sanz, op.cit. p348.

³⁵¹ Spain had imported 2.3m tons of British coal in 1913. By 1918, supplies had dropped by 35%, to 1.5 tons causing great economic disruption especially in industry and railways. However, this was proportionally a lower reduction than the 53% reduction in its total coal exports which fell from 75m tons in 1913 to 35m tons in 1918. Cabinet Memorandum, *The Coal Industry*, Board of Trade, 3 July 1919, CAB 24/83/20.

fell, a victim of the country's deepening political crisis. In an indication of widespread Spanish resentment at Britain's dominant role within the country, the new Government's Foreign Secretary blocked the agreement. The sticking point was its explicit recognition of Britain's management role within Spain, its operation of the coal licensing scheme's 'blacklist' and its directions over utilisation of the Spanish mercantile fleet. Politicians sympathetic to Germany argued publicly that an acceptance of this role was incompatible with neutrality. Britain, however, remained confident of securing the agreement: a telling Cabinet memorandum in April 1917 concluded that 'the combined pressure of the Bilbao mining interest and of our Ambassador should soon bring him [Spain's new Foreign Minister] to a more reasonable frame of mind'. Moreover 'we have requested the United States not to supply Spain with American coal. If this request is granted, we should have no difficulty in dealing with those influences in Spain which are hostile to our agreement'.³⁵² There could be no clearer indication of Britain's confident exercise of 'informal' imperial power, albeit with the acknowledgement of the need for American support.

Despite this willingness to use all its sources of influence to the full, it took nearly nine months before the agreement was eventually signed in December 1917. The delay was due to an effective German-supported campaign of opposition, during which, the British believed, German interests had effectively managed to engineer a change of prime minister in Madrid. The Germans had even 'expressed their confidence in the Press that "the corpse of the agreement would not be exhumed" [...] but after a visit of the Spanish Ambassador to Madrid to explain the negotiations, the agreement had been signed'.³⁵³ Britain also faced problems in securing a parallel agreement, committing Spanish governments to provide financial support for the deal in light of the now stretched British resources. Despite months of negotiation, involving an extended visit by the Governor of the Bank of England to Madrid in January 1918, this agreement was never signed.³⁵⁴ This resistance to British demands was a symptom of the growing strength of Spanish nationalist feeling, summed up in a famous speech by Antonio Maura in Madrid's Plaza de Toros in April 1917. There Maura argued that Britain's 'preponderance did not allow Spain to be sovereign of her own coasts and waters', a statement

³⁵² Cabinet Memorandum, *Summary of Blockade Information*, 20 April 1917, CAB 24/11/15.

³⁵³ Cabinet Memorandum, *Weekly Report on Spain*, Intelligence Bureau, Department of Information, 13 December 1917, CAB 24/35/73. This is another indication of the political influence Britain was still able to deploy in face of the strong support for Germany in the Court and among the political elite around the monarch. In an assessing the widespread support in Spain for Germany, the memorandum remarks that the Germans 'had managed to get rid of Señor Dato like Count Romanones before him'.

³⁵⁴ García Sanz, *op.cit.* p354.

that caused the British Government great concern.³⁵⁵ Despite these signs of growing defiance, the strength of Britain's grip nonetheless remained strong: when Maura became Prime Minister in the following year, he acknowledged, under British pressure, that 'the facts of history and geography link both the intellectual and economic life of Spain with the Western Powers'.³⁵⁶

The second area of crisis for Anglo Spanish relations centred on shipping, particularly the transport of the vital ore and coal supplies. The unrestricted German submarine war began to inflict heavy losses on both the British and Spanish mercantile fleets during 1917, at a time when demands on shipping capacity were accelerating as the war widened to all parts of the world.³⁵⁷ By the end of the year, over five million tons of shipping had been sunk, some twenty per cent of the world's fleet of steamships. So serious was the shortage of shipping and so great the need for Spanish minerals, that Britain commissioned a report into the possibility of transporting iron ore overland from Bilbao by train through France, a scheme eventually only rejected for lack of resources.³⁵⁸

Britain's munitions production therefore remained totally dependent on the capacity of the Spanish mercantile fleet at a time when German submarines started serious targeting of neutral ships carrying supplies for the Allies. In 1917 alone, Spain lost thirty-five steamships, some sixty thousand tons, ten per cent of the available fleet.³⁵⁹ There was a consequent and vertiginous rise in freight rates, which quadrupled during 1917 alone. Rising from six shillings a ton in 1914 to a hundred shillings a ton in early 1917, they had reached four hundred shillings a ton by January 1918. This enormous increase in costs exacerbated an already deep rift within the British Government. The Shipping Controller insisted that no British ships could be spared to carry either coal or ore, while for its part, the Treasury wanted pressure to be put on the Allies to share the extra transport costs. On the other side of the argument, the Minister for Munitions, Winston Churchill, kept up a barrage of (at times, much resented) Cabinet memos highlighting the devastating effects on Britain's war effort of a failure to secure Spanish ore and arguing for a lifting of the embargo on British ships entering Spanish ports to carry the

³⁵⁵ Reported in a telegram to the British Cabinet on 29 April 1917, CAB 24/16/95.

³⁵⁶ Quoted in Cabinet Memorandum, *Situation in Spain*, 27 June 1918, CAB 24/57/15.

³⁵⁷ Of the 5m tons sunk, 3m were British (mainly the larger vessels), 1m tons were other Allies and 1m tons were Neutral ships. Cabinet Office Memorandum, *Final Report of the Board of Trade Committee on Shipping and Shipbuilding after the War*, 2 February 1918, CAB 24/41/23.

³⁵⁸ This pointed out that 12 trains a day would be needed to carry the 3.5m tons a year. The scheme proved impractical given the shortage of French and British locomotives and rolling stock. Cabinet Office Memorandum, *Conveyance of Iron Ore from Spain*, 22 February 1917, CAB 24/6/46

³⁵⁹ Cabinet Memorandum, *Foreign Vessels Sunk or Damaged by the Enemy*, 1 January 1919, CAB 24/73/99.

ore.³⁶⁰ ‘War is carried on primarily by steel and explosives. They constitute a fairly true measure of war effort...we are allowing our war efforts to fall short of what is necessary to gain the victory’, he argued with typical flourish in one of them.³⁶¹

A Ministry of Shipping paper to Cabinet in early 1918 pointed to a further dilemma: Rio Tinto had threatened to shut down its mines if it were not supplied with coal based on a transport rate of no more than a hundred shillings a ton, arguing that the British Government should pay the difference between that rate and the market rate of four hundred shillings a ton. It would otherwise have to recover the costs from its large forward contracts with the United States and France, ‘with all the political consequences that would ensue’, as the Cabinet Memo pointed out. The alternative, the closure of the mines, would be ‘a contingency that none of the three Governments can face as supplies of pyrites from Rio Tinto are vital for the carrying on of the war on the present scale’.³⁶² Four months before, in September 1917, the United States had reacted strongly to a previous proposal to increase prices by threatening to halt sulphur exports to Britain, accusing it of profiteering from the high shipping rates created by the blockade. Rather than risk another confrontation, Britain backed down and paid the extra transport bill, a further indication of its weakening power in the face of the growing US challenge. The incident had another negative effect: it had shown the US how vulnerable it was to the uncertainties of Spanish pyrites supply. This led to an intense effort to develop its own sources of pyrites on the American continent which in turn was to undermine Rio Tinto’s dominance in the world market in the following decade. Here again, the war was uncovering underlying tensions between the Allies, as every country sought both to win the war and to enhance its post war commercial position. For the Anglo Spanish relationship, the final two years of the war were a turning point: from now on increasingly confident commercial challenges by rival nations together with Spain’s developing assertion of sovereignty, began a serious erosion of Britain’s pre-war imperial dominance.

The third major area of British concern was the highly unstable political situation in Spain, a result of the failure of the Restoration regimes to deal with the intense social and economic pressures generated by the war. The widespread social disorder and industrial action represented a serious threat to British interests, most immediately the supply of vital raw materials. Britain’s deeply entrenched investment interests in Spain were also disrupted and

³⁶⁰ Cabinet Memorandum, *Supplies of Raw Materials from Spain*, 10 May 1918, CAB 24/51/26.

³⁶¹ Cabinet Memorandum, 24 January 1918, CAB 24/61/18.

³⁶² Cabinet Memorandum, *Supplies of Raw Materials from Spain*, Ministry of Shipping, 15 February 1918, CAB 24/42/32.

faced possible expropriation by workforces increasingly radicalised and confident following the success of the Bolshevik revolution. There were also worries that the increasingly effective mobilisation of pro-German support in Spain, supported by German propaganda and local agents, would exploit the country's widening political and social divisions. The British Cabinet took these threats so seriously that over the next two years it was given weekly diplomatic updates on the political situation in Spain, together with a weekly intelligence report which covered wider social and labour issues. These reports illustrate both the extent and limits of British power. Throughout the period, Britain showed a close interest in the composition of the Spanish Governments and made diplomatic efforts to influence their make-up. Although facing a German-leaning monarch in Alfonso XIII, the British were confident their political and economic power would ensure its interests were recognised.³⁶³ When Maura came to power in April, 1918 there were concerns, that 'among our decided friends' in the Cabinet, Maura himself was 'a dark horse'. His introduction of restrictions on food exports to Britain were 'due to the supposed necessity of meeting pro-German assertions that Spain is starved to feed the Allies'. However, after a warning that 'Spain needs what she gets from us, as much as we need what we get from them', the restrictions were withdrawn, a sign that 'seems to confirm the impression the Maura Cabinet will be as friendly as it can'.³⁶⁴ These efforts to secure governments supportive of British interests were classic markers of Britain's exercise of 'informal' power through negotiation with local political elites, another illustration of the continuing relevance of Gallagher and Robinson's theory to the Anglo-Spanish relationship.

Differences over the best tactics to manage their Spanish 'informal colony' led to diplomatic tensions between the two empires mainly involved, France and Britain. During the General Strike in August 1917, French newspapers had shown sympathy with the grievances of the Barcelona strikers and concern at the military crackdown that followed. For its part, Britain was appalled that pro-German sympathisers might use these French statements to justify the view that 'the Allies were fomenting revolution in Spain' when in fact 'the interest of the Allies is ordered liberty and political progress'.³⁶⁵ There was however no difference between the

³⁶³ Despite Alfonso's overtly pro-German stance, strengthened by the fate of the Russian Czar abandoned by the Allies, the British were confident he would not oppose the Allies. A Cabinet Report suggested the King was 'shrewd enough to see that Spain's interests, first as a Western power, second as a Latin Power, third as bordering on France and Portugal, fourth as nearly surrounded by the sea, fifth as having large commercial and cultural associations with America, are and must always be rather with the Allies than with Germany'. Cabinet Memorandum, *Weekly Report on Spain*, Intelligence Bureau, Department of Information, 20 February 1918, CAB 24/42/97.

³⁶⁴ Cabinet Memorandum, Political Intelligence Department, Foreign Office, 25 April 1918, CAB 24/49/77.

³⁶⁵ Cabinet Memorandum, *Weekly Report on Spain*, Intelligence Bureau, Department of Information, 28 August 1917, CAB 24/24/36.

Allies over the need to repress the growing challenge of trade union power, especially when it threatened Allied administration of convoy support. The newly formed security departments of the two powers worked closely together: with Spanish intelligence support, they identified the main trade union organisers in Gibraltar and mounted propaganda campaigns throughout Andalucía, successfully resisting the revolutionary wave of actions at the end of hostilities in 1918.³⁶⁶

Throughout the war, Spanish governments believed their broadly sympathetic attitude to the Allies would be rewarded with important foreign policy gains. Spanish hopes centred on the acquisition of Moroccan territory (including Tangier), the swap of Ceuta for Gibraltar as a British base and Allied permission for Spain to intervene in Portugal. On two occasions, Spain seriously considered joining the Allies to reinforce these claims, although strong domestic opposition and the lack of any concrete commitment by the Allies meant the proposals were not taken forward. For their part, the Allies (particularly the US, once it joined the war) saw advantages in having Spain as an ally. However only at one point, when Britain was at its most vulnerable in April 1917, was the idea seriously considered. Although the British Cabinet decided in principle to encourage Spain to join the Allies, no specific offer was ever made.

Of the three Spanish demands, the Allies were only prepared to look seriously at the option of swapping Ceuta for Gibraltar as a naval base, and then only because of the possible military advantages it might offer in light of Gibraltar's vulnerability to modern artillery. An interdepartmental War Cabinet Committee was set up in April 1917 to re-examine this long-standing idea. Despite War Office interest, the proposal was quickly discounted when the Admiralty made clear its commitment to Gibraltar's pre-eminent naval role. Indeed, Gibraltar was made the centre for organisation of Atlantic convoys later in the year. Lord Curzon, the chair of the Committee, added his view that 'Gibraltar was an inalienable symbol of imperial power',³⁶⁷ demonstrating how Gibraltar, and by extension, Spain itself, remained an important anchor point for the Empire. The Foreign Office was also adamantly opposed to Spain's abandonment of neutrality. Significantly, the main argument it considered in its Cabinet briefing paper in favour of joining the war effort was Britain's post war commercial advantage:

The main advantage of Spanish intervention in the war would however probably be the measures which Spain would be compelled or induced to take against trading with the enemy and the opening which this would offer to British and Allied trade to secure new

³⁶⁶ García Sanz, op.cit. p380.

³⁶⁷ García Sanz, op.cit. p359.

Spanish markets. Germany has now got an exceedingly strong commercial position in Spain and her disappearance from the Spanish field would offer many profitable openings for British enterprise.³⁶⁸

This advantage however was trumped by the strategic defence advantages of the Gibraltar base and at the end of the war Spain was left with no reward for its contribution to the British economy and the Allied victory.

The crisis of war revealed Britain's willingness and ability to use its economic dominance to secure its traditional interests, the maintenance of its geostrategic dominance of the Iberian Peninsula and the supply of Spain's vital raw materials to its industries. This was demonstrated most obviously in the direct control it took over Spain's foreign trade through the imposition of its naval blockade. Moreover, Britain used these exceptional wartime circumstances to reinforce its commercial position in Spain on the assumption that it would retain and extend its dominant role in the country after the war. In fact, however, the war vastly accelerated the process of relative imperial decline that had begun some thirty years earlier. Forces that had sustained the Empire during the nineteenth century began visibly to fracture: the submarine war had shown that the British maritime supremacy was no longer assured. Equally, the role of sterling at the centre of the world's financial system had been fatally undermined by its temporary suspension of the gold standard and by the exhaustion of its financial reserves. The lopsided British economy, overdependent on the old steam driven technologies and inefficient industrial organisation was being overtaken, particularly by the US. More broadly, as was recognised at the time, the war had shown that Britain's free trade, *laissez faire* economic model of empire was not adequate for the post war world.³⁶⁹ The exhaustion of its imperialist free trade model was reflected in Britain's relationship with Spain. Britain was poorly placed to supply the modern machinery and consumer items, now increasingly in demand in Spain. It could not even maintain its pre-war levels of coal exports. Meanwhile, its flagship investment in Spain, Rio Tinto, was losing its position as leader of the world's copper and pyrites cartel and as one of Spain's largest enterprises. Britain's role as the world's leading exporter of capital to developing economies, already declining in the decade before the war, ceased almost

³⁶⁸ Cabinet Memorandum, *Potential Value of Spain as an Ally*, Foreign Office, March 1917, CAB 24/7/98.

³⁶⁹ A Cabinet paper pointed out that 'An immense change has taken place as a result of the war in industrial and commercial conditions. The magnitude of this change is apt to be overlooked because we have gradually become accustomed to it [...] It is fallacious to conceive of our economic resettlement as a simple restoration of pre-war conditions [...] It will need an active interest and cooperation on the part of Government.' Cabinet Memorandum, *State of Trade since the Armistice and the Present Position*, Board of Trade, 16 June 1919, CAB 24/86/5.

totally.³⁷⁰ Spain too, was deeply marked by the First World War. The shortcomings of the country's profoundly unbalanced economy, the product of the *laissez faire*, small state model that had dominated Spain for the previous century, had been shown up in brutal form. The patent inadequacy of this model fuelled growing political demands for a more self-reliant economy and a wider role for the state in supporting Spain's industries and infrastructure. This was expressed in increasingly nationalist economic policies designed to enable Spain to break away from the stranglehold of foreign – and specifically British – economic dominance. Both these issues were to emerge strongly in the politics of the next decade under the Primo de Rivera dictatorship, as chapter eight discusses. The war had also given an impetus to the spread of industrialisation and urbanisation and to a new social and political assertiveness of the growing working-class organisations. This in turn, fed a growing sense of national self-confidence which was to appear at its most exuberant in the early years of the Republic, a decade later.

Appearances were deceptive, however. Behind Britain's imperial decline and Spain's growing economic independence, some old imperial realities remained. The Second World War, another profound economic and political crisis for both countries, revealed an underlying mutual economic and geo-strategic dependency, just as the First World War had done. This repeating pattern alone suggests how deep were the roots of imperial interdependency that had been built up over the previous hundred years. It would also be powerful evidence for the resilience of Gallagher and Robinson's ideas about informal economic imperialism in the new circumstances created by the upheavals of the twentieth century.

³⁷⁰ Of fifty-eight new companies established in Spain between 1914 and 1936 only two were British, both in traditional industries: half were either US or German largely in the new consumer sectors. Tortella, T *Una Guía de Fuentes sobre Inversiones Extranjeras en España 1780-1914*, Banco de España, 2000.

Chapter 5: The Second World War: revival and demise of Britain's informal empire in Spain

The two previous chapters have pointed to the growing challenges to the hegemony of the British Empire, most notably the mounting strength of imperial rivals and of the demands of formal and informal colonies for greater independence. The First World War hugely accelerated this process: over the subsequent twenty years, a succession of global economic and political crises further eroded Britain's economic and political power. In Spain, a more assertive nationalism was sustained by a slowly modernising economy and a diversification of its trading and investment partners. Its economic and political dependency on Britain was markedly reduced, although important continuities persisted. Mineral exports to Britain for example, remained vitally important to the economies of both countries (though new suppliers and the progressive exhaustion of Spanish seams were reducing their relative importance for Britain and the world). Britain's control of its Gibraltar base remained a foreign policy imperative. Increasingly however, the relationship resembled one of asymmetric power between trading nations rather than one of dependency, exploitation and imperial dominance. This was confirmed in 1935 when Anglo-Spanish trade talks broke down following Spain's refusal to increase imports of British goods.³⁷¹ In the following year, Spain's growing political independence and loosening economic ties with Britain was given a further decisive turn by Franco's embrace of his fascist allies in Italy and Germany and by his subsequent victory in the Civil War.

However, just five months after Franco's triumph in April 1939, Hitler invaded Poland and Britain declared war on Germany. Once again, the Anglo-Spanish relationship was transformed, and its defining 'imperial' elements returned to the surface. The Second World War was to show the remarkable resilience of the two main underlying drivers of Britain's imperialism in Spain, the need for geostrategic dominance of the Iberian Peninsula and trade, both of which remained essential for Britain's economic survival. The result was a late, and final, flowering of Britain's projection of informal imperial power in Spain. By the late 1940s, the return of peace and the assumption of American imperial leadership had brought closure to this phase of Britain's informal imperial history. Between 1940 and 1946, however Britain

³⁷¹ Britain's attempt to force an agreement by threatening to price Spanish oranges out of its market failed following a backlash by British consumers. In its straightened economic circumstances and having abandoned free trade and the gold standard four years earlier, Britain was simply unable to make a sufficiently attractive offer to Spain to secure reduced tariffs for its vitally needed exports. Sharman, *op.cit.* p82.

and Spain both faced interconnected, existential crises which brought their relationship to the forefront of political and economic strategic debate and led to intense political interaction between the countries. The Second World War therefore provides a particularly clear ‘window’ into the nature of the Anglo-Spanish relationship and the underlying forces shaping it. By taking a specifically economic perspective on the war period, this chapter complements traditional historiography of the period, which has largely focussed on strategic, military and political dimensions of the Anglo-Spanish relationship during the Second World War. Economic issues, however, were at the root of the conflict between the countries, as they had been over the previous century, and they defined the political strategy and tactics that both pursued during the period. The story can be divided into three distinct acts: German dominance between 1940 and 1942; the turning of the tide in favour of the Allies between 1943 and 1945; and the post-war period as the Allies sought and failed to agree a common approach to Franco’s regime. In each of these phases, Britain supported its economic interests with military power and was involved in intense negotiations with the local political elite in the shape of the Franco regime, uncooperative though it often was. Once again Gallagher and Robinson’s model of informal imperialism provides a useful analytical framework to view the relationship, and its underlying economic drivers.

Franco’s victory in the Civil War was barely a year old when Hitler’s successful invasion of France in May 1940 left Britain and its Empire to face Germany and its allies alone. For Spain, the French defeat was an opportunity to join the Axis. This alliance, Franco hoped, would allow the regime to acquire some or all of France’s North African colonies, and realise the long-standing conservative dream of recreating a Spanish empire.³⁷² This in turn would allow the country to break out of its ‘underdevelopment’ straitjacket, revive industry in the wake of the Civil War and provide an answer to the inherent limitations of the regime’s autarky policy. For the next four years Franco doggedly pursued this imperial objective in his long-running negotiations with the Third Reich.

For Germany, however, Spain had only secondary importance, principally in offering, as in the First World War, a base to attack Britain’s Atlantic trading routes and deny it access to the Mediterranean and North Africa. Germany’s economic aims for Spain itself were simply to replace Britain’s neo-colonial role and turn the country into a source of raw materials and

³⁷² Balfour, S *The Making of an Interventionist Army, 1898-1922*, in Romero Salvadó, F *The Agony of Spanish Liberalism*, London, 2010, p265.

foodstuffs.³⁷³ In the event, Hitler decided that Germany's wider imperial interests lay in eastern Europe and never felt the high price of a pact with Spain was worth paying.³⁷⁴ Such an alliance would have required very substantial German support for a Spanish economy devastated by the civil war. Germany would also have had to meet Franco's colonial ambitions in North Africa, all to secure what were seen as essentially secondary military and economic objectives. In marked contrast, for both Britain and Spain the conflict in and around the Iberian Peninsula was vital to their survival. It was this stark imbalance of perspectives that was to define the fraught relationships between the three governments during the first four years of the war. Only on those occasions when Germany's vital interests appeared to be threatened, as when the allies invaded North Africa in 1942, did the uneasy, but largely stable, relationship between Britain and Spain come under threat.

In May 1940 however, both Britain and Spain were in an acutely precarious situation. As a result, neither country could do more than play for time: Spain, to stabilise its economy and await German victory; Britain, to recover from the Dunkirk defeat and seek American support. Smyth points to the common vulnerability of both countries 'which drove Britain and Spain together despite mutual suspicion and ideological antipathy and ultimately tended to defuse the recurring tensions in their relations'.³⁷⁵ For Britain, the army's retreat from France meant that its central weapon in resisting invasion by Germany was once again the naval blockade, founded on the Royal Navy's still largely unchallenged command of the North Sea, North Atlantic, Western Mediterranean and Suez Canal. As in the First World War, one of the major objectives of the blockade was to control seaborne trade with the Iberian Peninsula. This became particularly important once the fall of France enabled goods imported into, or supplied from, Spain and Portugal to go overland directly to the Axis powers. The Ministry of Economic Warfare, led from May 1940 by Hugh Dalton, a Labour member of the new War Cabinet, therefore insisted on a rigorous implementation of the Iberian blockade, to avoid Spain building up reserves for re-export to Germany and to ensure it continued to supply Britain with vital

³⁷³ Germany had energetically pursued such a policy during the Civil War, targeting Spanish and Spanish Moroccan mineral resources. However, it had had only modest results in face of Franco's reluctance to sacrifice further national sovereignty over its raw materials and strong British resistance to any take-over of its assets in Spain. Harvey, op.cit. p266.

³⁷⁴ Tooze (*The Wages of Destruction: the Making and the Breaking of the Nazi Economy*) has argued that the rational strategy for Hitler would have been to force Spain into the war to close the Mediterranean, allowing Germany to seize control of Egypt and the Iraqi oilfields, a 'saunter compared with Operation Barbarossa'. Only ideological opposition to Bolshevism led him to a policy of colonisation of the east founded on population extermination. Anderson, P 'Situationism a l'envers', *NLR*, 119, September 2019, p57.

³⁷⁵ Smyth, D *Diplomacy and Strategy of Survival, British Policy and Franco's Spain, 1940-41*, Cambridge, 1986, p242.

supplies, especially iron ore.³⁷⁶ Unlike Germany, Spain had no alternative supply routes. As a result, the blockade was a powerful weapon, especially when it was aimed at a country which was on the verge of starvation and whose distribution systems were suffering progressive collapse. Britain's newly appointed Ambassador to Madrid, Sir Samuel Hoare, thus had substantial sources of power in achieving one of Britain's central war aims, to prevent Franco from allying with the Axis powers. Moreover, as an ex-Cabinet colleague, Hoare was able to work directly with the Foreign Secretary, Lord Halifax and with Churchill himself, to convince Franco's regime to remain neutral.³⁷⁷ Although all three found Franco himself difficult and evasive, they shared a positive view of the military regime itself, arguing that its replacement by a democratic republic would lead inevitably to a German takeover. They therefore consistently pressed for flexibility in application of the blockade and the supply of specific vital products, notably oil and wheat, to relieve the political pressures on Franco, both from his own monarchist generals and from the starving population. Not only did Hoare argue for the release of goods with a minimum of supervision but he helped negotiate two soft loans of some £6m during the autumn of 1940 as well as a further £2m to bribe Spanish generals to argue for neutrality. As Wigg notes, these were very large sums, especially when compared to the total value of Spanish exports to Britain in 1940 of some £2.5m.³⁷⁸

In both form and content, this conciliatory approach closely resembled the previous Conservative Government's non-intervention policy of passive support for Franco during the Civil War in Spain. Indeed, Halifax and Hoare had been prominent members of Chamberlain's inner cabinet arguing for appeasement of Hitler and Mussolini, and for support of the military rebellion in Spain. Their fear of a communist-dominated Republican government, with its implicit threat to Britain's economic interests in Spain coloured this group's tactics throughout the war. Arguably too, it led them to overestimate Franco's freedom for manoeuvre, notwithstanding their access to good intelligence assessments.³⁷⁹ Despite his bluster, Franco could in fact only have entered the war if Germany had been prepared to provide enormous quantities of food, fuel and arms. Spain had assessed its immediate needs in July 1940 in

³⁷⁶ Cabinet Memorandum, *The Application of Contraband Control to the Iberian Peninsula*, Memorandum from Minister of Economic Warfare, 12 July 1940, CAB 66/9/39.

³⁷⁷ Smyth, op.cit. p31.

³⁷⁸ Wigg, op.cit. p10.

³⁷⁹ As early as September, 1940, Churchill tabled a Cabinet report from Alan Hillgarth, a trusted advisor and Naval Attaché in Madrid, which showed he and the Cabinet were receiving realistic assessments about the low level of German interest in Spain: 'Germany could gain nothing from Spain as an ally except a few minerals, some ports and aerodromes strategically useful and the road to attack Gibraltar [...] She could not feed Spain. Spain would be starved in four weeks'. He also advised that Spain would only join Germany if it was enabled to take over Morocco. *Cabinet Paper*, 20 September 1940, CAB 66/11/42.

response to a German request for information and the scale was formidable: 400,000 tons of gasoline, some 700,000 tons of wheat, 200,000 tons of coal, 100,000 tons of diesel, 200,000 tons of fuel oil together with raw materials such as cotton, rubber, wood pulp and hemp, estimates which Preston has suggested were ‘realistic’.³⁸⁰ This down-payment would of course only be a first instalment: with it, went Franco’s demand for the dismemberment of France’s North Africa colonies at the very time when Hitler most needed the support of the Vichy regime. Unsurprisingly, faced with this scale of demand for scarce resources, the Germans retreated, as they did each time they commissioned serious studies of the economic price of Spain’s participation.³⁸¹ There was another motive: by 1941 Hitler had already concluded that ‘Spain was more useful to Germany under the mask of her neutrality as her only outlet from the British blockade’.³⁸²

Although the British could not be fully aware of the details of Franco’s negotiations with the Germans and therefore had to plan for the worst, there was strong feeling elsewhere in Government that Churchill and Hoare’s conciliatory tactics had gone unnecessarily far. Dalton in particular was outraged at Hoare’s proposals to soften application of the naval blockade, arguing that they went ‘far beyond appeasement’ and amounted to ‘sheer abasement’.³⁸³ Led by Hoare, the Embassy officials in Madrid fiercely resisted these attacks. The Commercial Counsellor, Sir John Lomax, argued that Dalton had ‘unnecessarily soured enforcement of the blockade’. Within his own Ministry, David Eccles, the Economic Warfare representative in Spain, accused Dalton of wanting to starve Spain into ‘inanition’ because of his ideological and personal antagonism to Franco.³⁸⁴

These accusations clearly echo Churchill’s own concerns about the dangers of undermining the Franco regime for fear of returning the country to Civil War and to possible communist

³⁸⁰ Preston, *op.cit.* p372.

³⁸¹ In 1940 they concluded ‘Spain is militarily and economically weak, politically disunited at home and therefore incapable of waging a war of more than a few months’ duration’. This conclusion would seem to undermine Smyth’s assessment that it was only Germany’s ‘niggardly’ response to Franco’s imperial demands that kept it out of the war in June 1940, Smyth, *op.cit.* p82. Equally, it is clear that Franco believed his demands to be wholly reasonable. The idea they were a clever tactic employed by Franco to preserve Spain’s neutrality in face of German pressure to join the Axis is fanciful, as Preston and others have shown.

³⁸² Preston, *op.cit.* p531.

³⁸³ Smyth, *op.cit.* p60.

³⁸⁴ *Ibid.* Eccles was a committed conservative, fiercely and ideologically opposed to the Second Republic. He had been managing director of the Santander Mediterranean Railway Company (an investment vehicle for the London based Consolidated Mining and Investment Corporation) which ran into difficulties with both Primo de Rivera’s regime and Second Republic governments over corruption allegations. He actively supported Franco during the Civil War. After the Second World War, he became a Conservative MP and Minister. Sharman, *op.cit.* p53.

domination. They are also consistent with Churchill's comments to the Spanish Ambassador, the Duke of Alba (and Churchill's distant relative) in November 1940, where he said he wanted 'the best and most friendly relations with Spain'. He emphasised that at the outbreak of the Civil War 'I was one of your supporters' and that he was ready to see Spain acquire the French colonies.³⁸⁵ From the start of Hoare's mission then, there was a willingness to work cooperatively with the Franco regime on a much wider agenda than simply preventing Spain from joining the Axis: Hoare's conciliation strategy, actively supported by Churchill, was also aimed at preserving Britain's existing and future commercial interests in Spain. The political eagerness to work with a local political elite willing and able to support these wider British interests again supports Gallagher and Robinson's propositions about the operation of informal imperialism, even in the politically complex and fraught relationship between Spain and Britain during the Second World War.

This more nuanced view of the different, sometimes conflicting objectives, both within the British Government and between the Allies, throws doubt on Smyth's simplistic conclusions about the roles of Churchill, Hoare and Halifax. He suggested that 'Britain refrained from action that was bound to drive Spain into Germany's arms' and that 'Hoare and Halifax had to exert themselves to restrain and moderate British behaviour lest it provoke Spanish belligerency'.³⁸⁶ Moreover, summarising later phases of the war, he argued that 'British enterprises to attract Spain into its orbit were subverted by American distrust of Franco'. Elsewhere he attributes the successful outcome of the Anglo-American policy to the fact that:

Churchill had cultivated habits of restraint and reflection in managing Madrid in the face of all the picador-like provocations of John Bull during 1940-1 which not only saved the Grand Alliance from having to see off another enemy power in the global struggle but also rescued Franco from the consequences of his own inept statecraft.³⁸⁷

These conclusions both overestimate Spain's freedom for action during the war and underplay the influence of the ideological assumptions that lay behind Churchill and Hoare's conciliatory approach. Support for Franco's repressive regime, for example, was often explicitly expressed

³⁸⁵ Wigg, op.cit. p7. Churchill's notorious reply to Franco's October 1944 letter, praising his restraint, confirm this was a deeply held conviction and not a tactical manoeuvre (see below). In his own memoirs, he talked about the pre-Civil War Republican government being 'in the hands of the most extreme revolutionaries', op.cit. p27.

³⁸⁶ Smyth, op.cit. p240.

³⁸⁷ Smyth's rather limited evidence for such a positive assessment of Churchill's approach is his reconsideration of the original decision to make a pre-emptive attack on the Canaries in reaction to Franco's wildly pro-Axis speech celebrating the fifth anniversary of the military revolt in July 1941. Smyth, D *Franco and the Allies in the Second World War* in Balfour, S and Preston, P (editors), *Spain and the Great Powers in the Twentieth Century*, London, 1999, p204.

as the best means to protect British investment in Spain, especially the Rio Tinto Company.³⁸⁸ As in the case of the First World War, an important British policy aim was to ensure Britain was in pole position in the development of a post war Spanish economy, ahead of the Americans. This objective, and its corollary, that Franco's government was best placed to help achieve it, was openly discussed by the War Cabinets. The post war Labour Government, worried about jobs, was to take the same view.³⁸⁹

Divisions of opinion over supporting Franco and his regime became more open once the Americans joined the war in late 1941. As the tide of war turned in favour of the Allies, American scepticism about Franco became more influential.³⁹⁰ This came into the open the following year during the planning of the Allies' Operation Torch landings in North Africa, when both the Allied and Axis powers faced a crisis over Spanish belligerency. The Germans, anxious to forestall an Allied attack on Rommel's North African army, pressed Franco to join the Axis. However, they were still unwilling to meet Franco's imperial demands, although they were now happy for Franco himself to attack Morocco.³⁹¹ For the Allies, this renewed German pressure and Franco's willingness in principle to join the Axis, represented a significant threat to the Torch landings. Ahead of their launch in November 1942, Hoare made sweeping commitments to Franco: 'there would be no British intervention in the affairs of Spain either during or after the war, nor any invasion or occupation of the Spanish mainland or overseas territories'. He promised release of further wheat supplies and reassured Franco that Britain would give no support to the Republican opposition in exile. The British pressed the far more sceptical Roosevelt to make a commitment that the US 'will take no action which would in any way affect Spain or Spanish territories...so long as Spain remains out of the conflict and does not permit her territory to be infringed by the Axis powers'.³⁹² Once the landings had begun, Roosevelt was persuaded to go even further, reassuring Franco in a letter, hand delivered by the US Ambassador, that 'Spain has nothing to fear from the United Nations'.³⁹³ Whether these extraordinarily broad commitments were necessary is arguable.

³⁸⁸ Senior Foreign Office diplomats had been arguing for this approach since 1938. Moradiellos, op.cit. p219.

³⁸⁹ *Economic Sanctions against Spain*, Memorandum by the Foreign Secretary, 6 January 1947, CAB 129/16/2.

³⁹⁰ Paradoxically, as Preston notes, this led to changes in the role played by Britain and the US in Spain's economy, from 'control of essential supplies to restrain Franco's pro-Axis enthusiasms' to a policy of pre-emptive purchases. This approach allowed Franco 'new possibilities of playing off the Allies and the Axis to the profit of his own regime', an opportunity he took two years later in the dispute over Spain's continued supply of wolfram to Germany. Preston, op.cit. p457.

³⁹¹ Franco interpreted this as a sign of German weakness. Preston, op.cit. p476.

³⁹² Ibid.

³⁹³ Preston, op.cit. p477. The Allies made the perfectly correct assumption that Germany would want to avoid any action that did not have Franco's support as it would create unacceptable risks and a vulnerable flank.

Viewed in retrospect, the risk of German intervention was actually quite remote. Certainly, Churchill's tribute to Franco two years later for his 'supreme service' in not interfering with the Torch landings seems wildly excessive and designed simply to win Franco's approval. Throughout the initial years of the war Churchill and Hoare, although despising Franco personally, worked hard to preserve his authoritarian military regime, not simply to keep Spain out of the Axis but also to preserve Britain's pre-eminent economic position in Spain. To do so they successfully overcame opposition to their approach both from domestic critics (including within the War Cabinet) and from the more hostile Americans.

By 1943, as the war moved decisively against Germany, Franco faced growing internal pressures, especially from the monarchist sympathisers within the army sensing their opportunity to take advantage of a weakened Falange. However, the Allies' reassurance that they would not interfere in Spain's internal affairs, allowed Franco to consolidate his position. As Preston notes, 'British policy continued to be patient and tolerant of Franco's position' while even 'the USA which was inclined to be rather harsher with Franco than was Britain, was restrained while the outcome in Africa was undecided'.³⁹⁴ However, in the more favourable strategic situation of late 1943, the dispute over Spain's mineral exports to Germany was to bring into the open the very significant difference between the policies of the accommodating British and the more sceptical Americans. Moreover, these differences in approach were to be reproduced over the next three years in various settings and, in the end, enabled the Franco regime to survive. The discord between the Allies however went much deeper than disagreements over war tactics, to embrace wider considerations of post-war political and economic positioning. The Americans were particularly hostile to those elements of the British strategy designed to preserve its empire after the war. Recognising this antagonism, the British Cabinet decided that American hostility to its post war imperial role had to be confronted. A joint paper to the War Cabinet by Eden and Attlee in December 1942 highlighted the 'widespread though quite misguided feeling in America that there is something archaic in the conception of the British Colonial Empire'. To counter this, the paper suggested that 'all Colonial Powers should be regarded as Trustees bound to take account of the interests not only of the local population but of the world as a whole'.³⁹⁵ Attlee followed this up a month later, with his own paper on Britain's Dominions, in which he attempted to refute 'the widespread and rooted feeling in the United States which regards the British Colonial Empire

³⁹⁴ Preston, op.cit. p501.

³⁹⁵ *Cabinet Paper*, 5 December 1942, CAB 66/31/24.

as the equivalent of the private estate of a landlord, preserved for his own benefit' and argued that 'we should explain the principles on which our Colonial policy has been founded, how, with our resources, we have consistently applied liberal ideas in social, economic and political spheres'.³⁹⁶ These arguments, justifying the post war continuation of British imperialism, were widely shared across the political parties and were applied as much to countries in the British sphere of interest as they were to the formal colonies.³⁹⁷ Given that the Iberian Peninsula was seen as a cornerstone of the imperial architecture, these colonial attitudes also justified British 'oversight' of Spain. The broad political consensus behind these colonial attitudes, reinforced by the shared experience of working together in the War Cabinet, ensured that they survived in the 1945 Labour Government and beyond.³⁹⁸

The underlying tensions between the Allies emerged sharply and more immediately, over Spain's supply of wolfram to Germany. From mid-1943 Germany had attempted to meet its acute need for wolfram, a vital ingredient in producing toughened steel, by buying up Spanish mines. In January 1944, it went further by trying to buy the entire 120-ton output of Spain's largest wolfram mine. In response, the USA suspended oil deliveries to Spain and called for a total ban on wolfram exports to Germany. The British however pressed for a compromise, arguing that the ban would mean that Spain would turn to Germany for oil supplies, as well as threatening Spain's vital iron ore and potash exports to Britain.³⁹⁹ After three months of negotiation, including a personal approach to Roosevelt by Churchill, an agreement was reached allowing some wolfram exports to Germany. The Americans felt betrayed by the British approach. The US Secretary of State, Cordell Hull argued that 'an absence of wholehearted support' from Britain had denied a full-scale victory over Franco. Worse, the US Ambassador in Madrid, Carlton Hayes, believed that 'Franco's resolve had been strengthened by reassurances from Hoare to Jordana that oil could be supplied from British controlled sources'.⁴⁰⁰ This went far beyond a difference in negotiating tactics and reflected fundamentally different approaches to the Franco regime by the two Allies. While the Americans wanted it replaced, Britain's aim was to maintain the regime (if not necessarily

³⁹⁶ *Cabinet Paper*, 4 January 1943, CAB 66/31/24.

³⁹⁷ Gallagher and Robinson, *op.cit.*

³⁹⁸ The Canadian response to Attlee's propositions illustrates the sceptical reaction in North America to these British initiatives to justify the British Empire: the Canadians pointed out that there was a danger that Attlee's emphasis on defence and economic development could be 'seen as a way of trying to tie the US into defending the British Empire'. Instead it suggested 'a greater emphasis might be placed on the rights of native people to participate in the conduct of their own affairs', CAB 66/31/24, 4 January 1943.

³⁹⁹ *Cabinet Paper*, 23 March 1944, CAB 66/48/20.

⁴⁰⁰ Preston, *op.cit.* p511.

Franco himself) and to secure a role as Spain's main post war economic partner. This was confirmed when Churchill made a House of Commons speech on 24 May 1944, defending the wolfram deal. He praised Franco's 'resolve to keep out of the war' and argued 'I hope she will be a strong influence for the peace of the Mediterranean after the war. Internal problems in Spain are a matter for the Spaniards themselves'.⁴⁰¹ Although there was considerable outrage at his speech both in Britain and America, Franco drew the ultimately correct conclusion that the Allies, Britain in particular, would not be averse to his regime's survival after the war.

Indeed, Churchill's speech emboldened Franco to make a direct approach to him through Spain's Ambassador in London, the Duke of Alba. The letter, sent in October 1944, was extraordinary for its ludicrously inflated view of his own and Spain's influence. In it, Franco argued that a defeated France and Germany would leave Britain and Spain as the only 'virile' powers left in Europe able to resist a Bolshevik advance and to prevent a disastrous domination of the continent by the Americans. This proposal was aimed at the debate among the Allies, then gathering momentum, over their approach to a post war peace settlement. In Britain, Franco's letter led to an intense discussion in Cabinet and more widely, about future policy towards Spain and his regime. Wigg has characterised these months, from mid-1944 to early 1945 as a critical period of uncertainty and weakness for Franco when a determined lead from Britain might have ended his regime. He suggests that Churchill's response to Franco's proposal proved his paramount objective continued to be maintenance of social order. Though theoretically in favour of the restoration of a monarchy in Spain, Churchill was in practice fully reconciled to a continuation of Franco's regime. Wigg ascribes this position to Churchill's belief that British interests would be best served by preserving its imperial strength and resisting the rising colonial demands for democratic rights.⁴⁰²

With the help of old Conservative allies, Churchill, then at his most powerful, was easily able to outmanoeuvre dissenting domestic voices. Within the Cabinet, Eden, his foreign secretary argued that Franco's support for the Axis had made him totally unacceptable as a future ally and that this position should be backed up with the threat of an oil ban.⁴⁰³ Churchill swept away Eden's amendments ('what you are proposing to do is little less than stirring up a

⁴⁰¹ Quoted in Preston, *op.cit.* p513.

⁴⁰² Wigg, p228. Wigg seeks to exculpate Hoare from Churchill's complaisant approach to Franco, arguing that Hoare's bitter experiences of negotiations with Franco had convinced him a more liberal, constitutional monarchy would be preferable. Whether or not Hoare was genuinely committed to political change at this stage of the war (he cites the tribute to Hoare in Attlee's November 1944 Cabinet paper as evidence), it is clear that it was his and Churchill's conciliatory strategy that had enabled Franco to survive the previous critical years.

⁴⁰³ Preston, *op.cit.* p521.

revolution in Spain [...] you begin with oil: you will quickly end in blood'⁴⁰⁴) and insisted on sending a letter that omitted any criticism of Spain's internal affairs. His treatment of Attlee's proposals for a change in approach to Spain in a Cabinet Paper in November, was scarcely less cavalier. Attlee's short and very moderate paper argued that Spain was now the only neutral exponent of fascism and that Britain was in 'danger of being considered to be Franco's sole external support'. Attlee's unequivocal conclusion was that 'we should use whatever methods are available in bringing about its downfall. We should, especially in the economic field, work with the United States and France to deny facilities to the present regime'.⁴⁰⁵ In answer, Lord Selborne, the Minister of Economic Warfare and an enthusiastic British imperialist, wrote a dismissive paper for a Cabinet meeting ten days later. Closely echoing Churchill's views, Selborne argued that 'the Franco atrocities are fewer and less horrible' than under 'the régime it replaced'. Franco was no 'more authoritarian or more severe to his political opponents than our Allies Stalin and Salazar' and that anyway 'a policy of economic pinpricks and strangleholds against Spain' would have no benefit. He went on:

I can see no moral justification for such attacks on a neutral country which had made no serious attacks upon us and for whose non-belligerency in 1940 we are much indebted. The people who would primarily suffer would be British traders and the people of Spain whose resentment we should arouse and deserve.

He attacked American arguments for trade sanctions against Spain and concluded by arguing that 'what the world and not least Spain, most need now is peace and a revival of trade. I think we should be well advised to abstain from doing anything that would hinder the cause of either'.⁴⁰⁶

These direct links between the Franco regime and British trade interests are another indication that an economic agenda underlay much of Churchill and his allies' ideological positioning.⁴⁰⁷ Despite the strong views on both sides, there was no further discussion in the War Cabinet, a demonstration in itself of Churchill's ability to centre debate around himself, to the exclusion of the Cabinet. Attlee obviously saw little point in continuing to press his point and the

⁴⁰⁴ Quoted in Preston, op.cit. p521.

⁴⁰⁵ *Policy towards Spain*, Note by the Lord President of the Council and Deputy Prime Minister, 4 November 1944, CAB WP (44) 622.

⁴⁰⁶ *Policy towards Spain*, Memorandum by the Minister of Economic Warfare, 14 November 1944, CAB 66/58/1.

⁴⁰⁷ An example of this linkage can be found in Hoare's report on opportunities in post war Spain, appended to Eden's contribution to the Cabinet debate on Spain's future in November 1944: 'the last few years have emphasised the strategic importance of the Iberian Peninsula [...] our experiences have also shown the Spanish economic field can provide a very favourable opportunity for British trade'. *Policy toward Spain*, Memorandum by Foreign Secretary, 18 November 1944, CAB 66/58/15.

conciliation strategy continued. As Preston points out, Franco was able to exploit this contradiction inherent in the British non-interventionism, just as he had done in the Civil War, taking full advantage of its benefits while at the same time working up a resentment of 'perfidious Albion'.⁴⁰⁸

Two months later, in January 1945, Churchill finally sent his reply to Franco's proposals for an Anglo-Spanish alliance. He also sent Roosevelt a copy with a covering letter which referred to Franco as 'an unfortunate anomaly' but arguing that any attempt to remove him by force would lead to civil war. Although some US policy makers shared this concern, Roosevelt wrote to Franco in March 1945 with an unambiguous message: 'I can see no place in the community of nations for governments founded on fascist principles' and underlined his commitment to replacing the government with one 'based on democratic principles, moderate in tendency, stable and not indebted for its existence to any outside influences'.⁴⁰⁹ Over the next period and in face of Mexico's resolution to the founding UN conference to exclude regimes installed with the support of the Axis powers, Franco's strategy was to sit tight and wait for what he saw as the inevitable clash between the Soviet Union and the Western powers. Meanwhile he denied there had been any alliance with the Axis powers, played up Spain's monarchist traditions and his support for them, made some empty democratic gestures (a constitution and a consultative assembly) and replaced some Falangist ministers.⁴¹⁰ More immediately, he took advantage of the division of interests between Britain and the United States. The US wanted to see the re-establishment of democracy and a modernised economy. Britain, on the other hand, contemplating a post war world with a ruined infrastructure and enormously diminished financial reserves, was desperate to re-establish its economic dominance in an area where it had been traditionally strong.⁴¹¹ The evidence supports Wigg's conclusion that during late 1944 and early 1945 the divisions between the Allies led to a very significant opportunity to challenge the Franco regime being lost and that Britain, and Churchill specifically, was mainly responsible.⁴¹²

Although a key opportunity had been foregone, Franco remained extremely vulnerable to opposition to his regime from nations and populations emerging from a successful war fought for democratic principles against totalitarian fascism. In its immediate aftermath, at the

⁴⁰⁸ Preston, op.cit. p525.

⁴⁰⁹ Preston, op.cit. p526.

⁴¹⁰ Portero, F *Spain, Britain and the Cold War* in Balfour and Preston (editors), op.cit. p213.

⁴¹¹ Ibid. p211

⁴¹² Wigg, op.cit. p2.

Potsdam conference in July 1945, Stalin tried to get Allied support for Spain's isolation. Despite a cautious welcome to his proposal by the new American President, Harry Truman, Churchill vigorously resisted, arguing that 'Britain did not want to risk her valuable trading relationship with Spain' and that interference with the internal affairs of other states was contrary to the UN Charter. Churchill would only agree to 'some fairly anodyne anti-Franco resolution'.⁴¹³ In the course of the Conference, the Conservatives' defeat at the July 1945 general election was announced and Churchill and Eden were immediately replaced by Attlee and Ernest Bevin as British delegates. Given the extent of Labour's election victory, the strength of feeling within the Party (based on its long-standing opposition to Franco, including by Attlee himself) and the general revulsion towards totalitarianism, the new leadership might have been expected to change Britain's policy towards Franco's regime. Moreover, Stalin and Truman's readiness at least to consider some form of action had created the basis of political consensus at Potsdam. In the event, Attlee and Bevin simply re-iterated British opposition to Stalin's proposal to break off relations with Spain and endorsed a proposed resolution to the United Nations which condemned the Franco regime but suggested no form of intervention. This was a defining moment, as Franco's deputy, Luis Carrero Blanco, noted: 'it must be recognised that in Potsdam we had been defended energetically by Truman and Churchill...their interests are based on order and anti-communism...the only formula left to us is: order, unity and to endure'.⁴¹⁴

In the House of Commons, three weeks later, on 20 August, Bevin confirmed the continuity of British foreign policy, including towards Spain. By then, he had already explicitly linked Franco's survival to Britain's interests. In a Cabinet memorandum dealing with the future of Tangier, Bevin rejected the idea of taking any 'forcible' action against Spain. His primary reason was that 'this would interrupt our steadily developing trade with Spain, which is important for financial reasons, and would jeopardise supplies of essential raw materials, iron ore, potash and pyrites, and foodstuffs from Spain [...] However much we may dislike the present regime in Spain we recognise it as the Government of Spain'.⁴¹⁵ In his Commons speech, he broadened the Memorandum's argument, using words that could have been taken from Churchill's own speeches on the subject: 'The question of the regime in Spain is one for the Spanish to decide [...] His Majesty's Government are not prepared to take any steps which

⁴¹³ Quoted in Preston, op.cit. p540.

⁴¹⁴ Quoted in Portero, *F Spain, Britain and the Cold War* in Balfour and Preston (editors), op.cit. p216.

⁴¹⁵ *Future of Tangier*, Report of the Foreign Secretary, 3 August 1945, CAB 66/67/43.

would promote or encourage civil war in that country'.⁴¹⁶ Pointing to unsuccessful initiatives to intervene in the past, he argued Britain's foreign policy should not depend on ideological positioning: national interests alone should be the guide. In stark contrast to Greece (where Bevin had supported intervention to keep out a communist regime), he suggested national interests would be best served by avoiding any further disturbance in Spain that might upset the international balance of power in the Mediterranean. Unsurprisingly, Eden's response was enthusiastic: 'what the Foreign Secretary has said represents a foreign policy on behalf of which he can speak for all parties in this country'. Equally unsurprisingly, there was, as Bullock laconically comments, 'a noticeable lack of enthusiasm on the Labour benches' for Bevin's arguments.⁴¹⁷ The outcome of the debate was that 'Bevin had avoided becoming involved in intervention in Spain but at the cost of angering a considerable section of the Labour Party'.⁴¹⁸

Over the next few months, Franco's continuing executions and imprisonment of trade unionists and political opponents led to further protests by Labour MPs in the House of Commons. However, it was the French reaction to Franco's repression, the closure of its border with Spain in December 1945, that next raised the Spanish policy dilemma for the British Cabinet. As Portero remarks 'for Britain, the French proposal was very dangerous as it would set a precedent for internal interference' which it believed might lead to a civil war to Stalin's benefit, as well as pushing the military into Franco's arms. However, America sympathised with its French ally and it was 'only the firmness of London's position that convinced the Department of State. Both powers put pressure on Paris and got the French to back down'.⁴¹⁹ As in earlier moments of crisis, over the wolfram issue in 1944 and at Potsdam earlier in 1945, it was Britain's dogged *de facto* defence of Franco's regime in the name of maintaining stability that prevented any form of meaningful intervention. This reflected British concern, bordering on obsession, with the need to preserve order and prevent the emergence of communism in Spain. The strength of this conviction went beyond a general fear of Soviet expansionism, still at relatively early stages in the first post war months. The British Government was once again

⁴¹⁶ Bullock, A *Ernest Bevin, Foreign Secretary 1945-1951*, London, 1983, p164.

⁴¹⁷ Ibid. p72. The dismay was predictable: a few days before the debate, in its 18 August edition, the *New Statesman* had underlined Labour's position: 'British Labour is committed to the restoration of Spanish democracy'. In the same month, Harold Laski, Chairman of Labour's National Executive Committee, had announced that the Labour Government would, if necessary, bring economic pressure to bear on Spain to allow free elections.

⁴¹⁸ Ibid. p346.

⁴¹⁹ Portero, op.cit. p219.

showing its century-long concern over the impact of political instability in Spain on an important trading and investment arm of the British Empire.

The link between these interests and the wider imperial agenda – on which Churchill and, later, Bevin laid great and explicit emphasis – continued to be Spain's geopolitical position at the hinge of the imperial trade routes. In 1946, as the implications of post war settlement emerged, so did the arguments over Spain's role. In March, Attlee wrote a Cabinet paper arguing the need for a post-imperial perspective which acknowledged that 'Britain was now 'an eastern extension of a strategic area, the centre of which is the American continent, rather than a power looking eastwards through the Mediterranean to India and the East'.⁴²⁰ Bevin's response showed his conservative and imperial instincts. Even if its closure during the War had shown the Mediterranean was less important militarily, Bevin argued that politically it remained essential as

The Mediterranean is the area through which we bring influence to bear on Southern Europe [...] if we move out of the Mediterranean, Russia will move in and the Mediterranean countries from the point of view of commerce and trade, economy and democracy will be finished.⁴²¹

He applied the same argument to Spain: the Iberian Peninsula would be lost to the West if Britain withdrew from the southern flank of Europe. Preserving Britain's dominant position in the Western Mediterranean went along with his arguments for keeping a military presence in Palestine and Egypt to safeguard Britain's dominance in the Eastern Mediterranean. In this way the security of the trade routes to India via the Suez Canal could be guaranteed. In short, Bevin had fully absorbed the imperial logic behind Britain's traditional foreign policy. Attlee, despite his earlier views, saw this imperial role was no longer tenable and was ready to abandon the British Mandate in Palestine, as well as to support independence for India.⁴²² By contrast, Bevin's imperialist beliefs were more deep-seated: his thinking 'had long been marked by utopian belief that world peace could be created by the unlimited expansion of trade', an echo of Cobden's free trade arguments a hundred years before.⁴²³ In 1938, Bevin had proposed a consortium of imperial powers which would 'pool their colonial territories and link them up in

⁴²⁰ Bullock, op.cit. p242.

⁴²¹ Ibid.

⁴²² Beckett, *F Clem Attlee*, London, 1997, p135. Although extraordinarily close, and mutually interdependent, Attlee and Bevin disagreed on a number of issues, notably decolonisation, especially in India and, up to 1947, over Soviet intentions. Attlee had high hopes for the development of UN as the basis of world government while Bevin was sceptical, even dismissive, of its potential.

⁴²³ Weiler, *P Ernest Bevin*, Manchester, 1993, p96.

a European commonwealth'.⁴²⁴ As Weiler points out, his neo-colonialist views were those of a benevolent paternalist, illustrated in his call for a 'return to the position as trustee of our Colonial territories'.⁴²⁵ It is not surprising to find these views, based on the interests of imperial trade, fitted well with the traditional Foreign Office view of Spain. They also reflected Churchill's own more extreme ideas, which had dominated a War Cabinet of which Bevin had been a member for five years.

On the other hand, Bevin's imperialist and strongly anti-communist ideas were deeply unpopular with much of the Labour Party, especially when applied to Spain. Bevin though, remained totally unapologetic and reinforced his foreign policy dominance in the Party with a barnstorming speech to the 1946 Labour Party Conference. He attacked the Left's 'sentiment about Franco' and reassured the Party that 'the Spanish people are anxious not to be thrown into turmoil again but if left alone, there are wide classes in Spain anxious to get rid of Franco'.⁴²⁶ Two months later, he maintained this position at the November 1946 General Assembly of the United Nations in New York, where a Soviet Union motion to break off relations with Franco was debated. Again, he argued that 'it would be a major disaster if they could only oust the Spanish dictator at the price of another civil war' and that only an internally driven process of change would be effective. In a memo to Attlee he showed the underlying, anti-communist rationale for his position: 'the Soviet game in Europe is the establishment of Communist Governments not only in Italy but also in France, and that in Spain their objective is the civil war which would follow active intervention'.⁴²⁷

Working with the Americans at the UN meetings in New York during November, he managed to ensure that neither the Security Council nor the Assembly took anything other than the largely symbolic withdrawal of ambassadors (though significantly, not diplomatic representation) from Madrid. This required facing down a broad consensus in favour of economic sanctions (including a French proposal to stop import of all Spanish foodstuffs) and the breaking of all diplomatic relations with Spain. The most that Britain (and a less convinced US) were prepared to accept was a Belgium compromise proposing the withdrawal of Ambassadors from Madrid and the exclusion of Spain from the UN and its agencies. Bevin

⁴²⁴ Weiler, *op.cit.* p97.

⁴²⁵ *Ibid.*

⁴²⁶ Bullock, *op.cit.* p278.

⁴²⁷ Bullock, *op.cit.* p328. During Bevin's stay at the Assembly in New York, there was a Labour revolt in the House of Commons over his close identification with America's aggressive anti-communism. Over a third of Labour MPs abstained, 'a demonstration of disapproval which clearly extended beyond the Left-wing of the Party'. *Ibid.* p329

even resisted a further motion from Belgium that, if after a reasonable time, a suitable interim Government were not formed, the Security Council should consider steps to remedy the situation. In his report-back to Cabinet in January 1947 he justified his position saying ‘this proposal was clearly dangerous and implied the Security Council might in certain circumstances be justified in taking active steps against Spain [...] The UK Delegation made it clear they could not approve such a proposal’, arguing that Article 2(vi) of the UN Charter forbade interference in ‘domestic jurisdiction’. Once again, Bevin was echoing Churchill’s arguments: Churchill had dismissed Eden’s proposal for an oil ban in the wake of the wolfram issue on the same grounds, that this would violate Spain’s national sovereignty. Bevin then reported that he had only accepted the Belgium motion to withdraw Ambassadors ‘as the least of several alternative evils’ and pointed out that ‘HMG remains free to carry on bilateral negotiations on trade and other matters’.⁴²⁸

However, the British policy towards Spain, involving maintenance of the regime in power while deprecating its leader, was dangerously contradictory. The tension between the two emerged in a Cabinet meeting a month later, on 6 January 1947 where both Bevin’s report on the UN Assembly and his memorandum setting out the effects of imposing economic sanctions on Spain were debated. Although the meeting brought to the surface the Labour Party’s disquiet about the contradictions in British policy, it ended by conclusively endorsing Bevin’s approach. This was to define both the British, and, given its decisive influence in the UN, the wider world’s strategy towards Spain, over the next crucial two years. By the end of 1948, the Americans themselves were beginning a process of incorporating Spain into the Cold War alliance against the Soviet Union (ironically on occasion, working against British resistance to further concessions).⁴²⁹

The January 1947 Cabinet discussion over Bevin’s Memorandum on the effect of trade sanctions revealed the extent to which both long- and short-term economic issues were driving British policy towards Spain. It also showed how these arguments were central to undermining those arguing for action to change the regime in Spain. Bevin’s Memorandum is worth quoting at length, as its style (and sometimes exaggerated assessments) reflect both the contemporary fears and the long-standing views of Spain’s importance to the British economy:

The consequences to this country and the British people would be serious [...] the production of foodstuffs in this country would be materially reduced, British heavy

⁴²⁸ *Report of Foreign Secretary* to Cabinet, 6 January 1947, CAB 129/16.

⁴²⁹ Portero in Balfour and Preston, *op.cit.* p223.

industry would be further hampered, if not curtailed, requirements of coal would rise and the output of steel would probably fall and the production of a wide range of consumer goods would be adversely effected. I am advised that there is no effective action that His Majesty's Government could take to avoid these grave effects both on export drive and on the production of food and consumer goods for the home market. The rupture of economic relations would also create fresh financial difficulties for His Majesty's Government and seriously prejudice the interests of British creditors who after some years are in the process of securing repayment from Spain. Furthermore, the interests of British companies established in Spain such as the important Rio Tinto mines and of British shipping companies trading with Spain might be seriously affected.⁴³⁰

Bevin went on to argue that sanctions would involve the re-imposition of war time controls and that much of the work of enforcement would fall on this country. 'It may be felt I am unduly pessimistic and that if economic sanctions were applied firmly, Franco would collapse in a very few weeks'. However, this would depend on support and cooperation of other nations, especially Argentine and the US 'but this is doubtful'. In fact, there is 'virtually no chance in present circumstances of getting a watertight or effective system of economic sanctions against Spain'. Going ahead 'would merely deprive British companies of a valuable market with probable prejudice both to the future of the companies and to the financing of British purchases in Spain'.⁴³¹

The Memorandum then went through the key economic sectors that would be affected: foodstuffs ('these commodities could not be foregone without adversely affecting the health of the British people'); potash and pyrites ('vital' for the fertilizer programme, 'any rupture of trade relations with Spain would be little short of disastrous [...] there is in effect no reliable alternative supply'); iron ore ('the UK is if anything more dependent on Spanish supplies than a year ago [...] the outcome would be to reduce steel production affecting trade, housing and industry'); rosin, used for production of paper, print, linoleum, footwear and textiles ('there is a world shortage [...] UK supplies are about 50% below needs'). More generally, the Memorandum concluded that 'rupture of trade relations with Spain would mean that valuable financial and commercial advantages would be lost to us. Spain is in effect granting us £4.5m

⁴³⁰ *Economic Sanctions against Spain*, Memorandum by the Foreign Secretary, 6 January 1947, CAB 129/16/2.

⁴³¹ *Ibid.*

of credit and [...] British claims still amount to £5.5m. Any break in continuity [...] will militate greatly against the eventual settlement of these claims'.⁴³²

The Cabinet Secretary's notes of the discussion show that Bevin's claims, many of them highly tendentious, went largely unquestioned. Only Aneurin Bevan, the Health Minister and one of the leading advocates of regime change in Spain, asked if the Ministry of Food accepted these statements. John Strachey, the Food Minister confirmed that the facts were correct though he did point out the foods were not essentials and that a temporary loss would only be 'inconvenient'. Other ministers backed the analysis wholeheartedly. Stafford Cripps at the Board of Trade was worried about the long-term loss of 'a very valuable market' for industrial machinery; Tom Williams claimed the loss of fertiliser would mean that 'agriculture would suffer very much' while Hugh Dalton at the Exchequer concluded that 'this is an overwhelming case against economic sanctions'. Interestingly, he also pointed that 'Spain from the currency angle is very promising as an escape from the dollar'. Herbert Morrison, another erstwhile radical voice, argued that 'this memo proves economically this would be a luxury we couldn't afford' and that 'the economic arguments alone should satisfy British opinion'. Even Attlee weighed in with a typically terse comment that 'iron ore is vital'. Bevan was the only dissenting voice, commenting that we 'must remember the hot politics and Party feeling' but then went on to accept the case and advise on its presentation: 'Base the whole case on economic grounds. Say we would like to bring down the regime by universal application [of sanctions] but explain we can't tolerate partial sanctions'.⁴³³

The centrality of the economic case in justifying a policy of non-intervention is particularly revealing. To some extent, this reflected the desperate vulnerability of the British economy in the immediate post war period. More broadly, it is evidence of Britain's concern to retain its hold on traditionally strong export markets, especially against the threat of American expansionism. The tone and content of this Cabinet discussion confirm the main British interest in Spain continued to lie in its ability to provide raw materials and food on the one hand and on the other, to offer a significant market for British industry, as it had done for the previous century. With that economically driven perspective, the political imperative was to support governments, however distasteful, which guaranteed social order. The rationalisation for the priority given to British economic self-interest over self-determination remained, as much for a radical Labour Government, as it had been for previous Conservative Governments

⁴³² Ibid.

⁴³³ *Notes of Cabinet Meeting*, Cabinet Secretary, 6 January 1947, CAB 195/5.

– that the Spanish were not ready for democracy. The British *Chargé d’Affaires* in Madrid expressed this most clearly in 1947, registering his ‘sickening doubt about the whole thing [democracy] as regards Spain’ and that he had ‘come to the conclusion that a strong hand – police or army or what have you – is probably the only thing for these wild and extravagant people’.⁴³⁴ After the decisive Cabinet debate in January 1947, there were no further challenges to Bevin’s approach and by May 1948 trade negotiations with Spain had been established. The brief for these talks was another demonstration of British priorities: ‘negotiators have instructions to treat Spain on the same basis as other [nations]’.⁴³⁵ More than a decade after Britain’s original policy of non-intervention had been formulated at the beginning of the Civil War to preserve its geopolitical and economic interests, at the expense of the legitimately elected government, a new form of non-interventionist policy was performing the same function.

This chapter has shown that the demands of the Second World War led to the reassertion of British informal imperial influence – albeit in a much-weakened form. The War created an existential crisis for both Britain and Spain and revealed in stark form the underlying forces that had defined the relationship over the previous century. Above all, the geography of the Iberian Peninsula at the hinge of vital Empire supply routes once again made Spain a central strategic concern for Britain. By the 1940s however, Britain’s influence over Spanish policy had greatly reduced and it was forced to rely on bribes and diplomacy to maintain the effectiveness of its trade blockade. The demands of war also underlined the strong mutual economic interdependence of the two countries. For Britain, Spain’s raw materials still made a vitally important economic contribution to its industrial economy: during and after the war these needs continued to dictate much of British policy. Equally, the war years revealed the depth of Spain’s dependency on Britain. The trade blockade achieved an almost total control over Spain’s supply lines, most importantly for food and fuel. These close and interlocking interests were in marked contrast to Germany’s secondary and contingent interest in Spain during the War. Only when Germany faced challenges elsewhere in Europe, and needed specific forms of support, did it seriously seek Spain’s assistance. Significantly, once the specific challenge had passed, so did Germany’s interest. This asymmetry between German and British Iberian interests was a fundamental cause of the instability of the Anglo-Spanish

⁴³⁴ Quoted in Portero, op.cit. p221. This form of ‘orientalising’ rhetoric, in itself an indicator of imperialist domination, as Said has pointed out, remained as potent in official British government circles as it had been during the nineteenth and early twentieth centuries. Said, *E Culture and Imperialism*, London, 1993.

⁴³⁵ *Cabinet Paper*, May 1948, CAB 195/6.

relationship during these years. The war years then underline the deep continuity in Britain's policy towards Spain based on these economic interdependencies. Its overriding concern was to maintain political stability and social order, exactly the same concern that a century before had led Palmerstone and Villiers to support the Liberal Monarchy during the first Carlist War. This same concern lay behind the non-intervention policies of the Conservatives during the Civil War and of Labour in the aftermath of the Second World War. The survival of Franco's regime should not therefore be seen simply as a product of the particular circumstances of the military revolt and Britain's pre-war strategy to avoid war with Germany and Italy. It also reflected the deep imperative for maintaining social order, a policy that linked the policies of Chamberlain, Churchill and Bevin.

It is also significant that at the point of Franco's greatest weakness in the wake of the defeat of fascism in 1945, the continuity of Britain's imperial policy was powerfully supported by two political figures with strongly nationalist and imperialist views. Churchill and Bevin were able to overcome the strong domestic opposition in Britain to Franco's regime: both were especially effective in dealing with opposition within their own parties. They saw the preservation of Spain within Britain's sphere of political and economic influence as an essential foundation of British imperial power. Churchill and Bevin both used the fear of losing control over Spain and the Iberian Peninsula to justify the maintenance of the Franco and Salazar regimes to other European powers: during the war to Germany; after it, to the Soviet Union. British policy towards Spain was not simply a response to the contingent events of 1936, the need to appease Hitler and Mussolini, or in 1946, the fear that a new civil war would lead to a Soviet dominated Spain. Paramount was the preservation of British strategic and economic interests. It is the continuity of British policy above all that lends support to Gallagher and Robinson's proposition that Britain's informal empire depended on an inter-relation of its economic and political aims.⁴³⁶ The pursuit of this strategy of 'informal' imperialism explains the direction of British policy and the experience of the Second World War was its clearest confirmation. The collapse of the British Empire over the following decade and the assumption of imperial and military leadership by the US was to make Britain's long-standing 'informal' domination of Spain largely redundant.

⁴³⁶ Gallagher and Robinson, *op.cit.* p7.

PART TWO: Spain's Response to Britain's Informal Imperialism

The first part of the thesis has outlined how Britain exercised economic and political power in Spain between the 1830s and the 1940s to break down Spain's long-standing barriers to foreign trade and investment. It has argued that the Anglo-Spanish relationship was imperial in nature and that Gallagher and Robinson's hypothesis provides a useful explanatory framework for this form of imperialism. The second part of the thesis looks at this exercise of Britain's economic and political power from the Spanish perspective. It examines Britain's impact on Spanish economic thinking and policies by analysing the role that Britain played in shaping the development of Spain's economic ideas and practice at three key periods over the century. Spanish responses to the exercise of British influence and power ranged from enthusiastic support to dogged and bitter resistance. The balance between the two changed radically over time. At the beginning of the period, in the 1830s, there was widespread admiration for Britain's dynamic economy and its political institutions, including by many Catalan industrialists, despite their unwavering hostility to its free trade policies. A century later, divisions remained but the balance of admiration and hostility was reversed: Franco's nationalist autarkic policies of the 1940s were founded on an intense suspicion and rejection of British influence in the country. However, even within the totalitarian regime itself, the long-standing divisions between protectionism and internationalism re-emerged. In the late 1930s a dissident section of the Falange party began to develop alternative policies based on the more open economies of the Atlantic powers, Britain and the US.⁴³⁷

The following three chapters in this second part of the thesis chart the evolution of Spanish ideological and policy responses to Britain's free trade policy and show how Spanish politics were shaped by resistance to Britain's dominant economic model. As in the first part of the thesis, a number of 'windows' onto the process of change have been used to illustrate a century-long process of ideological and economic policy evolution. The careers and writing of six Spanish economists, all of whom were also political practitioners, have been used to expose the wider processes of change at three important inflexion points in Spain's adaptation to the rapidly changing international economy. The first phase was the country's gradual adoption

⁴³⁷ This dissident thinking within the fascist movement was evident from the 1930s. It received increasing academic support (including from sympathetic German academics) in the following decade and became extremely influential as Spain turned away from autarkic economic policies in the 1950s (see chapter eight). Velarde Fuertes has explored this development in a series of articles: Velarde Fuertes, *J Política Económica de la Dictadura*, Madrid, 1974, Velarde Fuertes, J '1875-1986: Historia de un proceso de apertura económica exterior', *Política Exterior*, Vol. 1, No. 2, 1986 and Velarde Fuertes, *Stackelberg op.cit.*

of free trade policies from the 1830s as it confronted the twin pressures of northern European industrialisation and trade globalisation. This process is explored through the careers and writing of Eudald Jaumeandreu and Juan Güell. Forty years later, in the 1870s, a second phase saw Spain's turn to protectionism in the face of the same, though by now much-intensified, competitive forces. The careers of Pablo de Alzola and Santiago Alba provide a window into the conflicts this created. The third phase was marked by Spain's definitive embrace of economic nationalism after the First World War. Again, the careers of two economists and political activists, in this case José Calvo Sotelo and Juan Antonio Suanzes, illustrate the different ideologies of economic nationalism that emerged between the two world wars. During each of these phases, there was intense, sometimes violent conflict over policy and ideas, driven by the changing balance of power between the different economic interest groups. This second part of the thesis uses these contemporary debates to explore the proposition that the British free trade campaigns, sustained throughout the period, had a significant effect in shaping the direction of Spanish economic policy and practice.

Chapter 6: The Spanish Challenge to Britain's Free Trade Imperialism: The Careers and Writing of Eudald Jaumeandreu and Juan Güell y Ferrer

The careers and thinking of two leading Catalan bourgeois liberals, Eudald Jaumeandreu and Juan Güell y Ferrer provide a 'window' into the thinking behind the growing resistance to Britain's campaign to open the Spanish economy to foreign trade and investment in the first half of the nineteenth century. Both men were strong advocates of protectionist policies designed to support the country's industrialisation and both were bitterly opposed to Britain's free trade policy and its overt aim of destroying Spain's textile industry. Eudald Jaumeandreu was a secularised Augustine friar turned economist, whose writing and teaching helped create the ideological grounding for Spain's protectionist movement. Juan Güell y Ferrer, a successful businessman and student of Jaumeandreu, was the organising focus for the Catalan campaign against free trade for nearly forty years from the late 1830s. Both Jaumeandreu and Güell had a matching ideological foe, equally committed to their free trade cause. For Jaumeandreu, it was Álvaro Flórez Estrada, the Asturian politician and economist. For Güell, it was Richard Cobden, the Manchester manufacturers' leader and, later, British politician. The very public arguments of each of these pairs illustrate how Spain, increasingly subject to the dominant free trade imperial power of Britain, was divided between those supporting and those rejecting its hegemonic political and ideological influence. This chapter shows that, both in its ideology and in its political programme, the liberal protectionist movement constituted an authentic national reaction to the sustained British drive for economic dominance in Spain. Moreover, the protectionists' sustained campaign of opposition (together with the widespread resentment it expressed) was in itself evidence of Britain's dominant influence. Both in its thinking and political alliance-making, the Spanish protectionists were a harbinger of the type of resistance that domestic political forces in other informal colonies were to organise during the twentieth century, against the industrial empires of Europe and North America.

The re-establishment of Spain's textile industry in Catalonia, following its collapse during the Napoleonic Wars, was a slow, though ultimately successful, process. By the 1830s, its products were able to reach a significant proportion of Spain's twenty-six million-strong domestic and colonial market. For the rapidly growing and technologically advanced British cotton industry, anxious to find markets to satisfy the extraordinary productive capability of its new steam-driven machinery, the Catalan industry – protected by as it was by a formidable range of import

restrictions – was a significant obstacle. Chapter one showed how the British government made the removal of these tariff barriers a key diplomatic objective in its dealings with Spain after the Napoleonic Wars. For sixty years from the 1830s, it exerted direct and intense pressure on successive Spanish regimes to remove restrictions on trade, with the subsidiary – and explicit – aim of undermining and destroying the Catalan cotton industry. The British campaign won a broad measure of political and ideological support in Spain despite the Catalan manufacturers' dogged resistance to this process of trade and investment colonisation. Their long and often bitter fight against free trade had a measure of success by protecting much of the textile industry: indeed, by the end of the nineteenth century the industry centred in and around Barcelona was one of Europe's largest.⁴³⁸

This Catalan-led opposition was both ideological and practical. Although concentrated on the region's textile industry, the protectionists' objective was to develop economic policies that would support development of all forms of industry across the country. Free trade advocates accused protectionists of being no more than an egotistical group of self-interested regional cotton manufacturers, but theirs was in fact a campaign aimed at national rather than regional industrial development. Moreover, it depended for its political success on building broad-based and national alliances across industries and regions. The principal protectionist leaders were liberal politicians whose goal was state-led economic and institutional reform in support of industrial development throughout Spain. Seen from this perspective, the argument between free traders and protectionists was essentially between different factions of the liberal bourgeoisie seeking, in different ways, to modernise the country's economy. This underlying liberal and national identity is most clearly shown in Jaumeandreu's economic arguments in support of protectionist policies.

Eudald Jaumeandreu, born in Barcelona in 1774, was trained as an Augustine friar and gained a doctorate in theology at the Augustine seminary he attended. In 1814 he moved to Mallorca to teach economics at the University in Palma. Two years later, in 1816, he published the *Rudimentos de Economía Política*, written to refute the free trade arguments in Jean-Baptiste Say's *Treatise on Political Economy*. In 1821, during the *Trienio Liberal*, 1820-23, he became a secularised priest, a move required by the regime's new laws for teachers in public institutions.⁴³⁹ From the 1820s he lectured in economics, politics and constitutional law at the Junta de Comercio and at other Barcelona institutions, including the University of Barcelona's

⁴³⁸ Güell *Escritos* op.cit. p72.

⁴³⁹ Lluç, E *El Pensament Econòmic a Catalunya, 1760-1840*, Barcelona, 1973, p286.

Law Faculty. Jaumeandreu's liberal economic and constitutional thinking, alongside his defence of protectionism as the foundation of industrial development, had a strong intellectual influence, especially within Catalunya. Right up to his death in 1840, his lectures and writing inspired generations of students who later became leaders in the fields of business, academia and politics.⁴⁴⁰

Two works published in the 1830s established him as the leading protectionist intellect. In 1834, as the economic assessor for the Comisión de Fábricas de Hilados, Tejidos y Estampados de Algodón, he published, anonymously, *Memoria sobre la necesidad del sistema prohibitivo en España*. This thirty-eight-page pamphlet pointed to the damaging impact of free trade on the country and discussed whether a tariff system or prohibition, was best basis for developing industrial prosperity.⁴⁴¹ In 1836 Jaumeandreu brought out his major work, *Curso Elemental de Economía Política*. This book set out the economic theory to support the protectionist arguments for Spain's industrial development as a response to the arguments of the Spanish free trade economist, Álvaro Flórez Estrada.⁴⁴²

From the beginning, Jaumeandreu accepted the general principles of the still-emerging classical economic thinking, placing himself firmly in the liberal camp of economists who wanted to see Spain develop as a modern, industrial power.⁴⁴³ However he was equally convinced of the need to adapt general theoretical propositions to the particular conditions of his own country and region. Jaumeandreu believed that 'relatively underdeveloped areas' like Spain 'could make interesting contributions to economic thought' and that an original economic policy could be 'adapted to situations different from the ones in which it had been born'.⁴⁴⁴ In his *Rudimentos*, Jaumeandreu applied this approach to the famous maxim in Say's

⁴⁴⁰ Jaumeandreu's students attending his 1835 and 1836 courses were especially notable. They included the future Finance Minister, Laureano Figuerola, the leading businessmen and politicians, Josep Sol y Padris and Juan Güell y Ferrer and the academic, Ramón Anglasesell (who later wrote an influential economic textbook based on protectionist principles, *Compendio de Economía Política*). Lluch, op.cit., p324.

⁴⁴¹ The Commission had been established in 1770 to defend and develop the Catalan textile industry. Its economic ideology, inspired by Colbert, suggested that 'industry is the foundation of the economy and of the people: industrial development will therefore promote individual happiness and love of country', Lluch, op.cit. p215. Jaumeandreu was the Commission's economic assessor between 1833 and 1836 during a number of reviews of tariff policy by the new liberal governments.

⁴⁴² Jaumeandreu, *E Curso Elemental de Economía Política*, Barcelona, 1836.

⁴⁴³ Jaumeandreu was particularly suspicious of arguments that suggested Spain should concentrate on developing its agriculture at the expense of industry, arguments much favoured by the British who wanted Spain to be a source of food for its growing population, rather than an industrial rival. He was also challenging both the physiocrats' belief that agriculture was a country's fundamental source of wealth and Spanish landowners who were pressing governments to prioritise their interests. Jaumeandreu, *E Rudimentos de economía política*, Barcelona, 1816, p56.

⁴⁴⁴ This two-stage process involved, first, 'a reinterpretation of the original theory, in order to adapt it to new conditions; second, an adaptation able to be transformed into policy measures to favour economic development'.

Treatise, namely that supply creates its own demand: Jaumeandreu suggested this did not apply in Spain's case since the demand for manufactured products was likely to be directed to foreign suppliers given its underdeveloped economy. This justified protectionist measures which would ensure domestic demand provided markets to support Spain's growing textile industry. Crucially however, and in common with most Catalan protectionists who accepted the underlying assumptions of classical economics, Jaumeandreu saw protection as a temporary measure. Once Spanish firms had developed to a level where they could compete with Northern European industry on equal terms, free trade would then be the right policy for a revived Spain. Then, as Ricardo had suggested, free trade would maximise national wealth with the relative costs of production between countries determining the pattern of international trade and production.⁴⁴⁵

For Jaumeandreu, protection was therefore the centrepiece of a modernising nationwide economic project. Moreover, as he argued in his *Memoria*, the best form of protection was prohibition. Tariffs could not guarantee that domestic manufacturers were able to compete in the domestic market since the 'perfect steam-powered machinery of the British will always rival any tariff surcharge'.⁴⁴⁶ However, he was equally clear that change was essential to create a domestic market capable of supporting the development of industry throughout Spain: 'the spirit of provincialism cannot direct our policy. If Catalunya claims the domestic market for its products, this would lead to inter-provincial rivalry and deepening inequality between regions and classes'.⁴⁴⁷ Lluç suggested there are strong elements of what he called 'industrial mercantilism' in Jaumeandreu's theory with its emphasis on the need to concentrate domestic demand by closing borders to trade.⁴⁴⁸ This seems an unfair charge since Jaumeandreu saw protection as an interim, rather than a permanent policy: indeed, he explicitly rejected the mercantilist aim of stockpiling of money since he saw its circulation as crucial for the

Lluç's interpretation of Jaumeandreu's thinking is set out in Lluís Argemí's obituary article. Argemí, L 'Ernest Lluç (1937-2000)', *European Journal of the History of Economic Thought*, 8:2, 2001, 124-129, p125.

⁴⁴⁵ Behind this assumption lay the belief, widely shared in Spain and beyond (including in Britain), that the country could and should regain its former status as a European Great Power by modernising its political economy. The political divisions in nineteenth century Spain were largely over the best economic path to achieve this end.

⁴⁴⁶ Jaumeandreu, E *Memoria sobre la necesidad del sistema prohibitivo en España*, Barcelona, 1834, quoted in Lluç op.cit. p291. His argument was that prohibition had led to 'a magical revolution' since the War of Independence enabling Catalunya to develop 'an authentic revolution' in industry based on technical innovation and steam power.

⁴⁴⁷ Jaumeandreu's overriding concern was that Spain needed common policies for to develop the country, to avoid, as he himself put it, the relationship between Catalunya and Andalucía becoming like those between England and Spain. Lluç, op.cit. p292.

⁴⁴⁸ Ibid. p321.

expansion of local trade and production.⁴⁴⁹ Instead, Jaumeandreu's ideas should be seen as precursors both to List's protectionist arguments⁴⁵⁰ – which supported German and US protectionism in the nineteenth century – and much later, to the economic development theories that emerged during post-World War Two decolonisation. He argued that the application of general principles lying behind the classical economic arguments of the free traders undermined the economies of underdeveloped countries. It was therefore essential to adapt the rules of open competitive markets to the particular conditions of an underdeveloped economy to resist the overpowering strength of more advanced industrial economies.⁴⁵¹ Only then would a less developed country be able to consolidate its internal market and create sufficient internal demand to support domestic industrialisation. He was equally clear that a parallel and radical internal reform of the country's culture and institutions was necessary.⁴⁵²

In his general approach, Jaumeandreu's thinking prefigures the policies and practice of many developing nations facing the same problem of attempting to industrialise in an increasingly globalised economy. He set out these arguments in *Curso Elemental de Economía Política*, written with the explicit aim of refuting the enormously influential work of Álvaro Flórez Estrada. Flórez Estrada, an Asturian politician and intellectual, was an 1812 Cádiz Constitutionalist and a progressive liberal. Exiled twice to Britain, in 1814 and 1823, he had become closely involved in the ferment of radical political and economic debate in London and had befriended key figures, such as James Mill, David Ricardo and Jeremy Bentham. During his second stay in London he wrote the *Curso de Económica Política*, first published in London in 1828, which was to become the standard Spanish textbook of political economy over the

⁴⁴⁹ Some later protectionists did use these arguments to justify a permanently self-contained economy. We can see them in the initiatives to recreate Spain's imperial past in Morocco and South America and in the later Francoist attempts to build an autarkic economic state (see chapter eight).

⁴⁵⁰ Martín Nino points to Jaumeandreu as a precursor to List in Martín Nino, J, *La Hacienda Española y la Revolución de 1868*, Instituto de Estudios Fiscales, 1972, p272. Lluch also acknowledges the link between Jaumeandreu and List but argues both owed their ideas to a common intellectual 'ancestor', Jean Herrenschwand. Lluch, op.cit. p316.

⁴⁵¹ Jaumeandreu attacked the classical economists for applying their economic laws inappropriately: in his 1816 *Rudimentos* for example he suggested that Say's 'theories cannot be applied in a country which has not yet achieved an advanced stage of progress' (Jaumeandreu, *Rudimentos*, op.cit. p x) and in a letter he suggested Say had based his work on French experience which 'has little or nothing to say about our concerns' Lluch op.cit. p273.

⁴⁵² In the wake of Britain's extraordinary growth of national income, liberal regimes in Spain saw the extension of capitalist relationships in commercial and labour markets as the essential basis for productive growth based on industrial development and agricultural expansion. Mainer points to the parallel cultural aspiration in the fields of arts, literature and theatre, springing from the spread of literacy. Mainer, *J Historia y crítica de la literatura española*, Barcelona, 1980.

next thirty years.⁴⁵³ Politically, Flórez Estrada was strongly influenced by English radicalism, which was reflected in his trenchant criticism of landowners, nobility and church. Rejecting the revolutionary ideology of the Jacobins, he supported the dynamic classes in society, which he identified as the professionals, industrialists, men of commerce and intellectuals. The book's concentration on the interaction of social and economic life reflected Flórez Estrada's belief that the chronic instability of Spanish liberalism was largely a result of the country's gross economic inequalities. These inequalities of power and resource were particularly evident in Spain's countryside and this led Flórez Estrada to argue that the benefits of the disentanglement of church lands should go to landless peasants, both to support the country's economic development and to act as a bulwark against social revolution.⁴⁵⁴

Flórez Estrada also gave wholehearted support to English classical economic thinking, particularly its commitment to individual initiative and unfettered competitive markets, which he saw as closely aligned with his own strong commitment to political liberty. From this it followed that free trade was the foundation of economic success:

It is in society's interest that individuals turn to the industrial companies that can provide them with products more efficiently, and the more advantages there are, the more is added to wealth. This proves that it is indispensable for industrial progress that nations trade their products freely without hindrance.⁴⁵⁵

He was a strong believer in the benefits of foreign investment, arguing against Smith and Say's view that it was relatively less productive than domestic investment:

Foreign capital can make a powerful contribution to the need for new capital investment, to expand production, to perfect machinery and consumer products and to cheapen product costs. A twenty-five percent reduction in product costs means an increase in consumer income by twenty-five percent, thus allowing the consumer to accumulate capital and buy national products.⁴⁵⁶

⁴⁵³ The *Curso de Economía Política* established the main axes of Spain's economic and political concerns over the rest of the century: free trade, agricultural reform and restructuring of public finance. Varela Suanzes-Campegna, J 'Retrato de un Liberal de Izquierda: Álvaro Flórez Estrada' *Historia Constitucional* 5 (2004), p87.

⁴⁵⁴ López Forjas, M *El programa de nacionalización de la tierra de Álvaro Flórez Estrada: la reforma social como antecedente de la reforma política en la España liberal*, Universidad Autónoma de Madrid, 2019 (unpublished paper).

⁴⁵⁵ Flórez Estrada, A *Curso de Económica Política*, (Fourth Edition), Madrid, 1835, p203.

⁴⁵⁶ Ibid. p210. Smith and Say both believed that capital exported had less impact on productivity than capital employed internally (see below comparison with Jaumeandreu's approach). Flórez Estrada on the other hand, argued that capital exported would be balanced by corresponding capital import and that imported capital was likely to be employed more quickly and flexibly than domestic capital. Martínez Cachero, L *Álvaro Flórez Estrada: Su Vida, Su Obra Política y Sus Ideas Económicas*, Oviedo, 1961, p169.

Like Ricardo, he believed that the natural conditions of a country, its temperature, local resources and expertise gave areas economic advantage. Moreover, he argued that the problems of moving capital across frontiers would mean these advantages were likely to be entrenched over the long term, unlike the situation *within* nations where exchange was simpler. This analysis led him to support the exploitation of Spain's agricultural and mineral resources and the exchange of these for the more efficiently produced industrial products from England, an approach that underlay British proposals for a commercial treaty with Spain throughout the nineteenth century:

Exchange of primary products for manufactured articles increases the wealth of the country that produces them since two nations will not trade their merchandise, whether primary or manufactured unless each can produce the other with greater efficiency than the product given in exchange.⁴⁵⁷

Unsurprisingly in light of these economic premises, Flórez Estrada strongly opposed protectionism both within and between nations arguing that:

Ignorance about the advantages [of free trade] has led governments to adopt the prohibitive system, believing this measure will lead to growth of national industry but they are deceiving themselves on a grand scale and their mistake has resulted in enormous sacrifices by peoples [...] in an open market the consumer has the same advantages as the producer [...] enabling them to acquire products at their natural value.⁴⁵⁸

Moreover, he argued, free trade has wider political advantages: it creates the basis for positive relationships between nations within a common 'empire'. Within a free trade area:

All countries in the world would consider themselves as provinces of a single empire. In this empire, each nation becomes a provider of certain types of products and, through mutual relationships which then develop, distributes work between themselves, reflecting the best of the character and knowledge of each climate and the productive features of the terrain.⁴⁵⁹

This view justified the use of force to bring people and nations within the scope of this civilised 'empire', an argument he applied to support the then recent French invasion of Algeria as well as Spain's conquest of the 'new' world:

⁴⁵⁷ Flórez Estrada op.cit. p226.

⁴⁵⁸ Flórez Estrada, op.cit. p208.

⁴⁵⁹ Ibid. The belief that free trade policy would ensure peace between competing nations as each nation would be able to optimise its resource use and income, was an important and popular argument, much used by Cobden, for example, in his free trade campaign in Spain in 1846 (see below).

Only the absolute freedom of commerce can ensure the prosperity of nations...through extending the division of labour between nations [...] if there is an honourable motive in making war on barbarous nations, there is nothing more just and noble than to civilise them and establish these commercial relationships with them [...] the acquisition of Algeria by the French will bring important benefits to Europe. Only rivalry or narrow politics could demand that a conquest, useful to humanity in so many ways, be abandoned [...] Who can enumerate the enormous benefits that the conquest of the New World has brought to commerce, the arts and humankind?⁴⁶⁰

This combination of political and economic idealism helps to explain why free trade won the support of a wide range of progressive liberals in Spain, while at the same time, the policy was the foundation of Britain's economic imperialism. The appeal of free trade to progressive politicians was reinforced by Flórez Estrada's suggestion that the outcome of protection was producer monopoly against the interests of consumers: 'A government prohibiting certain foreign products indirectly establishes a monopoly in favour of those producing the prohibited item, thus prejudicing the consumer'.⁴⁶¹ This point was aimed squarely at supporters of the 'selfish' Catalan textile industry while appealing to the growing middle class for whom consumer goods, especially from abroad were becoming affordable. There was then, a close relationship between Flórez Estrada's thinking and Britain's emerging economic ideology, based on universally applicable principles of market-based competition and individual freedoms. Flórez Estrada strongly supported the British liberal view that social benefit automatically follows from individuals exercising freedom as citizens and consumers. For him, free trade, foreign investment and a limited role for the state were policies that would ensure the wealth and welfare of nations individually and collectively. Unsurprisingly, these ideas greatly appealed to the new Spanish bourgeoisie of the 1830s whose wealth was drawn from the land, finance and commerce.

For the growing class of industrial producers, however, such arguments represented a threat. For them, opening the Spanish economy to the full competitive force of the new British machine-based industrial economy would destroy vulnerable enterprises rather than spurring

⁴⁶⁰ Ibid. p209. Jaumeandreu and the protectionists were also firm believers in the need for colonial expansion. Their argument was that the limits of industrial development were set by the extent of a nation's territory and therefore the only way to expand national wealth was to colonise foreign markets. Lluç op.cit. p316. This was of course precisely the strategy pursued by the British governments and industrialists under their free trade banner.

⁴⁶¹ Flórez Estrada op.cit. p214.

innovation and domestic investment. The radical differences between the two approaches to economic policy, represented by the conflicting views of Flórez Estrada and Jaumeandreu, were to create deep political division for the rest of the century. Jaumeandreu's attacks on Flórez Estrada's economic theses and his alternative policy propositions became the basis for the case against free trade that successors were to make for the next half century.⁴⁶² There were four main strands to his case against Flórez Estrada's propositions.

First, Jaumeandreu pointed to the superiority of the domestic market in the first stages of industrial development, a point that Say and Smith had themselves argued and as Britain's own experience of industrialisation had demonstrated in practice.⁴⁶³ In essence, he pointed to the social multiplier effects of domestic spending as an important stimulant for native industry. In other words, there were wider processes, and hence other costs and benefits, beyond those involved in simply making the product itself. These broader social impacts, involving various forms of transport, capital risks and property rights (as well as different circuits of capital) meant that foreign investment benefited the economy far less than the development of domestic industry.⁴⁶⁴ Second, Jaumeandreu highlighted the key issue of internal domestic demand: without adequate demand there are no means to buy products. His challenge was to Say's dictum that supply creates its own demand, by pointing out that it made unrealistic assumptions about perfect, self-adjusting markets that simply did not hold, especially in 'backward' economies. As Jaumeandreu highlighted in practice, and Keynes was to show theoretically a century later, it is quite possible for economies to find an equilibrium at less than the potential capacity of the economy.⁴⁶⁵ Third, Jaumeandreu tackled one of the most politically potent arguments against protectionism, the creation of 'selfish' monopolies. He argued that internal competition among domestic suppliers would prevent this and that any monopoly that formed

⁴⁶² The dispute had a personal element: on his first return to Spain from exile in London in 1820, Flórez Estrada had given an address to the Barcelona Junta de Comercio where he argued that 'the man who gives Spain free trade will have given his country as great a benefit as Columbus did with the discovery of America'. Jaumeandreu wrote in answer that he was not beholden to any of the industrial classes but 'was driven exclusively and purely by love of country'. Lluch op.cit. p322.

⁴⁶³ 'The capital employed in buying foreign products for domestic consumption instead of native products, replaces two different capitals in each of its operations, but only one of them is used to sustain national industry' Adam Smith, *Wealth of Nations*. Similarly, Say points out that 'the most productive employment for a country in general is in manufacturing and development of the internal market since investment goes into an industry which benefits the country while foreign investment helps the industrial and territorial development of all nations indiscriminately' Jean-Baptiste Say *Treatise on the Economy*. Quotations from Lluch, op.cit. p330.

⁴⁶⁴ Ibid. p320.

⁴⁶⁵ Classical economists argued that full employment was the equilibrium condition of an undistorted labour market. Keynes argued this was true only in very special cases and that it is aggregate demand that determines the level of employment, rather the price of labour. Keynes, *J General Theory of Employment, Interest and Money*, London, 1936, Ch 1.

would be a passing problem, as shown by England's own initial period of industrialisation. The development of internal competition meant capital would seek out the most profitable opportunities, thus maintaining competitive pressure to improve productivity and innovation.⁴⁶⁶ Most importantly, he argued that protection avoids the much greater danger of the establishment of foreign monopolies that would follow the adoption of free trade, as had happened when Portugal opened its markets to Britain in the previous century.⁴⁶⁷

Finally, he confronted another of the central arguments made by free trade supporters, that protection encouraged smuggling and therefore led to a loss of customs revenue for the state. This was a serious and enduring problem, especially in the first half of the nineteenth century, when up to half the total textile consumption in Spain was made up of smuggled goods, mostly from Britain and France. Jaumeandreu and many of his protectionist successors argued that the key to controlling contraband was an active and vigilant government: Spain should not therefore be tempted to use tariffs and treaties of commerce as substitutes for confronting the problem itself.⁴⁶⁸ Underpinning all Jaumeandreu's arguments was a belief in an activist role for the State.⁴⁶⁹ For Smith and his followers, including Flórez Estrada, the state's interposition between producers and consumers was essentially harmful and should be confined to a few necessary tasks where private initiative was simply not feasible. For Jaumeandreu and his protectionists on the other hand, the state had a crucial role, both in policy leadership and in leading specific initiatives to create the conditions for the development of a strong, modern industrial base.⁴⁷⁰ Particularly important tasks for the state were the abolition of internal trade barriers, the reduction of the power of the guilds and the development of new infrastructure. More generally, these protectionists saw the state as expressing the will and aspirations of the

⁴⁶⁶ Jaumeandreu, *Curso*, p279.

⁴⁶⁷ He argued that the 1703 trade treaty between Britain and Portugal had 'totally destroyed Portuguese industry'. Jaumeandreu, *Curso*, p33. Güell also highlighted the Portuguese example, pointing out that imports had halved, and that exports had declined by two-thirds in the 50 years between 1800 and 1849, whereas trade between Britain and Spain had doubled between 1849 and 1859 alone. Güell, *Escritos*, p xliii.

⁴⁶⁸ Lluch op.cit. p293.

⁴⁶⁹ As Jaumeandreu himself put it: 'the interest of private individuals should be subject to the communal interest, drawing on the knowledge and wisdom of government since general wealth will benefit the private wealth and from this, the common good' (Jaumeandreu, *E Memoria*, p22, quoted in Lluch op.cit. p323).

⁴⁷⁰ Jaumeandreu did not believe the state should itself produce since 'private individuals manufacture at less cost than governments' and are more flexible in coping with economic fluctuations. However, he argued the state had a vital role in facilitating production by supporting infrastructure development (such as the canals in Aragon), guaranteeing security and scientific institutions (schools, libraries, exploration). Jaumeandreu, *E Rudimentos de economía política*, Barcelona, 1816, p131.

community and – demonstrating their liberal credentials – they believed that to do this effectively, the state needed to be representative of, and responsive to community interests.⁴⁷¹

Jaumeandreu's refutations of Flórez Estrada's free trade ideology became the core case made by his protectionist successors. Over the next four decades, they set out detailed evidence of the malign effects on Spanish industry of the steady liberalisation of trade and investment. The leading propagandist and organiser of the protectionist movement for most of these four decades was Juan Güell y Ferrer. Güell was born in Tarragona in 1800 and, after making his money in Cuba, became a central figure in the Catalan protectionist campaign from the 1830s until his death in 1872. As a leading businessman, economist, polemicist, deputy and senator he was the focus of political resistance to the British free trade campaign and, more broadly, its ideology of individualistic liberalism. He campaigned against free trade using the results of his own painstaking research and argued the case for a modernising state-led version of protectionism, the strategy later adopted by Germany in its successful drive to industrialise. Much of the intellectual underpinning of his vision had come from Jaumeandreu, his mentor and teacher: Güell's contribution was to build a formidable body of evidence around Jaumeandreu's arguments which he publicised untiringly in books, papers and articles. Politically, his contribution was to organise business-based alliances, both nationally and in Catalunya, centred on a protectionist vision of national industrial development policy.

Güell's writing illustrates three important features of the Spanish reaction to British free trade imperialism. First, Güell wanted to show there was an alternative to its vision of a Spanish economy simply as a source of agricultural goods and mineral resources. Instead, he argued that industry, in close and symbiotic relationship with agriculture, could be the driver for national economic development and wealth creation.⁴⁷² Second, he maintained that a strong protective barrier around the Spanish economy was vital for the development of its nascent industry. This was a national task requiring the resolution of internal tensions between consumers and producers and between the developed and underdeveloped regions of the country.⁴⁷³ Third, national industrial development required the state to take a strong leadership role by intervening actively in the economy.⁴⁷⁴ All three of Güell's principles ran directly

⁴⁷¹ The battle over the role and accountability of the state was to move to the centre of Spain's twentieth century political and economic debate, once the long nineteenth-century free trade controversy was settled by the protectionist Tariff Law of 1906, as chapters seven and eight discuss.

⁴⁷² 'Agricultural and industrial production work together and are both necessary to make up a great people. They are the unique and true basis of the prosperity and wealth of nations', Güell, *Escritos*, p703.

⁴⁷³ Güell, *Escritos*, op.cit. pxlviii.

⁴⁷⁴ Güell, *Escritos*, op.cit. p769.

counter to the economic orthodoxy emerging from Britain's industrial revolution, as articulated by its leaders, such as Richard Cobden and John Bright and by its ideologues, Adam Smith and David Ricardo. For them, Spain's role, as ordained by nature and climate, was to provide food, raw materials and markets for countries which were naturally favoured for the development of industry.⁴⁷⁵ They argued that increasing trade between industrial and agriculturally based countries would break down national – and therefore political – boundaries. Furthermore, it was essential that the state's role in this process should be minimal, since industrial growth depended on allowing entrepreneurs free rein and offering consumers the greatest possible choice. Behind these arguments lay the British liberals' commitment to a fiercely individualistic form of political and economic freedom.⁴⁷⁶ Over the crucial three decades of debate between 1840s and 1860s, these three central issues were at the core of the intellectual and polemical debate between the British and Spanish free traders and Güell and his colleagues.

For Güell, Spain's prosperity depended on developing its industry. Drawing on Jaumeandreu's analysis he argued that industry had a crucial dynamic role in driving the process of economic change and adaptation. He was adamant, moreover, that 'the Peninsula with only agriculture would be a poor State, miserable and depopulated',⁴⁷⁷ reflecting the long-established position of the Catalan Comisi6n de F6bricas.⁴⁷⁸ Güell was totally opposed to the British vision, a division of labour between Spain and industrialising countries, in which, as a *Times* editorial later put it, Spain lived in bucolic sunshine while leaving for Britain the unglamorous task of factory work:

Southern countries like Spain and Portugal blessed with a fertile soil and a vital climate ought to find it to their advantage to turn all their energies upon agricultural pursuits leaving the monotonous and plodding work of manufacturing industry to people doomed to struggle with the hardships of barren lands and inclement skies.⁴⁷⁹

⁴⁷⁵ Spain's exports to Britain were dominated by agricultural products and minerals throughout the nineteenth century, averaging 60% of the total and in some years reaching 90%. Nadal Ferreras, *J Comercio exterior con Gran Bretaña 1777-1914*, Madrid, 1978, p247.

⁴⁷⁶ This radical liberalism stood in stark contrast to Güell and his colleagues' view that there were collective as well as individual interests involved in economic development, especially when countries faced overwhelming competitive pressure from more industrially developed nations. Freedon sets out clearly the differences between these versions of liberalism. Freedon, *Liberalism* op.cit. chapter 5.

⁴⁷⁷ Güell, *Escritos*, p218.

⁴⁷⁸ The Comisi6n de F6bricas had argued during negotiations with Britain over a commercial treaty in 1837: 'What is agriculture without industry? Nothing. A purely agricultural nation presents a sad picture of misery, depopulation and brutalisation. A Spain based on agriculture and industry was rich, feared and respected'. Quoted in Graell, *G Historia del Fomento del Trabajo Nacional*, Barcelona, 1911, p121.

⁴⁷⁹ The *Times* writer was realistic enough to acknowledge there was resistance in Spain to this apparently happy symbiosis: 'But these southerners whose pride is fostered by the traditions of a glorious past [...] are not easily convinced of the expediency of a division of labour'. *Times* 28 March 1879.

This image of the relationship between Britain and Spain was freely used by free trade advocates like Cobden and Ricardo.⁴⁸⁰ It was equally attractive to many Spaniards – including even progressive modernisers like Flórez Estrada – as it seemed to suggest a firm attachment to the dynamic, and now dominant, industrial powers of northern Europe. For others, especially those in the Andalucía wine industry like Sánchez Silva, a Government minister, spokesman for the Jerez wine interests and a relentless foe of the protectionists, free trade offered enormous and immediate financial advantages.⁴⁸¹ For Güell on the other hand, the abandonment of the country's industry would lead to the permanent subjugation of Spain to the powerful industrialised nations: 'it is madness to think that agricultural development alone can turn us into a great nation – the future of agriculture lies in the growth and development of the industrial sector, in the expanding demand of that class'.⁴⁸²

However, this was not an issue for industry alone. Unlike the Corn Law reformers in Britain – whose industry now had vast world markets available to it – Güell argued that Spain depended on its internal market for economic growth and this had to be defended. It also meant that industry and agriculture should be seen as completely interdependent:

Industry grows to the extent that the consumer demands its products; with the increased income to industry, more capital is naturally drawn into the sector. The land in Spain can support double the number of people at double the level of wealth and consequently, as population and wealth increases, its production can grow, driven by its growing income. By ensuring the internal consumer for each of the two sources of our wealth, the government thereby increases production and as an inevitable consequence, domestic and foreign trade.⁴⁸³

Industry should not therefore do anything to damage agriculture, since it was the basis of economic consumption, and nor should agricultural interests seek to undermine the demand of

⁴⁸⁰ Ricardo's famous example showing the mutual advantage created by free trade was the exchange of Portuguese wine for cheap British clothing. As Emmanuel points out, only Britain tried free trade in practice and was only able to do so successfully 'owing to the exceptional circumstances connected particularly with the crushing superiority and *de facto* monopoly enjoyed by its industry all through the nineteenth century'. Emmanuel, *A Unequal Exchange*, New York, 1972, p xiv.

⁴⁸¹ Güell and Sánchez Silva had a long and public argument in the press described in Güell's 1849 pamphlet, *Polémica con D. Manuel Sánchez Silva*. Güell despised Silva's lack of patriotism in seeking to advance the narrow interests of the sherry industry at the expense of Spain's industrial sector. Comparing Silva to Cobden, Güell argued that 'Minister Manuel Silva has done as much or more to damage national industry and favour the English. As representative for Jerez, his interests are linked to those of the English and he always favours their enterprises [...] he has never, ever argued for Spain's national industry', Güell, *Escritos*, op.cit. p24-56.

⁴⁸² Ibid. p355.

⁴⁸³ Ibid. p471.

industry for its products.⁴⁸⁴ These inclusive arguments underpinned the alliance that Güell and his fellow protectionists were attempting to build with the landowners and agriculturalists. Politically, the aim was to assemble a dominant national political force based on the identification of common interests. This was a vital task in light of the relative regional and political isolation of the industrial sector, even if it meant going against the immediate interests of the manufacturers for whom cheaper food meant lower wage costs.⁴⁸⁵ The appeal to national solidarity also helped to undermine British attempts to woo the agricultural sector with promises of easier access to its rich consumer market.

For this reason, Güell put great emphasis on the term *production*, which embraced all economic activity, as the source of a country's wealth. 'Production is the daughter of labour. Those who directly or indirectly contribute to production are consumers [...] to raise the level of production is to build up the producer, the consumer, commerce and the Treasury; it is in a word to promote national prosperity'.⁴⁸⁶ This conflation of production and consumption was partly designed to refute the politically potent claim of free traders to be representing the 'consumer' against the interests of 'monopolist' industrialists. As Güell constantly re-iterated, all members of society, apart from the idle rich and the incapacitated, were both producers and consumers and therefore shared common interests. Recasting the nation's pre-eminent objective as production also served a wider purpose – it confronted Spain's past reliance on imported specie as its main source of wealth and posed an alternative to the dependent, subaltern role for the country, proposed by British economists and politicians.⁴⁸⁷

For Güell, the nation was a foundation principle. From an economic perspective he saw it as the most effective basis for organising the creation of wealth for its people: the need to build a strong and independent nation was therefore axiomatic. The basis for a politically independent nation was a strong, independent and productive economy based on the widest possible market,

⁴⁸⁴ 'The increase of industrial population will lead to more consumption of agricultural products, adding to domestic trade, reducing the costs of transport, stimulating both sectors [industry and agriculture] and this will be the only way we will be able to perfect and cut the costs of our products and so match our foreign competitors'. Ibid. p341.

⁴⁸⁵ This strategy appeared to have paid off in the decade after Güell's death when Spain's agricultural sector, turned to protectionism in face of falling world wheat prices. However, the support of this highly conservative sector was to create significant problems for the liberal protectionists: the tariff laws that were introduced with its support were strongly oriented to protecting existing interests rather than encouraging innovation, as chapter seven discusses.

⁴⁸⁶ Güell, *Escritos*, op.cit. p947. He contrasted this argument with the free trade reforms which in 'favouring the Treasury and the consumer will kill off the producer, and with him, the consumer, commerce and the Treasury; it will ruin the country and benefit other nations [...] that's what common sense and experience shows. Then we will say "poor Spain!"' Ibid. p948.

⁴⁸⁷ Ibid. pxxxvii.

a vital condition for survival in the modern competitive environment. This commitment to production demanded both protection from premature foreign competition and active economic development policies on the part of government to build the necessary skills, institutions and physical investment. In taking this approach Güell, like Jaumeandreu before him, was resisting one of the main universalist assumptions of the British classical school, namely that the simple application of common economic principles, especially competitive markets, open borders and untrammelled individualism, was the path to wealth creation for all. As Güell himself wrote, ‘the radical school of economics which calls itself scientific, rests on absolutist principles, independent of time, distances, conditions etc. and promises marvellous results’.⁴⁸⁸ Instead of this ‘speculative science’, he argued for a more pragmatic basis for economic theory, one which took account of the history and actual situation of Spain, ‘an experimental science based on general principles, modified by adjustments to the economic circumstances and conditions of each place’.⁴⁸⁹ Güell’s rejection of the universalism of British liberal thinking, led him to see classical economics as an ideology designed to serve Britain’s global trade ambitions. He pointed to Adam Smith’s apparent lack of British patriotism, his ‘cosmopolitanism’, in espousing free market competition between countries. There was in fact no contradiction: Britain’s unique ability to dominate international trade and industrial markets meant that Smith’s thinking was in fact deeply patriotic.⁴⁹⁰ To be a patriotic Spaniard demanded a different approach in light of the country’s underdeveloped state as Spain simply did not possess many of the essential elements to match Britain’s overwhelming advantages. From this conclusion followed the need to tailor ‘general principles’ of liberal economics to the actual circumstances of Spain’s economy. This need to consolidate the nation by developing coherent national markets, institutions and policies, lay behind Güell’s unstinting support for the liberal monarchy and his constant assertions of patriotic loyalty. Spanish economic thinking – on both the protectionist and the free trade sides – was developing in the shadow of the country’s relationship to Britain. The new classical economic theories had created avid supporters in Spain, but they had simultaneously stirred an intense intellectual and political reaction, founded on building a strong, united and independent nation.

⁴⁸⁸ Güell, op.cit. p962.

⁴⁸⁹ Ibid.

⁴⁹⁰ The benefits of Smith’s apparent commitment to a world without borders ‘are reserved for the English [...] so much for cosmopolitanism!’. Later, ‘Pitt by means of war opened markets to English commerce and its industrial products; Adam Smith by means of his sophisms also opens markets with the same end and the same object’. Ibid. p401 and p403.

Güell's reiterations of his patriotic commitment were also designed to refute the repeated suggestions that protectionists were simply Catalan 'egoists', a view the British enthusiastically supported.⁴⁹¹ During his European tour of 1846 to evangelise the cause of free trade, Richard Cobden met Güell, who was widely seen in Britain as the leader of the Catalan 'stronghold of monopoly'. The *Manchester Guardian* optimistically reported that Güell had been won over to the cause: 'Mr Güell, the largest mill owner in the place, was very much taken by the extreme modesty and unassuming manners of Mr Cobden and seemed much staggered in the policy of his long-entertained prohibitive principles'.⁴⁹² Indeed, from the subsequent and frequent references in his writing, Güell does appear to have been genuinely impressed by Cobden's arguments in favour of free trade. However, the reporter totally misread the encounter: Güell's admiration was based on Cobden's clear-eyed view of British interests. 'Like a good patriot he points out what is to his country's advantage, to the interests of the League which he heads' as he wrote later.⁴⁹³ In fact Güell saw his task as matching Cobden's determined and principled advocacy with his own patriotic commitment to the protectionist route to Spain's renaissance as an independent and wealthy power.

Güell's goal of building a nationally based alliance for industrial development faced deep divisions of interest within Spain itself, many of them typical of countries developing from a near-feudal agricultural system and possessing only weak central institutions. These divisions reflected geographic and sectional interests, as well as inadequate institutional methods for resolving conflicts. As a result, much of Güell's career was taken up with battles to weld dissident protectionist factions into effective political campaigns.⁴⁹⁴ There were particularly serious divisions over the role of agriculture: an important section of Catalan industrialists wanted the Government to allow the import of cheap foreign grain to restrain the growth of wage costs.⁴⁹⁵ Similarly, the attractions of the increasing demand for foodstuffs and wine by

⁴⁹¹ This is still a potent theme of Spanish political discourse nearly two centuries on as many in Catalunya seek greater independence from central political control.

⁴⁹² *Manchester Guardian*, 26 December 1846.

⁴⁹³ Güell, *Escritos* p466. He referred to Cobden's arrival in Spain, only half ironically, as the 'appearance of the English Apostle'. Later, reviewing the impact Cobden's ideas had made, he wrote of 'the immortal Cobden. How much would the Spanish have given to have some Cobdens!' Ibid. p981.

⁴⁹⁴ In the historiography the protectionist lobby is often presented as a coherent entity based on the Catalan (later joined by Vizcaya) industrialists, an image which to a large extent reflected the apparent political unity of the Catalan parliamentary representatives and their access to, and use of, the media, not least by Güell himself. In practice, divisions within the movement reflected the different regional and sectional interests that supported protectionist policies.

⁴⁹⁵ Güell argued that 'we want cheaper bread, but we prefer expensive to cheap, foreign bread because above all we want to see a secure daily wage', the benefit of which is then returned to Catalonia in increased demand for its industrial products. Güell, *Escritos* pxxxv.

Britain's explosively growing population led many agriculturalists to support a mutual lowering of tariff barriers that a trade treaty with Britain promised. These conflicts led much of Güell's polemical writing to concentrate on the mutual dependence of domestic industry and agriculture. Even within Barcelona, there were divisions, notably between commercial and industrial interests. Cobden himself recognised these and tried to exploit them on his visit to the city in 1846. As the *Manchester Guardian* reported: 'Barcelona has its advocates of free trade, all commercial houses connected with the South American trade [...] it is likely that the commercial men unconnected with the manufacturers and some to the principal nobility and proprietors will offer Mr Cobden every attention'.⁴⁹⁶ As a result of these conflicts of interest, there were powerful Catalan voices advocating free trade policies (notably the President of the Spanish Free Trade Association, Luis Pastor) throughout the period. Güell challenged these views directly, engaging in a long public debate with Pastor, in which he highlighted the country's and region's dependence on the wealth created by industry.⁴⁹⁷

There were even serious divisions over policy and tactics within his own organisation, the Instituto Industrial de Catalunya. These revolved around the efforts to organise a national campaign for protection by mobilising industries outside the textile sector and across the country. The first attempts in the early 1840s to build a national alliance for industry based on the textile industry had failed, hamstrung by the withdrawal of official recognition and the undeveloped state of the sector outside Catalunya. Later attempts by Güell's Institute to broaden its industrial coverage created tensions with Barcelona textile firms wanting to concentrate on their more immediate issues. Another issue was Güell's (and many of his colleagues') closeness to the *moderado* parties. Indeed in 1857 and 1858, Güell's role as deputy for the Unión Liberal party dismayed many in the business community who were determined to remain outside party politics. These concerns led to the creation of the politically independent Fomento Nacional de Producción in 1869 to fight the introduction of free trade legislation by the new revolutionary government. As president of the Fomento, Güell confronted another source of internal tension, between the centre and local branches over

⁴⁹⁶ *Manchester Guardian*, 26 December 1846. In a famous speech to the Cádiz chamber of commerce which led directly to the launch of Spain's first free trade organisation, Cobden had already played on divisions within the commercial sector: 'No merchant in England can see himself can see thwarted by the government in his enterprises under pretence of protecting the interests of certain classes, either at home or in the colonies. All enjoy an equal right to operate with entire liberty, but nobody holds any privilege over his fellow-citizens [...] in Spain you know perhaps manufacturers in Catalonia who turn pale at the name of free trade, yet nevertheless they will live to laugh in the same way as our old antagonists, the agriculturalists of England. Never have I known any trade which has been prejudiced by liberty, but I have seen many perish beneath the destructive shadow of protection'. *Manchester Guardian* 28 November 1846.

⁴⁹⁷ Güell, *Escritos*, p947.

tactics in confronting the new revolutionary government, with weaker industrial areas unwilling to take a militant anti-government stand.⁴⁹⁸ We can see in these conflicting interpretations of the national interest and the tactics for its achievement, the emerging debate over the path to modernisation for less developed countries in the new era of industrial empires. Spain had a sufficiently strong framework of governance and economic potential to challenge British (and French) economic domination and to set out an alternative path based on industrial development led by the state. However, the country remained profoundly divided, with the most powerful political forces seeing their interest lying in cooperation with the dominant industrial powers. Moreover, the protectionist challengers were themselves organisationally fragmented. They often differed over tactics, a reflection of the complexity of an economy whose scope ranged from feudal agriculture to modern industry. Later in the century these underlying social and political divisions were to appear even more sharply in the form of regional separatist and independence movements.

Both Jaumeandreu and Güell were deeply suspicious of the radical individualism that underlay British economic liberalism and took a correspondingly positive view of the role of the state. Instead of viewing it as a sometimes-necessary evil that interfered with the rights of individuals, they saw an effective and active state as a complementary and vital mechanism for the nation's social and economic development. The state was an expression of the community's responsibility for the welfare of its members, and therefore had an essential leadership role in carrying out the collective tasks necessary for its progress. This communitarian approach to economic development had strong roots in French and German literature and practice, finding expression in much of the contemporary socialist as well as conventional economic thinking. Güell for example read and was influenced by authors as diverse as List, Sismondi and Saint-Saens and was particularly interested in the practical policy implications of this thinking.⁴⁹⁹

Güell's proposals for state intervention in the economy represent an important step in setting an agenda for government that was to move to the centre of the Spanish political stage later in the century and well into the twentieth century.⁵⁰⁰ In line with his overriding concern to develop the nation's productive capability, he argued that the primary duty of the state was to defend Spain's borders. Secure physical borders were an essential basis for stopping the

⁴⁹⁸ Graell, p311.

⁴⁹⁹ Martín Nino, *op.cit.* p272.

⁵⁰⁰ As chapter seven will show, there is a direct connection between these ideas and those of the later protectionist activists such as the Basque politician and engineer, Pablo de Alzola and of the twentieth century technocrats such as Flores de Lemus.

scandal of uncontrolled smuggling, while establishing national economic boundaries was the foundation for a strong internal market, which could be protected from foreign competition threatening the development of domestic production capacity. Beyond this essential framework, the state had a central role in actively creating the conditions for the growth of domestic production. Güell saw this role in quite broad terms: at its centre was a comprehensive investment programme for infrastructure, aimed above all at improving Spain's inadequate transport system by investing in its roads, railways and ports. He was particularly opposed to the Government's passive approach to railway investment – the granting of generous concessions to foreign, mainly French, companies. In his view this approach resulted in a patchy network that reflected the foreign investment interests rather than the needs of domestic producers.⁵⁰¹ Worse, it meant that the benefits of the extraordinary spike in investment involved in laying down a wholly new transport network largely went to foreign suppliers. For Güell, this represented an extremely serious failure of leadership – the state should have co-ordinated the railway building contracts with the nascent metal industry to give domestic companies the opportunity to build up their capacity and capability.⁵⁰² He pointed to the misuse of the benefits of the sale of entailed land which could have been used to develop the mines and rail industry. This in turn could have:

[...] developed workshops and foundries for the machinery and locomotives, constructed warships and armaments; these and other productive resources would have supplied work to thousands of operatives, contributed to taxes and to the development of agriculture, industry and the arts, in turn providing the life to the railways which are today stunted and weak, near to death.⁵⁰³

Güell's advocacy of state intervention in this key sector, a form of industrial planning to spur multiplier effects throughout the economy, illustrates the width of his ambitions for the role of the state. Equally, he attributed much of the blame for Spain's backwardness to the failures of the state's administration, which had meant that the country had not taken advantage of its protected economy.⁵⁰⁴ He saw the state as largely responsible for the country's chronic

⁵⁰¹ It was a view widely shared at the time and later by economic historians such as Trebilcock, op.cit. p352.

⁵⁰² It took another sixty years for a link between government contracting and the development of domestic industry to be established: in 1909 the reconstruction of the post-Spanish American War naval fleet was concentrated on a joint enterprise company with Vickers Armstrong, the Sociedad Española de Construcción Naval, based in Bilbao.

⁵⁰³ Güell, *Escritos*, p769.

⁵⁰⁴ He blamed the economic and political crises of the 1860s for example on maladministration, highlighting budget deficits, the failure to control contraband, moral failure and the colonial adventures in Africa, Mexico, Peru war and Dominica. Ibid. p715.

industrial problems, its anarchic politics and even for not preventing the murder of his close friend and colleague Sol y Padris, during the upheavals and strikes of 1855.⁵⁰⁵ Unlike the free trade advocates, he showed a marked reluctance to blame workers' organisations or the character of people for these problems: indeed, Güell had a consistent, albeit paternalist, concern for the welfare of workers and a belief in the power, properly exercised, to improve conditions for them. By contrast, he believed the effects of the free trade reforms 'would be first to reduce the wages of the unhappy worker, always the first victim in these cases'.⁵⁰⁶

While strongly committed to an active role for the state, Güell and his colleagues were equally strong believers in the fundamentals of liberal capitalism. Their policy proposals were rooted in conventional liberal economic thinking: they fully accepted the principle of competitive markets and the need for governments to balance their budgets and were clear that government had no role in the direct production of goods. Although willing to lobby the Generals who had taken over from civilian regimes (he personally engaged with Generals Espartero, Narváez and O'Donnell) in support of protection, Güell remained fully committed to the liberal monarchy and to parliamentary government.

Although the protectionist cause was his life's work, he always saw it as an essential but temporary stage in Spain's development. For him, protection was a means to establishing national production, and 'only then after some years can we adopt free trade like England and thereby protect our liberties', as his friend and follower Pedro Bosch y Labrás put it in a public debate in 1868.⁵⁰⁷ Many historians in both Britain and Spain have pointed to the protectionist movement as a major contributor to the country's delayed industrialisation in the nineteenth and early twentieth century.⁵⁰⁸ Protectionism has been variously accused of resisting the introduction of modern production techniques, molycoddling inefficient industrial practices, safeguarding the interests of a narrow body of manufacturers in one 'selfish' region of the country and undermining the state by depriving it of the customs duties generated by international trade while creating incentives for smuggling. Its supporters have often been vilified as reactionary, illiberal, anti-social elitists interested in dividing the country for their

⁵⁰⁵ Graell reported that the minutes of the Instituto de Industria did not even mention the murder of its own President for fear of reprisals. Graell, op.cit. p266.

⁵⁰⁶ Ibid. p472. Such reductions in wages would then undermine consumer demand for domestic industries. This was the economic justification for Güell's concern for workers' welfare: elsewhere, he wrote 'the well-being of the working class is the cornerstone on which depends the prosperity of nations', Ibid. plxiii.

⁵⁰⁷ Quoted in Pugés, op.cit. p121.

⁵⁰⁸ Notable examples in Spanish and British historiography include Tortella, G *The Development of Modern Spain*, Harvard University Press, 2000, p298 and Carr, op.cit. p270.

own financial and political benefit.⁵⁰⁹ Although the protectionists were a diverse group with a range of interests and objectives, the writing and campaigning of their political and ideological leaders clearly refute such simplistic views. As fiercely patriotic liberals, theirs was a modernising vision for the Spanish nation, founded on rapid industrialisation and active leadership by the state. This was an explicit rejection of British political and ideological pressure to open Spanish markets and reflected a clear perception about the nature and foundation of British economic and therefore political power. Spain could only achieve a measure of national independence by challenging the free trade ideology. Protectionist resistance to Britain's free trade campaign therefore revolved around a vision of a modern, industrially based country based on patriotic nationalism and a central leadership role for the state as an expression of the collective interest. All these three elements were to re-emerge in different forms in the nationalist movements of the twentieth century. As chapter eight shows, they were to become the central policies of the state after the First World War, in reaction to the economic and political imperialism of the European – and, later, American – industrial powers.

⁵⁰⁹ A typical example of these views appeared in a contemporary *Times* editorial (which also reveals the growing 'orientalising' views of the Spanish by British elites): 'There never was a country where the principle of protection to native and prohibition to foreign industry had a fairer chance than in Spain. Hatred and contempt of foreigners and a ridiculous over-appreciation of themselves have ever formed striking peculiarities of the Spanish character'. The *Times* 24 November 1855.



Figure 3: Eudald Jaumandreu (1774-1840)



Figure 4: Álvaro Flórez Estrada (1774-1853)



Figure 5: Juan Güell y Ferrer (1800-1872)



Figure 6: Richard Cobden (1804-1865)

Chapter 7: The Rise of Economic Nationalism: The Careers and Writing of Pablo de Alzola and Santiago Alba

The second ‘window’ into the development of Spanish economic policy and practice explores a critical moment of change at the turn of the twentieth century through the careers and writing of Pablo de Alzola y Minondo and Santiago Alba Bonifaz. Although from different generations, these writers, both politically active, shared a strong commitment to liberal economic reform. Through their overlapping careers and writing, we can analyse an important stage in the evolving Spanish response to the pressures of European industrialisation. From the controversy over the country’s openness to foreign trade and investment, an issue that had dominated the nineteenth century, a broader debate developed over how to mobilise the state to build a modern economy capable of competing in a rapidly industrialising continent. Both Alzola and Alba played major roles in the evolution of Spain’s economic policy from nineteenth century economic liberalism to the economic nationalism of the twentieth century. Both men were pre-occupied with modernising the country and managing the competitive (and sometimes existential) threats posed by the industrial empires of northern Europe, Britain in particular. Moreover, at a crucial moment, in the immediate aftermath of Spain’s defeat in the 1898 war with the United States, they were colleagues in the early development of the regenerationist movement and worked together in the construction of a programme for national economic reform. As progressive and strongly patriotic liberals, they supported protectionism, not as an end in itself but as an essential basis for a programme of national economic reconstruction led by an active and interventionist state. Their common interest (and distinctive contribution) lay in drawing up the detailed plans necessary to implement this vision and in winning the political support necessary to put them into practice. However, their strand of politically liberal nationalism became a victim of the chaotic break-up of the Restoration regime. By the 1920s, the liberal approach to economic nationalism they represented had been hijacked by the political right, first by Primo de Rivera’s authoritarian interventionism and then, a decade later, by the sterile economic autarky of the Franco dictatorship. Alzola and Alba’s careers and campaigns are therefore a useful ‘lens’ to view a crucially important forty-year phase of Spain’s development, from a dependent of the British and French empires to a vulnerable actor in the wider global competition for trade and investment in the nationalist politics of the post First World War era.

Pablo de Alzola was born in San Sebastián in 1841 and trained as an engineer. His diverse career in politics, business, economics and finance put him at the centre of the political and economic debate created by Vizcaya's rapid industrialisation in the late nineteenth century, based on the spectacular expansion of its mining industry.⁵¹⁰ The mining and metal industry in and around Bilbao had grown particularly rapidly.⁵¹¹ Financed by direct foreign investment and by a share of the extraordinary proceeds of mineral extraction, the Bilbao region developed a wide range of new industrial companies and financial institutions, together with an urbanised middle and working class.⁵¹² As in Manchester a century earlier, these new social forces collided with a system of government rooted in land ownership, unsuited for, and unwilling to meet, the region's economic and social needs. Vizcaya politicians and industrialists made increasingly strident (though only fitfully responded to) demands on central government for protection against foreign competition and for greater investment in infrastructure, especially in housing and transport. As Mayor of Bilbao in the late 1870s, Alzola was at the forefront of these conflicts over industrialisation and urbanisation, arguing for a greater devolution of power from Madrid. As a prominent local industrialist, he was a vigorous opponent of free trade and the foreign economic domination that it had created (over half the mines around Bilbao were foreign, mainly British-owned).⁵¹³ A decade later, as a leading 1898 'regenerationist', he made the case for state intervention in the economy as the foundation of national recovery.

Alzola held apparently paradoxical positions: he was both politician and liberal technocrat; a conservative monarchist and a committed modernist; a businessman and a public-sector advocate; above all, a Spanish patriot although strongly committed to regional devolution. His liberalism was firmly based on collectivist principles. In this he drew inspiration both from long-standing Basque ideas of social solidarity and from the wider European communitarian

⁵¹⁰ This was one aspect of the extraordinary expansion of Spanish mineral production in the last quarter of the nineteenth century as it became Europe's main supplier. 'Between 1876 and 1900 Spain, with 23.5 per cent of the world's lead production and 16.8 per cent of its copper, was at the forefront of two major world industries, and over the same period, the nation produced more than 86 per cent of the iron ore and 90 per cent of the sulphur sold abroad by European countries. Meanwhile, the fabled mines of Almadén regularly contributed over 40 per cent of world mercury output'. Harvey, C and Taylor, P 'Mineral wealth and economic development: foreign direct investment in Spain, 1851-1913' *Economic History Review*, 2nd ser. XL, 2 (1987), pp. 185-207, p185.

⁵¹¹ By 1900 the Bilbao and Barcelona regions together made up a third of Spain's manufacturing employment. Rosés, J 'Why Isn't the Whole of Spain Industrialized? New Economic Geography and Early Industrialization, 1797-1910', *Journal of Economic History*, December 2003, p1002.

⁵¹² Portilla, M *Los orígenes de una metrópoli industrial: la Ría de Bilbao*, Bilbao, 2001.

⁵¹³ He set out this position at length in a speech to Catalan and Vizcayan representatives in 1893 protesting at proposals for a trade treaty, Alzola, P *Meeting-Protesta contra los tratados de comercio celebrado en Bilbao, el día 9 de diciembre de 1893*, Bilbao, 1894. See below.

thinking which had inspired the previous half century of Catalan opposition to the free trade policies of the Madrid governments.⁵¹⁴ Politically, Alzola had started as a liberal, helping to establish the broadly-based Bilbao Liberal Committee, which became an important focus for liberal monarchists in the Province. In later decades, Alzola was drawn to the conservatives, first by the Conservative Party led by Cánovas which had progressively embraced protectionism during the 1890s, and then, in the following decade, by Maura's authoritarian modernism. Although a convinced elitist who distrusted the masses, Alzola's views remained firmly liberal in many ways, not least in his resistance to religious ideas as the inspiration for political life and in his inflexible opposition to Carlist absolutism.⁵¹⁵ His belief that 'peoples and nations create a sense of shared belonging and a common history' led him to his unstinting support for the constitutional monarchy.⁵¹⁶ He never saw republicanism or socialism as alternative forms of government, still less, regional nationalism which he viewed as a regressive force.

Alzola's heterogenous opinions and principles allowed him to admire Britain's industrial and economic modernism while fiercely resisting both its economic individualism and its often-destructive impact on weaker countries such as Spain. Alzola expressed the national and modernist aspirations of many in the protectionist movement and was one of the important heirs of previous generations of Catalan industrial protectionists like Güell and Bosch y Labrus. His major contribution was to unite the protectionist movement in the País Vasco with Catalan industrial colleagues, as part of a national campaign for economic reform. On 9 December 1892 Alzola made a barn-storming speech to a 'transcendental' meeting of protectionist demonstrators in Bilbao.⁵¹⁷ The meeting had been called to protest against a proposed trade treaty with Germany: relocated from Barcelona in light of unrest there, it brought together two hundred and seventy two representatives of 'national production', including a hundred and seventeen brought by train from Catalonia and eighty six from Vizcaya. This mobilisation of the two principal industrial areas of Spain against the dominant ideology of economic

⁵¹⁴ Alzola 'did not believe in liberal individualism since he did not think society and individual interests coincided, nor that social ends could be reduced to those of the individual'. Barrenechea, op.cit. p xxiii.

⁵¹⁵ He also opposed Spain's imperialist aspirations and braved considerable hostility to his view that Spain should not seek to retain Cuba and Puerto Rico: 'Alzola was one of the few voices clearly arguing that it was not worth losing men and ships to maintain the unsustainable policy' for which he was roundly attacked in the jingoistic atmosphere of the time. Alonso Olea, E 'Pablo de Alzola y la modernidad', *Notitia Vasconiae*, No. 1, 2002, p215.

⁵¹⁶ Barrenechea, op.cit. p xxiii. Alzola was committed to the constitutional monarchy: he loathed the absolutist Carlist claimants to the Spanish throne. He had enlisted in the auxiliary forces defending Bilbao against the Carlist rebels in 1875 and had won a medal there, of which he was very proud. Alonso Olea, op.cit. p211.

⁵¹⁷ Barrenechea, op.cit., p cxxxi.

liberalism and free trade gave a significant impetus to the growing protectionist movement.⁵¹⁸ The meeting also marked an important stage in the politics of Vizcaya's own industrial development as the region's economy moved from a reliance on the extraction and export of iron ore to the development of a substantial metalwork industry serving the domestic market. The enthusiasm of the traditional Vizcaya elite for free trade (a policy which had supported the export of minerals and the import of machinery) was ebbing. The profits of an increasing number of its members were now based on a domestic metal industry which faced intense international competition in its Spanish market. As a result, the region was now looking for state-supported tariff protection under the slogan 'Spain for the Spanish' and an explicit repudiation of the British-inspired economic policy of open borders for trade and investment.⁵¹⁹

This embrace of protection also meant an important change in the political priorities of the regional elite, from its traditional preoccupation with the defence of local fiscal autonomy, the *fueros*, to an identification with the interests of the nation as a whole.⁵²⁰ They argued that since 'the iron and steel industry is one of the most indispensable elements of a modern nation', the defence of its national market was now essential and this national project required broad-based political collaboration to win nationwide support.⁵²¹ Alzola, as a national patriot and an advocate of local industry as well as a long-time opponent of free trade, was the ideal promoter of this case: the Bilbao meeting gave him a national platform to attack Spain's industrially dependent role and make the case for constructive protectionism.

It was said that trade between our nation and foreign powers would supply us with machines, artefacts and manufactured goods in exchange for the fruits of the fecund soil and splendid sun of Castile and Andalucía and raw materials supplied by exploitation of our mines [...] that Spain didn't need industry, engineers, mechanics or chemists.⁵²²

⁵¹⁸ Barrenechea, op.cit. pcxxii. The re-location of the meeting to Vizcaya was seen as a milestone in the development of the region's industrial and political power, complementing Catalonia's long-established role as Spain's leading industrial region.

⁵¹⁹ In June 1893, one of the region's leading industrialists, Victor Chavarri, chartered five trains to bring five thousand workers to Madrid to press for more protection and a rejection of grants of further most favoured nation status. Other slogans at the demonstration included 'Long Live National Industry' while national flags were widely flown. Fusi, *J Política Obrera en el País Vasco 1880-1923*, Madrid, 1975, p140.

⁵²⁰ In the following year, Chávarri, working in association with Alzola in the League of Vizcaya Producers, was to abandon the liberal Sagasta Government and vote against the trade treaty with Germany in a Senate debate of April 1894. The led to Sagasta's fall, the return to power of Cánovas' protectionist conservatives and the abandonment of treaty negotiations with Germany. Alonso Olea op.cit., p215.

⁵²¹ Corcuera, J *La patria de los vascos: orígenes, ideología y organización del nacionalismo vasco (1876-1903)*, Madrid, 2001, p264.

⁵²² Alzola *Meeting*, op.cit. p51.

He went on point out that successive Madrid governments had accepted this subaltern role for the country as the inevitable consequence of their free trade policies. Free trade advocates in Spain had gone along with the simplistic assumptions of the British and French economists. Scathingly, he accused them of basing their thinking on ‘idyllic ideas’ which ‘predicted the abolition of monopolies, the opening of frontiers, universal peace and fraternity, the abolition of armies and the creation of universal justice. They forget reality’. Alzola paid tribute to the half century of Catalan resistance to free trade arguments: ‘we were saved from defeat and general collapse by the good sense and patriotism of the men of Catalunya and Barcelona’.⁵²³ The speech, later published as a pamphlet, established Alzola as a nationally significant leader of the ‘industrial’ protectionists.

The most politically effective advocates of protectionism, however, were not the Catalan or Basque industrialists but the Castilian wheat growers. It was only when they had turned to protectionism in the 1880s as new means of transport enabled US and Russian wheat crops to flood the international market, that Madrid Governments, led by Cánovas, had abandoned free trade. Much of the *cerealista* campaign however was focussed on the defence of existing markets while the approach of Catalan and Basque manufacturers was quite different. For them, protectionism was the basis for economic development, a means not an end in itself.⁵²⁴ Protectionism was not an all-encompassing ideology but a useful policy in specific circumstances which should reflect ‘the national variations of circumstances which means there are particular interests in a country that are not shared by foreigners’.⁵²⁵ Alzola was resolutely non-ideological on the issue: ‘I do not believe in absolute ideas; I believe protectionism or free trade is a contingent issue that depends exclusively on the circumstances of the nation. I would be a free trader in England and in Spain, a protectionist’.⁵²⁶ Like many of the Catalan protectionists, he firmly refuted arguments that linked liberal political rights to free trade beliefs, suggesting ‘politicians had become free trade supporters because they pathetically

⁵²³ Ibid. p52.

⁵²⁴ The review of Santiago Alba’s career below shows there was an important reformist element to the Castilian agrarian movement. The existence of this faction helped give Alzola and Alba the opportunity to build alliances between the Castilian *cerealistas* and the Catalan and Vizcaya industrialists.

⁵²⁵ Alzola, P *Colección de discursos y artículos sueltos sobre tratados de comercio y aranceles*, Bilbao, 1896, p21.

⁵²⁶ Ibid. We can see in these contingent arguments the thread that links Alzola with Jaumeandreu and Güell’s approach, a generation earlier, as outlined in the previous chapter.

confused political liberty, for which they struggled with determination, with freedom of commerce'.⁵²⁷

He was however, very sensitive to the free traders' accusation that protectionism advantaged producers over consumers and that by diminishing foreign competition, it preserved inefficient, monopolistic domestic suppliers.⁵²⁸ For Alzola, as for the Catalan protectionists, the intellectual foundation of protectionism was protection of a weaker country's infant industries not the entrenchment of its established enterprises. Alzola therefore advocated fiscal measures both to compensate consumers and salary earners for the higher costs of protectionism and to incentivise protected industries to improve their productivity.⁵²⁹ Alzola also pointed out, as Güell had done before him, that Britain itself had relied on protection to build its own industrial base. However, he took care to emphasize that the protection by itself was not sufficient – other essential conditions were necessary for successful industrialisation:

The apostles of free trade in England don't see the causes of its extraordinary trade but its symptoms [...] they forget the preceding centuries of protection that allowed English governments to accumulate capital, encourage savings, create the habit of association, stimulate the development of private initiative, support the inventors of machinery and create a formidable industrial organisation.⁵³⁰

He pointed to the wider dangers of international monopolisation, highlighting the threat to Spain's independence of Britain's economic imperial dominance:

The preponderant development of one country and the domination of the rest clashes with the desire for independence by those who aspire to develop their wealth and strengthen their political system [...] the nation that monopolises industry globally reducing the rest to agriculture and primary products, will become universally dominant.⁵³¹

Spain's fate was 'to be relegated to the modest task of producing only the fruits of the earth and extracting minerals, as if they were dealing with Morocco or an African protectorate'.⁵³²

⁵²⁷ Alzola, P *La política económica mundial y nuestra reforma arancelaria*, Bilbao, 1906, p218 quoted in Barrenechea, op.cit., pcxx.

⁵²⁸ He was fiercely committed to reform of existing tariffs, many of which he saw as excessive. However, as Güell had argued a generation before, this was not the case for the metal or machine tools industries which depended on Spain's internal market and faced strong foreign competition and unused capacity, especially in the trade downturn of the early 1890s. Barrenechea, op.cit., p cxxvii.

⁵²⁹ Op.cit. p ccxvii.

⁵³⁰ Alzola *Colección* op.cit. p21.

⁵³¹ Alzola, P *Progreso industrial de Vizcaya*, Bilbao, 1902, p.40.

⁵³² Alzola *Meeting*, op.cit. p53.

This reassertion of Spain's political and economic independence expressed an increasing resentment at the neo-colonial role that northern European industrial powers, and specifically Britain, had assigned for Spain. The corollary of that resentment was his claim that Spain's national potential could be realised by restoring control over its resources.⁵³³

Alzola's fierce patriotism did not however, lead him into inward-looking economic nationalism that characterised much of the political right of succeeding generations. His denunciation of the 'pernicious doctrines of free trade'⁵³⁴ was designed to support policies that would build an effective modern state capable of competing internationally. Protectionism was necessary to shelter the country from powerful, more advanced nations while it invested in the infrastructure, people and organisation required for industrialisation. In this task, the role of the public sector was crucial, and it is here that Alzola made his second significant contribution to Spain's economic debate.

Alzola's belief in the essential contribution of the state and the public sector to economic development followed from his view that 'the nation was an indispensable organism mediating between the individual and humanity in general'.⁵³⁵ It was clearly also rooted in his education and early career and remained a strong commitment throughout his life. In this, his views were radical: the dominant view of the Restoration elite was that the state's role should be confined to defence and market regulation. Alzola believed this reliance on private initiative and unregulated competition was unsustainable in an increasingly complex industrialised world, especially for weaker, agriculturally based economies like Spain's. Alzola's distinctive contribution was to apply the communitarian precepts of social responsibility to an industrialising society and to do so with detailed and practical proposals. During his career he tackled the relationship between community, state and private initiative in fields as diverse as economic policy, urban planning, infrastructure construction, industrial re-organisation, education and relief for the poor.⁵³⁶

⁵³³ A generation later these were arguments were the basis of the nationalist economic policies of Primo de Rivera's dictatorship and a decade later, of Franco's rigid, autarkic regime, as chapter eight discusses.

⁵³⁴ Barrenechea, op.cit. p cviii.

⁵³⁵ Alzola *Progreso*, op.cit. p40.

⁵³⁶ We can see his direct descendants in the following generation of economists whose leading figure, Flores de Lemus, was equally inspired by German thinking, equally unideological and technocratic, and equally broad in the subjects he tackled. Flores de Lemus shaped the economic policies of both the Primo de Rivera dictatorship and the Second Republic. Velarde Fuertes, *J Economistas Españoles Contemporáneos: Primeros Maestros*, Espasa Calpe, 1990, p80.

Alzola's early career as an engineer in the 1860s had confronted him with the shockingly inadequate level of investment in Spain's infrastructure, especially its road network. In the following decade, as Bilbao's mayor during the early stages of its extraordinary growth spurt, he was brought face to face with the problems of unregulated urban development. In a city where individual property rights were paramount, each community facility, from roads to schools, had to be painfully negotiated with individual property owners. This experience reinforced Alzola's hostility to political philosophies based on untrammelled individualism. He argued that the state must have the power to intervene in the property market on behalf of the community through compulsory purchase of property. He was clear that 'the cause of public utility' meant restrictions on the sanctity of property.⁵³⁷

He applied the same logic in his campaigns for greater state commitment to industrial development. Pointing to the major factors holding back development,⁵³⁸ Alzola was particularly concerned by Spain's over-reliance on private initiative to build and maintain infrastructure which, he argued, had led to its exploitation by foreign investors and by the need for short term profit return. As Güell had done forty years before,⁵³⁹ he attacked the refusal of successive Spanish governments to intervene in the railway franchising system by specifying Spanish suppliers for the equipment, as a key reason for the very slow development of the country's metal industries. Like Güell, he was interested in turning rhetoric into concrete plans. At the national Assembly of Chambers of Commerce in Zaragoza for example, he led a twenty-six-member Commission, 'charged with preparing reports for a huge national programme' of economic regeneration. Alzola produced a detailed analysis of the problems and practical proposals for the second Assembly in January 1900.⁵⁴⁰ Later that year he joined Silvela's Government as the Director General of Public Works responsible for the management of the public-sector spending. Alzola used the post to champion an active, diligent and benevolent role for the administration of public works,⁵⁴¹ arguing that 'public works using Treasury funds

⁵³⁷ In this, as in other areas of public life, Alzola was totally opposed to the liberal idea that 'the State should be reduced to a type of Civil Guard leaving the initiative for all public works in the hands of the private sector' Alzola *Meeting*, op.cit. p69. Later in the speech, Alzola's explicitly repudiated the British-inspired liberal ideology, attacking the classical economists' arguments for a minimum role for the state. Ibid. p71

⁵³⁸ He listed the main factors holding back Spain's industrialisation: 'the poverty of its market; insufficient raw materials; high transport costs especially because of the terrain; the impossibility of specialisation in a restricted consumer market; the lack of technical expertise, aggravated by insecurity of employment and our productive capacity and because the State, the main client in other nations, does little to support its national industry'. Alzola, P *La Industria Siderúrgica en España*, Bilbao, 1906, p17.

⁵³⁹ Güell, *Escritos*, op.cit. p770. Alzola particularly admired Juan Güell for his meticulously researched work in support of his analysis.

⁵⁴⁰ Barrenechea, op.cit., p clix.

⁵⁴¹ Alonso Olea, E op.cit. p219.

constitute one of the strongest resources of national life'.⁵⁴² He attacked the foreign domination of public contracting, pointing to foreign firms which 'frequently appealed to have contractual conditions varied through pressure, sometimes violent, via their Embassies, which placed the Government in the highly undesirable position for an independent country, of a colony or protectorate of a foreign country'.⁵⁴³ Alzola's detailed experience of the means by which foreign countries exerted pressure on Spain in itself provides evidence for the continuing pressures of informal imperialism into the twentieth century.⁵⁴⁴

Alzola instead favoured the use of public and private joint ventures and direct public intervention, approaches which he believed were the basis for German success in confronting Anglo-American individualism. 'Alzola's undeniable preference for the German over the British model fairly expresses his liberalism and reflects the importance he always attributed to public administration as a key, active element in creating a dynamic economic life'.⁵⁴⁵ Alzola also supported the German model of state intervention in the field of social welfare. Like the Conservative leader Cánovas, he was a great admirer of Bismarck's policy of maintaining social stability through the introduction of social welfare measures.⁵⁴⁶ He saw them as essential both as a check on the increasing social and labour tensions created by Vizcaya's rapid industrialisation and as a means of raising productivity, reflecting a model of social liberalism then emerging throughout Europe, including in Britain.⁵⁴⁷ Although convinced that widened inequality was an inevitable outcome of industrialisation, he was an active supporter of both state and community interventions to ameliorate its negative effects.⁵⁴⁸

⁵⁴² Alzola quoted in Barrenechea, p clxxiv.

⁵⁴³ Ibid. He argued strongly for control of foreign companies in the metal industries, together with detailed proposals for government support to modernise the domestic industry. Alzola *La Industria Siderúrgica en España*, op.cit.

⁵⁴⁴ Portilla credits Alzola as one of the first voices arguing against the massive export of minerals by foreign owned companies pressing the government for controls on exports and arguing for 'the nationalisation of these sources of wealth' Portilla M, *La Formacion de la sociedad capitalista en El País Vasco 1876-1913, vol II*, San Sebastián, 1981, p221.

⁵⁴⁵ Barrenechea, op.cit. p clxix.

⁵⁴⁶ Cánovas was clear about the need for social reform and admired Bismarck (an admiration returned), agreeing with him about the primacy of social policy. 'For me, in our times, a political regime will be judged above all by its ability to maintain order in labour and capital by thereby contributing to its necessary cooperation. All governments render tribute, to a greater or lesser extent to the socialism of the State'. Velarde Fuertes, *J Tres sucesivos dirigentes políticos conservadores y la economía. Análisis de Cánovas del Castillo, Sileva y Maura*, Madrid, 2007, p94.

⁵⁴⁷ Alzola established a Vizcaya Charity Association driven by non -religious, non-discriminatory principles and opposed the religious educational curricula. He argued for 'social reform on the German model as the basis for raising productivity thus demonstrating his liberal pragmatism'. Barrenechea, op.cit. p clxxxix.

⁵⁴⁸ Barrenechea, op.cit., p cxc. The social and labour disturbances of 1890-2 mark, together with textile industry strikes of 1890 and 1892 in Catalonia, the beginning of modern industrial conflict in Spain, driven by rising expectations and working-class self-consciousness. They led to widespread debate over the 'social problem'

Alzola made his most important contribution to national policy making in the final decade of his life. In 1904 he was appointed President of the Advisory Commission of the Tariff Committee with the job of shaping the proposed reform of the Tariff Law (eventually passed in 1906) so it could best support development of the economy. Like Güell before him, he believed a state role in supporting national industrial development was an essential complement to protectionism. Previous proposals for state intervention had usually been set out in rather general terms, often little more than vague slogans: in his role as President of the Advisory Commission on tariff reform Alzola now turned these aspirations into a comprehensive development plan. Arguing that economic development would not inevitably follow tariff reform, he maintained that a broadly-based and budgeted regeneration plan was an essential complement. Its starting point was the development of the industrial capacity necessary for Spain to benefit from its own mineral and agricultural primary materials. Alzola set out an integrated programme of short and long term economic and social measures to do this. These included reduced taxes on transport and rail rates, a system of tariff rebates for coal used in metal industry, measures to expand the shipping industry and government backing for the development of the arms industry. He also called for the abolition of many of the restrictions on rights of association for workers and employers and made ambitious and comprehensive proposals for public works, including reforestation and agricultural development, support for tourism, and reform of commerce.⁵⁴⁹

Alzola's career spanned a period of change between two distinct stages of Spain's economic development. He grew up during the high point of liberal free trade in the 1850s and 60s but, from the 1870s, he witnessed and helped champion the turn to protectionism, which was to culminate in the 1906 Tariff Reform. Although many protectionists simply aimed to defend existing interests, the movement as a whole still saw protectionism as the route to innovation and modernisation. Alzola's important contribution was to set out, in practical and comprehensive detail, an economic reform programme, building on arguments pioneered by Güell and his Catalan supporters half a century before. He developed a recognisably modern economic reform plan in its range, detail and priorities: indeed, many of the elements of Alzola's programme reappeared in the economic intervention policies of Primo de Rivera's Dictatorship, the Second Republic and Franco's regime. Alzola's understanding of the

throughout Spain. Fusí, *J Política Obrera en el País Vasco 1880-1923*, Madrid, 1975, p140. Alzola was also a strong advocate of technical education. Barrenechea, op.cit. p clxxxviii.

⁵⁴⁹ Barrenechea, op.cit. p ccxvii.

essential role of the state in a capitalist economy and a positive role for public-sector intervention represented an important challenge to the prevailing small-state liberal orthodoxy. Others, notably Flores de Lemus, who were also inspired by the German model of managing industrial capitalism, were to follow hard on Alzola's heels.⁵⁵⁰ The political weakness of his technocratic and elitist vision was its failure to connect with the growing mass movements of the time: his proposals were instead taken up by the authoritarian right. After his death in 1912, his one-time political ally, Santiago Alba attempted to resist the increasing drift of economic nationalism to the political right by broadening the political appeal of Alzola's liberal modernism.

Santiago Alba, born in 1872, a generation later than Alzola, was raised in Valladolid, the so-called 'true capital' of Castile. Like Alzola, he was a bridge from the simple ideological debates of the nineteenth century over free trade and protectionism, to the more complicated conflicts over the role of the state that were to dominate twentieth century politics. Alba's journey, from agrarian protectionist to leading advocate of active state interventionism, was a response to Spain's changing relationship with the outside world. Like many 'regenerationists', he believed Spain's disastrous war of 1898 had shown that economic modernisation could only be achieved by state leadership of a nation-building programme of political and economic reform. Alba was at the centre of two important debates over the competing visions of how this process could be achieved, the first in the wake of the 1898 'disaster', the second, in 1916, a consequence of the economic and political crisis brought on by the First World War.

Alba was the son of a prominent local lawyer (who later became a deputy in Parliament for the area) and he initially followed his father's footsteps by training as a lawyer. However, aged twenty, he bought, with a partner, the important Valladolid-based regional newspaper, *El Norte de Castilla*. He modernised the paper, adopting both its liberal politics and its commitment to the protection of Castilian agricultural interests. Appointed Secretary of the Valladolid Chamber of Commerce, he was elected as a local Councillor in 1897, aged twenty-five. At the end of the following year, he was one of the main organisers of the national Assembly of Chambers of Commerce in Zaragoza, designed to set an agenda for national regeneration. The

⁵⁵⁰ As a young professor and fellow adviser to the Maura Government, Flores de Lemus disagreed with Alzola's approach to taxation. However, his approach and support for government intervention over the following three decades owed much to Alzola's approach. Velarde Fuertes, *J Flores de Lemus ante la Economía Española*, Madrid, 1961, p25.

Zaragoza Assembly (together with the subsequent Assembly he organised a year later in his hometown of Valladolid) represented an important development in the debate over the country's modernisation. Although given impetus by the wave of concern about the country's backwardness in the wake of the 1898 'disaster', the Assembly's regenerationist economic reform agenda had been brewing over the previous decade. This had been apparent in the 1893 initiative to unite the Catalan and Vizcaya industries and Castilian agriculturalists (the '*fuerzas vivas*') behind the call for protection and modernisation, which Alzola had helped to organise. Elsewhere in Spain, Camilo Pérez Lurbe the mining industry entrepreneur and leading member of the Cartagena Chamber of Commerce had used the prestigious *Gaceta Minera y Comercial* to call for 'the productive classes identified with the nation's interests, to play a leadership role'.⁵⁵¹ These long-standing concerns were brought to a head in the immediate aftermath of the 1898 War. The Cartagena Chamber called for Chambers of Commerce to work together to propose measures to meet the demands of the nation's under-represented producers.⁵⁵² There was an immediate and positive response from Chambers in all the country's main centres of industry, together with national bodies such as the Fomento de Producción Nacional and the Círculo Industrial de Madrid. Almost one hundred delegates from thirty two Chambers attended the Assembly's opening in Zaragoza in November 1898 and agreed three main themes: political and administrative reform, financial control of government and measures for economic development especially at local level.⁵⁵³ Following five successful days of debate, a Commission was established which drew in wider representation from republicans and the Agrarian Chambers (at the instigation of Alba and Joaquín Costa) and inspired the foundation of new Chambers of Commerce in over twenty further towns and cities. The Commission focussed on opposition to the Conservative Government's tax and spending reforms, but their proposals were ignored by the Silvela Government. The Commission, by now representing nearly two hundred and fifty organisations, called a further 'extraordinary Assembly' in Valladolid in January 1900. Largely organised by Alba, this Assembly successfully brought together 'producer' organisations (the so-called '*fuerzas vivas*') from across the country, representing both urban based industry and the agrarian reform movement, behind a set of practical proposals for economic modernisation. The Assembly also served as the launch pad for a new political party, the Unión Nacional (which subsequently merged with Costa's Liga

⁵⁵¹ Egea Bruno, P 'Cartagena ante el desastre del 98', *Anales de Historia Contemporánea*, 14 (1999), p226.

⁵⁵² Ibid. p227.

⁵⁵³ Ibid. p231. As noted in the previous section, a commission, chaired by Alzola, was set up to define practical proposals for infrastructure development.

Nacional de Productores). However, the attempt to turn the campaign into a political party, rather than a pressure group for economic regeneration, dismayed many (including Alzola who refused to join the new party). The new party's campaign against the government budget policy failed and by the end of the year the party was declining rapidly, crippled by its contradictory demands, calling on the one hand for broad-based economic reform, and on the other, for lower taxes and less government, the priority for its predominantly *petit bourgeois* base.⁵⁵⁴

Despite its apparent failure, the movement launched by the Zaragoza Assembly had successfully introduced regenerationist economic development ideas into the political mainstream. Convinced that only parliamentary politics rather than social movements could instigate real change, Alba moved into the Liberal Party. As he said himself, it was important that the reform movement 'transform itself, to evolve from the street to Parliament, from being a class movement to a political and parliamentary movement'.⁵⁵⁵ Over the next decade he championed economic reform based on a strong and active role for the state, against the instincts (and opposition) of many of his more traditional 'small state' liberal colleagues.⁵⁵⁶ Like his political mentor, the Castilian provincial boss and later cabinet member in the Sagasta government, Germán Gamazo, Alba's liberalism was both reformist and protectionist. He argued, with Gamazo, that the agrarian movement should be the basis of an alternative politics, 'to shake the whole country'.⁵⁵⁷ Unlike Gamazo, who was later drawn into his brother-in-law, Antonio Maura's conservative party, Alba remained a strongly committed political liberal. He admired Britain's system of government for its political coherence and economic direction (though he rejected its radical individualism) and wanted Spanish governments to build the

⁵⁵⁴ Alba's view was closer to Costa's radical position than the mainstream of the party he had helped create: in 1902 Alba wrote of the vital importance of intensification and reform of the agricultural sector and of 'the need for total reorganisation of public services as set out by the Union Nacional'. Alba, *S Problemas de España*, Madrid, 1916, p15. As Egea Bruno points out, Costa also became a hostage to the narrow class base of the Union Nacional, Egea Bruno, *op.cit.* p236. Costa found this very uncomfortable, given his tactical moderation and his radical strategic vision, the exact reverse of the Unión Nacional, which turned out to be radical in its methods and conservative in its vision.

⁵⁵⁵ Quoted in Cabrera *et al*, *op.cit.* p72.

⁵⁵⁶ He was also fiercely committed to improving Spain's education system based on state investment, pointing to the waste arising from high levels of illiteracy and the exclusion of women from higher education as well as the system's neglect of technical and scientific training. This would be the basis for 'awaking in every Spanish patriot a belief [...] that we can develop in ourselves dignity, a sense of independence, the habit of work, a desire to improve ourselves' Alba (1916a), p108. As we have seen, Alzola had a similar commitment to educational improvement.

⁵⁵⁷ Alba later summarised Gamazo's (and his own) view that the Agrarian League 'should not be reduced to mere agricultural protectionism but should develop the capacity to shake the whole country [...] it had to transform itself, to evolve from the street to Parliament, from being a class movement to a political and parliamentary movement' quoted in Cabrera *et al*, *op.cit.* p72.

same united consensus behind national production as had happened in Britain.⁵⁵⁸ His response to Britain, combining admiration with deep resentment of its exploitative role in Spain and elsewhere, was typical of the liberal ‘modernising’ protectionists. Like them, Alba believed Spain should imitate Britain’s industrialisation path, seeing this as a vital component of the country’s transformation, an essential complement to agricultural reform. Catalan manufacturers and Castilian wheat growers therefore had a common interest in supporting tariff reform to defend national production. Understanding that industrialisation would empower new political forces, republicans and socialists in particular, Alba argued they should be brought into the political mainstream. Political instability, and even revolution, would follow if the demands of the new urban working classes were not met through substantial measures of state support.⁵⁵⁹

Despite being at odds with the ‘small state’ and elitist traditions of the Liberal Party, Alba pursued these arguments for state-led economic regeneration and social provision in the decade before the First World War. Some modest elements of these regenerationist ideas were in fact put into practice under Conservative governments, with the launch of hydraulic initiatives, education reforms and further railway building,⁵⁶⁰ notably under Maura’s government of 1907 to 1909.⁵⁶¹ However, the political and economic crises brought on by the First World War were to show their pitiful inadequacy. Five years after Maura’s fall from power in 1909, Spain’s economic backwardness was brutally revealed by the impact of economic and social changes brought on by the First World War. The costs and benefits of war fell in a wildly unbalanced way between the country’s different social groups and regions. These imbalances were made worse by the profound inadequacies of Spain’s financial, taxation and infrastructure systems and by the low level of its industrial development. By 1916, these shortcomings had created both economic and political crises, reflected in the increasing, often violent, protests in

⁵⁵⁸ Britain ‘has always managed its military dispositions, its diplomatic negotiations, the work of its Parliamentary Chambers, even the struggles of its political parties around economic needs and is today a model of rich, flourishing and prosperous nations [...] something we have scarcely begun to do in Spain’, Alba, quoted in Cabrera *et al*, op.cit. p69.

⁵⁵⁹ We can see the generational change here, from Alzola’s elitist suspicion of these new social movements (and hence his attraction to Maura’s radicalism) to Alba’s recognition that they had to be incorporated in any stable political settlement. There were parallel developments in the same period in Britain’s Liberal Party.

⁵⁶⁰ Cebellos Teresi’s monumental history of government initiatives in the first third of the twentieth century records the series of modest investments in public projects over the period escalating in scale through the decade to Gasset’s 105m peseta programme of road, hydro works, ports and agricultural support in 1911, Cebellos Teresi, *J La Realidad Económica y Financiera de España*, Madrid, 1931, volume 1.

⁵⁶¹ Maura, ‘the Spanish Bismarck’, also represented a break with liberal conservatives, with his explicit economic nationalism and support for interventionist regeneration and social reform. Velarde Fuertes, *J Tres sucesivos dirigentes políticos conservadores y la economía*, Madrid, 2007, p139.

streets and workplaces. The exhausted and increasingly fragmented Restoration regime showed itself incapable of absorbing the new social forces created by rapid urbanisation and industrialisation.⁵⁶² Romanones, barely retaining power in the 1916 general election, appointed Alba as Finance Minister. This in itself was an acknowledgement that Alba's ideas about the need for a more powerful and active state were now more acceptable in an era of crisis, even among traditional economic liberals. An influential book published in 1916, by one of the country's leading liberal economists, Francisco Bernis, expressed this new mood. Bernis made a passionate defence of the need for the state to lead the creation of a fair and moral basis for individuals to exercise freedom: 'as important as the sphere of individual liberty is, as important is the sphere of the State, responsible for the state of well-being, for a community based on ethics and culture'.⁵⁶³

In June 1916, two months after his appointment as Finance Minister, Alba responded to the newly positive attitude to state intervention with proposals for radical reform. His budget presentation to Parliament was recognition that previous regenerationist policies, designed to improve public services and create a fairer basis for taxation, had failed.⁵⁶⁴ The centrepiece of Alba's proposed 'extraordinary' budget was a special tax on the 'super profits' that had been earned from the exceptional demand for Spanish products, notably textiles, minerals and agricultural goods. Alba proposed that proceeds from this tax would help fund a broadly-based ten-year programme of public investment. Rehearsing the regenerationist arguments he had made over the previous eighteen years, Alba showed an appetite for state-led intervention that underlined his party's break with its economically liberal, free trade past. In his words, the reconstruction programme involved putting into practice 'a nationalist policy of economic autarchy [...] which would create, stimulate and intensify, with the intervention of the State as

⁵⁶² In the remaining years of the war, no combination of parties and individuals, including powerful figures like Maura, were able to gain or sustain a majority in the Cortes. The growing political instability was felt most in Barcelona, scene of the worst violence and repression.

⁵⁶³ Bernis also summarised a widespread view of the extraordinary profits made from the war: 'the Spanish people know that the economic benefits are a social product and that the new concentrations of people in the great cities have created these stupendous values [...] it is the inequalities of income and how they are created that nourish aspirations for reform'. Bernis, F *La Hacienda Española*, Barcelona, 1916, p31. Bernis pointed to the lack of state oversight as a cause of Spain's economic problems: 'The crisis is created by the lack of sufficiently intelligent, responsible and farsighted direction of the modern economy [...] like an orchestra with many conductors who don't communicate adequately between themselves', Bernis, F *Consecuencias Económicas de la Guerra*, Madrid, 1923, p24.

⁵⁶⁴ In his speech to the Cortes on 5th June, Alba pointed to the past failures to reconstruct the economy to improve production and argued that 'if we are to demand sacrifices from our citizens we have to confess to our responsibility and propose change' Alba, S *Un Programa Económico y Financiero*, Madrid, 1916, p xi. This was an economic necessity 'not just to improve life for citizens but to ensure that Spain does not fall behind during this period of profound transformation' Ibid. p xviii.

the only way this could be done [...] the great task of making Spain self-sufficient'.⁵⁶⁵ He spelt out the inadequacies of the country's capacity to supply even the basic needs of a modern economy ('fertiliser, hemp, jute, of wheat, of coal') and argued it was the job of Government to meet these needs:

To create, to stimulate, to intensify efforts through state intervention because in no other way can we carry out in time the great work of putting Spain in a position of self-sufficiency. We will have to carry out this work in all areas of the country and in all the state's activities.⁵⁶⁶

Alba's argument for an economic policy that defended the country from predatory foreign powers and investors, marked a fundamental change in approach from the traditional reliance on simple forms of trade protectionism. The commitment to a comprehensive state-led policy of national self-sufficiency also showed the developing resistance to the exploitative role foreign investors, led by Britain and France, had played in the economy. Politicians at the heart of government were now rejecting the non-interventionist and 'open economy' policies that had characterised the free trade period.

To win bipartisan support, much of Alba's programme drew on long-standing ideas and project proposals. He set out these out under three categories. The first was the 'ordinary' budget, which included proposals covering education (new schools and primary teachers), reductions in military spending in Morocco, a move to tax profits rather than production and the development or extension of state monopolies in alcohol, explosives, tobacco and matches.⁵⁶⁷ The second category was the so-called 'extraordinary budget' which included the proposal to tax the 'super profits' of wartime industry. In making the case for this profits tax, he was attacking another nineteenth-century liberal shibboleth, namely the balanced budget. He pointed out that 'a love of the fetish of a balanced budget' in the past had starved investment funds for infrastructure and resulted in fragmented and delayed (and therefore more expensive) projects. Anticipating Keynes, he argued that 'a manager of the finances of a country is not simply the manager of a limited company' but must be able to make investments in capital using credit.⁵⁶⁸ As Alba himself put it in a speech to the Cortes in September 1916, tax policy is 'an expression of a policy of intervention and regulation, that uses taxes not only as a means

⁵⁶⁵ Alba's speech to the Cortes, June 1916, quoted in Cabrera *et al*, p267.

⁵⁶⁶ Alba (1916b), op.cit. p xxviii.

⁵⁶⁷ Cabrera *et al*, op.cit., p125. For Alba, these proposals were not ideologically motivated but pragmatic responses, designed to improve revenue collection.

⁵⁶⁸ Cabrera *et al*, op.cit., p327.

to meet the needs of the Treasury but as an expression of social policy, economic and financial direction'.⁵⁶⁹ The extraordinary budget amounted to 2,134m pesetas, half of which was for the Ministry of Public Works (mostly for roads, railways and ports) with another ten percent for education. Though large, it amounted to only a little over one percent of Gross National Product and would not have 'crowded out' private investment as was alleged at the time.⁵⁷⁰ Alba's third set of proposals revolved around support for the private sector to expand production and was introduced with a call for an activist state which 'has to be a driving force, the most active, diligent, even if you like, the most audacious driving force behind the expansion of national wealth'.⁵⁷¹

Building on a growing acceptance of a wider economic management role for the state, Alba's radical programme prefigured the main themes of twentieth century interventions by the state. Its proposals for an integrated sector-based plan for the economy built on work that Alzola, Flores de Lemus and others had done to identify nationally essential economic sectors. He pointed to key areas of activity, where 'we should not be dependents on the outside world', highlighting the merchant marine, coal mining, iron and steel products, minerals, machine tools, fertilizers, agricultural machinery and chemicals.⁵⁷² In words which Juan Güell could have used eighty years before, Alba's aim was to provide an impulse to 'the flowering of great industry in the country' by smoothing its development path. Alba's policies won broad support and much praise at the time: indeed, their long-term impact was to be reflected in the approaches to industrial policy of the regimes of Primo de Rivera, the Second Republic and Franco that succeeded the Restoration.⁵⁷³ In the immediate term however, this final attempt on the part of the Restoration parties to deal with the country's chronic economic crises failed. A bitter parliamentary battle erupted in the autumn of 1916, uniting opposition from industrialists, concerned about the 'supertax' proposals, and traditional landowning interests, unhappy at the proposals for an active role for the state.⁵⁷⁴ Together with an opportunist campaign by Cambó

⁵⁶⁹ Zarroluqui, J and Marsá, A *Santiago Alba: el hombre, el símbolo*, Barcelona, 1930, p94.

⁵⁷⁰ 'This budget was only 1.14% of GNP (and only 0.35% in 1926) and could easily have been afforded. Arguments that it would have crowded out private investment were misplaced although it might have raised borrowing costs'. Cabrera *et al*, op.cit. p335.

⁵⁷¹ Ibid. p341.

⁵⁷² Ibid. p358.

⁵⁷³ 'Subsequent industrial legislation accentuated interventionism and State control and the support measures that Alba claimed would be transitory became a permanent feature' Ibid. p360.

⁵⁷⁴ Some employers' organisations however supported Alba and opposed the Lliga Regionalista's mobilisation against his proposals. The Fomento Nacional de Trabajo for example argued the Lliga's campaign was part of a political strategy to weaken the *turno* parties. The Barcelona Chamber of Commerce even removed a Lliga deputy from their presidency for his support of Cambó. Martorell Linares, M 'El fracaso del proyecto de ley de

to undermine Romanones' liberal government,⁵⁷⁵ the result was to kill off Alba's 'extraordinary budget' plan, despite widespread support for the principles of his reforms.⁵⁷⁶

The intense budget debate of 1916 uncovered an underlying consensus about the scale of Spain's underdevelopment crisis and the broad policy direction that succeeding regimes would take. In future, the state would play an ever-greater role in the economic management of the nation while protecting itself as best as it could from the unconstrained operations of economically dominant powers. Alzola and Alba played active, as well as emblematic, roles in the development of more independent economic policies shaped around Spain's problems of underdevelopment. Their work was one strand of the growing political nationalist movement that saw protectionism as an essential component of regeneration, necessary both as a pragmatic policy response to Spain's economic vulnerability and a foundation for wider, collective economic measures, mediated by the state, to build a modern nation. Both Alzola and Alba were acutely aware of the country's internal political and institutional weaknesses and the national effort required to meet the intense pressures of international competition. Their ideas and writings are an important indicator of Spain's changing reaction to (and increasingly general rejection of) foreign economic domination. Although their version of liberal protectionism and active state intervention was pushed aside by various forms of conservative interventionism (notably Maura's manifesto for a 'revolution from above'), many of their arguments and ideas were adopted (albeit often in distorted form) by the authoritarian regimes of Primo de Rivera and Franco. Alzola and Alba had advocated a measure of autarkic development to protect the country from foreign exploitation during its economic 'take-off': this was turned into an end in itself by Franco, a vision in which Spain withdrew from the

beneficios extraordinarios de Santiago Alba en 1916: una lectura política', *Revista de Historia Económica*, 1998 (2) p521-555, p537.

⁵⁷⁵ Pabon, author of a landmark biography of Cambó, pointed to the source of the underlying division between Alba and Cambó: Alba was among the leading Liberals, 'a modern man', concerned to restore the 'equilibrium' of Spanish society, a supporter of the country's *fuerzas vivas y reales*. His job, to renovate Spanish liberalism made him an implacable foe of Catalan regionalism and led to the obsessive duel with Cambó. However, the two agreed on many of the fundamental issues, especially over the economic policies necessary to modernise the country. As Cambó himself said: 'Years later he many times told me the two of us agreed what was necessary to govern Spain. And he was right'. Pabon, *J Cambó 1876-1918*, Barcelona, 1952, p446.

⁵⁷⁶ As Marín Arce points out, this support was broad, although insufficiently deep, embracing 'agrarian syndicates, workers' and employers' organisations, Town Halls, most of the press and Parliamentary minorities including the socialists and republicans'. Unamuno wrote a number of warm letters to Alba during this period, noting a one point, 'I am one of those Spaniards who are most expectant about the political direction you are taking from which can emerge the resurrection of the now moribund Spanish liberalism' Marín Arce op.cit. p376.

global capitalist system and created a new economic empire linking Spain and South America in a vision of *hispanismo*.⁵⁷⁷

⁵⁷⁷ As one of the founders of JONS, Ramiro Ledesma Ramos wrote 'The people of Spanish America are for Spain the perpetual manifestation of its imperial capacity', quoted in Pike F, *Hispanismo 1898-1936*, London, 1971, p301. In 1935 the leader of the Falange-JONS, José Antonio Primo de Rivera wrote of South America that 'it is one of the best titles that Spain can advance for reclaiming a pre-eminent post in Europe and in the world' Ibid. p302.

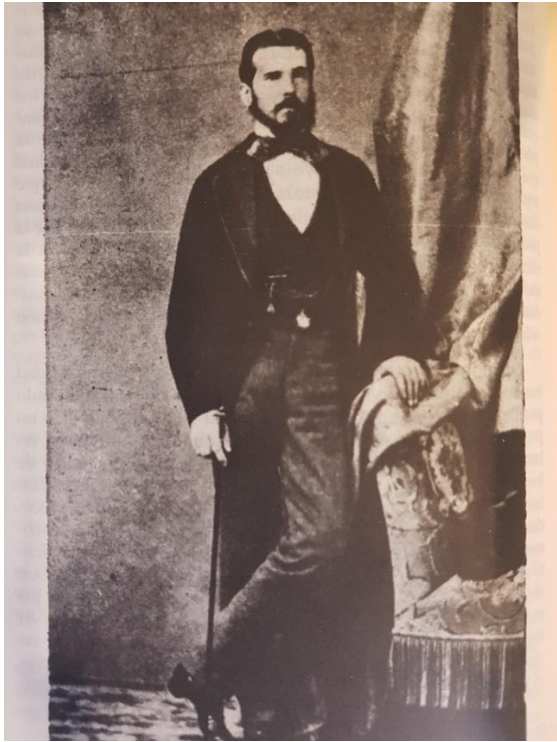


Figure 7: Pablo de Alzola (1841-1912), aged 33



Figure 8: Alzola as Vizcaya Senator in 1907



Figure 9: Santiago Alba (1872-1949)



Figure 10: Alba in 1922

Chapter 8: From Economic Nationalism to Autarky: The Careers and Writing of José Calvo Sotelo and Juan Antonio Suanzes

This chapter uses the policies and writing of two important interwar political figures, José Calvo Sotelo, Primo de Rivera's Minister of Finance, and Juan Antonio Suanzes, Franco's Industry Minister as a third 'window' into the evolution of Spanish economic policy and practice. It traces the final stage in the journey from the nineteenth century disputes over free trade and protectionism to the autarkic economic nationalism of the twentieth century. Spain's turn to increasingly radical forms of economic nationalism following the end of the First World War, was driven initially by the failure of the *laissez-faire* policies of the Restoration regime to cope with the profound economic crisis that the War had left in its wake. In the following decade, the economic policies of both the Primo de Rivera dictatorship and the Second Republic also proved inadequate, especially when faced by the world trade slump. These economic failures opened the way for Franco's radical dictatorship. Primo de Rivera's regime had adopted wide-ranging measures of direct state intervention to support economic modernisation and national independence, but Franco went much further, with a policy of extreme economic autarky. His emphasis on the state's role as the incarnation of the country, as well as an instrument of economic policy, marked a final decisive break with the dominant 'small state' economic liberalism of the nineteenth century.

At Versailles Treaty negotiations in 1919, President Woodrow Wilson launched a new post-colonial political era. In Spain this helped to fuel an already-widespread resentment, on both left and the right of politics, at the country's dependency on foreign capital. For both Calvo Sotelo and Suanzes and the dictatorships they served, the Spanish economy was the victim of exploitation by external finance, trade and investment interests, made possible by the country's chronic political and economic weakness. They, like previous generations of protectionists, identified Britain's central role in this process and argued for strong measures to control its impact on the country. In an increasingly interconnected world economy, both dictatorships found this could be achieved only with increasingly authoritarian interventions by the Spanish state. The two men's approach had a further important common feature: both attempted to put their different approaches to economic nationalism into practice while preserving the country's underlying social structure. After some apparent early successes, both found it was impossible to reconcile these contradictory aims over the long term.

Despite the similarities in approach, there were very significant ideological differences between the two men and the dictatorships they served. For Calvo Sotelo, Primo de Rivera's authoritarian dictatorship was a stepping-stone to a new form of democratic state and an economic modernisation that would enable Spain to compete on equal terms with other European powers. For Suanzes on the other hand, dictatorship was an end in itself, a living embodiment of the autarkic state that sought to take its own economic and political path, largely independently of the rest of Europe. This points to the different nationalist ideologies underlying the two dictatorships: Calvo Sotelo and the Primo regime were supporters of a corporatist capitalism while Suanzes and the Franco dictatorship rejected international capitalism in favour of radical political and economic autarky. Both forms of economic nationalism were a reaction to the external economic and political pressures on Spain which had created deep social contradictions over the previous century. These external pressures, many of them originating from, and sponsored by Britain, had helped to create and maintain the deeply uneven development of the Spanish economy. This in turn had led to the country's chronic state of political crisis whose contradictory pressures the two authoritarian regimes attempted, but failed, to resolve.

The worldwide economic crisis that followed the First World War had a particularly devastating effect on Spain. The loss of the international markets won during wartime led to widespread unemployment and social and political violence. The effects were compounded by the profound divisions that the war had magnified, between the agricultural areas, many still under near-feudal management, and the centres of industry, largely concentrated in and around Madrid, Barcelona and Bilbao. The crisis went beyond the impact of the war to the chronic failure of the *laissez-faire* economic policies of the Restoration regime to develop a balanced economy over the previous half century. Protectionism, originally championed by many industrialists and agriculturalists as a strategy to give native enterprises space to develop an effective manufacturing base, had come to serve and defend special interests. Combined with a disastrous monetary policy, a deeply unequal tax system, a wholly inadequate infrastructure and a crisis in local government finance the result was to bring 'the national economy to the edge of crisis', as Velarde wrote. 'The Restoration had never tried to resolve the long-term problems of the Spanish economy. It had been the servant of minority interests to which it was

pledged and the economic and social contradictions resulting from its policies had come to appear irresolvable'.⁵⁷⁸

The social chaos and political desperation generated by these multiple failures generated a degree of social consensus over the need for interventionist economic policies during the first years of Primo de Rivera's dictatorship, despite its politically repressive nature. The regime's immediate priority was to secure social stability in the wake of the near revolutionary disturbances of the previous seven years. Its longer-term aim was to develop Spain's economy through a policy of state-supported industrialisation and a fairer distribution of the social dividend so it could take its place as an equal partner among European powers. Velarde argues that these policies, and the strongly nationalist narrative surrounding them, meant that the Dictatorship represented a significant break with the Restoration past. Pointing out that Primo de Rivera's regime had tackled fundamental issues, largely ignored by the Restoration regimes, he argued it achieved 'a colossal advance of capitalism, measured crudely by the expansion of the five biggest banks and a notable stabilisation of prices'.⁵⁷⁹ Other writers have put a greater emphasis on the continuity of economic principles, from the beginning of the Restoration in 1876 to the proclamation of the Second Republic in 1931. Viñas *et al* for example, suggest that the Dictatorship's economic policies were 'simply an intensification of the same course established in the previous period, a deepening of already determined choices'.⁵⁸⁰ For Carr, the inspiration went even further back, to the modernising initiatives of the eighteenth century reformists.⁵⁸¹ There is, however, common ground over the origins of the economic nationalist response to Spain's underdevelopment. All these authors point to the pivotal role played by the Conservative prime minister, Antonio Cánovas, in setting the ideological framework for the Restoration regime's turn to economic nationalism. From the 1880s Cánovas channelled the disparate forces arguing for economic protection, notably the Castilian *cerealistas* and the

⁵⁷⁸ Velarde Fuertes, J *Política Económica de la Dictadura*, Madrid, 1974, p22.

⁵⁷⁹ Ibid. *Epilogue*. Earlier he cites the Restoration's failures to ensure that foreign investment, especially in the mining industry, benefited the country; that agriculture was reformed; that protectionism did not simply benefit established interests and; that monetary policy was not shaped almost wholly by the Treasury's chronic deficits. It is interesting that Velarde, originally a Falangist economist, continued to put the failure to benefit from foreign mining investment under the Restoration as the first of these issues: 'mining investment did little to benefit the country's economic development', in most cases simply resulting in 'miserable salaries for the workers, very limited tax receipts and bonuses, not even generous on occasion, to politicians who had favoured the foreign mining companies'. Ibid. p18-19.

⁵⁸⁰ Viñas, A Viñuela, J Eguidazu, F Pulgar, C Florensa, S *Política comercial exterior en España (1931-1975)*, Tomo 1, Madrid, 1979, p17.

⁵⁸¹ Carr, op.cit. p581.

Catalan industrialists, into a coherent conservative nationalist narrative.⁵⁸² One of the strongest features of this rhetoric was Cánovas' increasingly sharp attacks on the exploitation of Spain's resources by foreign companies. In building this aspect of his narrative, Cánovas was reflecting an increasing sense of outrage at the stripping of the country's mineral assets, especially by British-owned companies, and its dependence on foreign interests, notably the largely French-owned railways.⁵⁸³ These attacks were an expression of the country's growing disillusion with free trade ideology, the foundation of Spanish government economic policy over the previous half century, and its consequent turn to economic nationalism.

Spain's political and economic vulnerability to foreign interests was devastatingly underlined by its military defeat in the 1898 Spanish American War. Cánovas' theme of economic sovereignty was taken up by Antonio Maura, Prime Minister in 1904 and then from 1907 to 1909. Like Cánovas, Maura was deeply suspicious of the influence of foreign investors. His response to the post-1898 regenerationist movement was to support the 'ultra-protectionist' tariff laws, notably the 1906 and 1907 laws to protect national industry and the 1909 Naval Construction law. Constructed in the spirit of populist economic nationalism, these have been epitomised as the 'pure policy line of Antonio Maura'.⁵⁸⁴ Maura also responded, albeit modestly, to the regenerationist demands for modernised infrastructure by supporting a range of transport and water supply projects. This approach to regeneration required a stronger role and legitimacy for the central state: Maura's main political priority was therefore to replace the *cacique* system with an effective local administration to create a sound political foundation for (and under the control of) the central state.⁵⁸⁵

⁵⁸² Velarde puts great emphasis on the key role of Cánovas as the driver of two key developments of the era: state intervention based on an appeal to social populism and the protectionist alliance linking *cerealistas*, the textile industrialists of Catalonia and the Basque metal industries. Velarde Fuertes, J '1875-1986: Historia de un proceso de apertura económica exterior' *Política Exterior*, Vol. 1, No. 2, 1986 and Velarde Fuertes, J *Tres sucesivos dirigentes políticos conservadores y la economía, Análisis de Cánovas del Castillo, Sileva y Maura*, Madrid, 2007, chapter one. More broadly, García Delgado argues that by linking protectionism and patriotism in the 1890s, Cánovas' 'formulated the metaphysics of autarchy'. García Delgado, J *De la protección arancelaria al corporativismo* in Tuñón de Lara, M *España, 1898-1936: Estructuras y Cambio*, Madrid, 1984, p125.

⁵⁸³ Velarde summarises Cánovas' arguments: 'Spain was being undermined by the expropriation of its national capital, of its mines, its failure to take advantage of its rivers and coasts, the surrender of the gifts of Providence, which would lead finally to collective pauperism'. Velarde Fuertes, J *Tres sucesivos dirigentes políticos conservadores y la economía, Análisis de Cánovas del Castillo, Sileva y Maura*, Madrid, 2007, p87.

⁵⁸⁴ Viñas *et al*, *op.cit.* p19.

⁵⁸⁵ Punset summarises Maura's policy as a regenerationism which attempted 'to make continued political domination by the elites acceptable by discarding traditional *caciquism* and replacing it with new forces, legalising the status quo through local corporatist suffrage and wider local powers. This depended on creating a modern conservative party based on the neutral masses'. Punset Blanco, R *Clases medias ante la crisis del Estado español: el pensamiento de José Calvo Sotelo*, PhD Thesis, University of Barcelona, 1992, p579.

All these themes – protectionism, economic intervention, local administrative reform and a profound suspicion of the role of foreign investors – are reflected in Calvo Sotelo's writings and policies. In this sense, he was one of the most effective of Maura's disciples, although he himself was to be disappointed by his master's reluctance to take on political leadership in the final years of the Restoration regime. Calvo Sotelo's career is therefore a useful lens through which to assess the degree of continuity and change between the Restoration and the Primo Dictatorship regimes and the extent to which the Dictatorship's policies were a response to external economic and political pressures. Brought up in a traditional middle-class family and, like his father, trained as a lawyer, Calvo Sotelo was fiercely religious and a strong supporter of the monarchy.⁵⁸⁶ From youth, he was inspired by Maura's regenerationist thinking. Maura's main objective was to strengthen the central state and to re-connect state institutions with popular political power, Maura wanted to create a modern conservative party founded on the 'neutral masses', a political goal that Calvo Sotelo enthusiastically supported.⁵⁸⁷ This 'revolution from above' was designed to avoid a bourgeois revolution which, Maura believed, would inevitably be followed by the popular classes taking power.⁵⁸⁸ The failure of this project to mobilise the promised 'neutral masses' led Maura's supporters to support forms of 'controlled democracy' and later, to call for a 'strong and efficient regime' to defend the historic traditions of the true nation.⁵⁸⁹ Calvo Sotelo followed this path, seeing Spain's regeneration as dependent on achieving a nationally-founded social harmony based on a 'triple solidarity' of class and monarch, of generations (across history) and of geography (across the regions of Spain)⁵⁹⁰, led by a benign 'iron surgeon', in Costa's phrase.⁵⁹¹ Calvo Sotelo also

⁵⁸⁶ Calvo Sotelo's father was a distinguished judge in Galicia. Calvo Sotelo himself became a state lawyer but was quickly recruited by Maura as part of his personal secretariat during the 1918 'national' government to work on local government reform. The following year Calvo Sotelo was elected as deputy for Carballino in Orense. He lost his seat the following year, but Maura appointed him civil governor of Valencia, still aged only 28.

⁵⁸⁷ A decade later, faced with the same pressure to secure a legitimate political base for an elitist regime, Primo de Rivera made a similar attempt with his Unión Patriótica movement.

⁵⁸⁸ Punset, op.cit. p578.

⁵⁸⁹ Punset argues that it was Calvo Sotelo's realisation that there was no social base for a mass conservative movement led to his turn to the right during his period of voluntary exile in the first years of the Republic and later to his support for the military coup in 1936. Ibid. p581.

⁵⁹⁰ Punset argues this commitment to social solidarity reflected the insecurity of his own middle-class background, 'a weak and heterogenous stratum of society'. This led Calvo Sotelo to support the defence of European bourgeois values, typical of the 'peripheral bourgeoisie' of the great industrialists and bankers, rather than the middle class of his own background. Ibid. p577.

⁵⁹¹ The need for an authoritarian 'iron surgeon' to take charge of reform in face of Spain's institutional weakness was first articulated by Joaquín Costa and was a popular political trope in the first half of the twentieth century. For Costa, the concept was markedly more idealistic and less authoritarian than for many who later took up the phrase: the necessary political surgery 'must be the personal charge of an iron surgeon who deeply knows the anatomy of the Spanish people and who feels for them an infinite compassion'. Costa, *J. Oligarquía y caciquismo como forma actual de gobierno en España*, Madrid, 1902.

embraced Maura's approach to economic regeneration, specifically its emphasis on the development of industry through protectionism and infrastructure investment, couched within a framework of national economic progress. As Punset points out, Calvo Sotelo's regeneration agenda closely linked protectionism with political authoritarianism: 'its aggressive development-oriented approach' was in marked contrast to 'past forms of protection that were based on the defensive and "comfortable" monopolist and speculative thinking of traditional Spanish capitalism'.⁵⁹² This was a radical agenda of change that demanded a highly interventionist role for the state in the productive economy. At the same time, Calvo Sotelo recognised the political and ethical need to respond to the demands of an increasingly vociferous and organised working class: he therefore supported 'a vague and diffuse range of state-supported social reformist measures, while at the same time ensuring the popular classes were not able to interfere with the institutions'.⁵⁹³ By the time of Primo de Rivera's coup in September 1923, Calvo Sotelo had emerged from his time as Maura's political advisor, administrative bureaucrat and parliamentary deputy, as a pragmatic, authoritarian technocrat with a deep interest in administrative reform and economic regenerationism. He was also fiercely nationalistic. In his Parliamentary speeches in 1919 and 1920 he had distanced himself from the *laissez-faire* liberal conservatives, accusing the Restoration regimes of having encouraged the foreign exploitation of natural resources.⁵⁹⁴ These were attitudes and skills that fitted well with the Dictator's technocratic nationalism. Unlike his political hero, Maura, who saw the Dictatorship as representing the failure of his Parliamentary-based reform project, Calvo Sotelo greeted Primo de Rivera as a 'providential cleansing factor [...] able to bury forever the old ways'.⁵⁹⁵ For his part, Primo quickly recognised Calvo Sotelo's bureaucratic strengths and within weeks appointed him as Director General of Local Administration where he led the 'only structural reform of the Military Directorate', the 1924 Municipal Statute, which gave municipalities a measure of control over local services as the basis for their modernisation.⁵⁹⁶ Two years later, Primo, under strong political pressure to replace his military appointees with civilians, appointed Calvo Sotelo, still only thirty two, as Minister of Finance. Calvo Sotelo was now able to put his regenerationist agenda into practice and through his priorities and policies, we can discern his (and by extension, the regime's) ideology. His

⁵⁹² Punset op.cit. p581. As the previous chapter has shown, liberal protectionist modernisers such as Alzola and Alba had been similarly frustrated by Spain's adoption of defensive monopolist forms of protectionism.

⁵⁹³ Ibid. p583.

⁵⁹⁴ Prieto Mazaira, A 'El Pensamiento económica de José Calvo Sotelo' *Estudia histórica Historia contemporánea*, No. 31, 2013, pp17-48, p42.

⁵⁹⁵ Flores de Lemus, J *Calvo Sotelo ante la II República*, Madrid, 1975, p35.

⁵⁹⁶ Flores de Lemus, op.cit. p44.

thinking reflected the three central issues that he believed confronted Spanish economic governance: the management of a capitalist economy, the relationship between private business and budget management in the national interest.

Calvo Sotelo, with Primo's full support, rejected the individualistic capitalism that had been the underlying economic ideology (if not always the practice) for much of the Restoration period. It had opened the country to exploitation by foreign investors and traders while failing to resolve the crises created by the profoundly uneven development of the economy. As early as 1915, he had written that 'we need direct and open state intervention to resolve social problems [...] and to recognise the bankruptcy of the principles of individualism'.⁵⁹⁷ Like the nineteenth century industrial protectionists before him, he made production his central objective, 'the national interest, production, before all'. However, he recognised that a fairer state-led distribution of the benefits of production to support workers, was also essential, 'the state comes before the economy'.⁵⁹⁸ It was an active protectionist strategy which rejected the Ricardian view of international trade so beloved by the British and many Spanish free trade supporters throughout the nineteenth century, which suggested that Spain should concentrate on its agricultural and mineral exports and allow more efficient foreign producers to supply the country's industrial needs.⁵⁹⁹

Equally, Calvo Sotelo saw private enterprise capitalism as the essential foundation of technological and industrial progress. He was a strong believer in the traditional conservative principle that 'the best work of government is to give access to property by all social classes' since private property was 'the supreme motor of progress of human life in all its forms'.⁶⁰⁰ However the system had to be controlled to ensure it worked to the advantage of the nation: state intervention was therefore necessary to protect it from the 'egoism of private property', especially if this was required to generate socially necessary production.⁶⁰¹ He identified himself with industrialists, whose activities added value, against the 'pernicious' financial

⁵⁹⁷ Prieto, op.cit., p31. Calvo Sotelo himself made clear the centrality of economic nationalism in his thinking: 'Primo professed to be a fervent economic nationalist, a view that I shared with the warmest enthusiasm'. Calvo Sotelo, *J Mis Servicios al Estado*, Madrid, 1974 [Second Edition], p177.

⁵⁹⁸ Prieto, op.cit. p33. The roots of this interest in social concerns lay partly in his Catholic education and partly in the pragmatic politics of Cánovas who, like his friend Bismarck, supported social measures to preserve social stability.

⁵⁹⁹ González Calleja summarises Calvo Sotelo's view that 'it was necessary to nationalise industries whose primary materials were Spanish, and which were indispensable for the political independence of Spain'. Quoted in Prieto, op.cit. p20.

⁶⁰⁰ Quoted from a press interview with Calvo Sotelo, in Flores de Lemus, J op.cit. p57.

⁶⁰¹ Ibid.

speculators who ‘lack a social conscience’ and act only for themselves or for the banks. This pointed to the need for state protection for consumers and small shareholders.⁶⁰² Unconstrained capitalism had other damaging effects, notably in the way that its benefits were distributed. Calvo Sotelo opposed market-driven wage reductions, pointing out the importance of maintaining aggregate demand to drive economic growth. Consequently, he strongly supported Primo’s stand against government contractors’ efforts to cut wages on public contracts. Similarly, the gross income and wealth inequalities generated by uncontrolled capitalism were not only socially destabilising but economically harmful, since they reduced consumption and hence the market for industrial firms.⁶⁰³ As Finance Minister, Calvo Sotelo put these beliefs into practice through the tax system, an indication of his belief in the state as the central instrument in reconciling capitalism and the nation’s welfare. However, he failed to overcome the implacable resistance of the regime’s supporters, the ‘aristocratic bankers’⁶⁰⁴ and was forced to withdraw his proposals in a stark demonstration of the political limitations of his approach.

Calvo Sotelo firmly rejected accusations that his corporatist policies for the organisation of the economy meant he was a supporter of radical autarky. In an important Cortes debate in January 1928, he described his objective as the creation of a national economy. This he defined as one in which ‘a people, by successfully using its own resources, exploits its natural resources to provide life’s necessities and progress’, suggesting that ‘in this sense Spain has taken giant steps in the nationalisation of its economy’.⁶⁰⁵ National control over the means of production meant encouraging exports and avoiding a flight of capital and workers. Similarly, foreign investment was welcome but only as long as it did not threaten national independence.⁶⁰⁶ Economic modernisation therefore depended on a strong and unified state able to put in place the conditions for acceptable investment.⁶⁰⁷ The Primo Dictatorship’s struggle to reconcile its economic nationalism with the dominant capitalist powers can be seen at its clearest in Calvo Sotelo’s ambivalent approach to foreign investment. On the one hand, as we have seen, he was

⁶⁰² Prieto, *op.cit.* p33.

⁶⁰³ Calvo Sotelo *Mis servicios*, *op.cit.* p10. These proto-Keynesian arguments also underpinned his support for public debt-backed public infrastructure investment.

⁶⁰⁴ Flores de Lemus, *J op.cit.* p57.

⁶⁰⁵ Prieto, *op.cit.* p43.

⁶⁰⁶ *Ibid.*

⁶⁰⁷ Although its development policies were based on the protection of Spain’s internal market, the regime fully understood the importance of foreign trade, and gave its strong support to the development of trade financing (launching a new Banco Exterior), tourism, trade conferences and exhibitions. Velarde Fuertes, *J Política económica de la Dictadura*, Madrid, 1968, p24.

implacably opposed to historic agreements that had allowed foreign companies to exploit Spain's rich mineral resources, its railways and infrastructure, believing their investment had yielded very limited benefits for the country. One of his priorities in office was therefore to increase the very low tax rates paid by foreign, especially British, firms: his vociferously expressed arguments won him both popular support in Spain and the hostility of foreign powers. The proposal to increase taxes on overseas companies, and the general support it gained, was an important indicator of an increasing readiness across the political spectrum to challenge foreign economic exploitation. In a celebrated case, Calvo Sotelo used a whistleblower's revelation that the British-based mining giant, Rio Tinto, had been fraudulently reducing its tax bill, to seek a massive increase in its tax liability. A long and very public row followed during which the company mobilised the support of the British Government and City of London. In Spain, a press campaign exposed a rich vein of political resentment at foreign companies and Primo de Rivera himself was drawn into the dispute. Eventually a face-saving compromise was reached which had a symbolic rather than a real impact on the company.⁶⁰⁸

Conversely, Calvo Sotelo recognised that on both ideological and pragmatic grounds, Spain desperately needed foreign products, expertise and technology to support its industrialisation. The country therefore had to be open to foreign investment and this led him, with Primo's support, to set out clear limits to the scope of state intervention in the economy. They agreed active support by Government should be restricted to three categories: industries whose raw materials were found in Spain; those whose consumer market inside the country was large enough to build viable businesses; and those essential for national political independence. An example of the first category was lead mining whose product could help stimulate industrial transformation. The car industry was an example of the second category, as it could be developed on the basis of the domestic market in Spain. Support for naval construction and chemicals were seen as examples of industries essential to maintain the country's political independence. As he himself wrote, 'nationalisations in other fields, superfluous and unviable, were suicidal'.⁶⁰⁹

In the economic boom of the second half of the decade and in face of strong international and internal pressure to introduce more economically liberal policies, the balance of opinion in the

⁶⁰⁸ Avery, D *Not on Queen Victoria's Birthday: the Story of the Rio Tinto Mines*, Collins, London, 1974, p326 and Harvey, C *The Rio Tinto Company: an economic history of a leading international mining concern, 1873-1954*, Penzance, 1981, chapter 8.

⁶⁰⁹ Calvo Sotelo, *Mis servicios*, op.cit. p177.

regime began to swing away from protectionism. Calvo Sotelo himself became concerned at the hostile foreign reaction and acknowledged that Spain's tariff policy had become 'acutely protectionist'.⁶¹⁰ A League of Nations report in 1928 pointed to Spain as the nation with the world's most restrictive tariffs suggesting it was imposing an average rate of forty per cent.⁶¹¹ Its 1926 tariffs measures, aimed at iron and steel imports, had led to serious British resistance. In response, the Dictatorship decided on gradual reductions in some of the highest rates of duty in established industries. Supporting the move, Calvo Sotelo argued that tariffs designed to protect and promote national products should not be abused: there should be a fixed period (a year, five or ten years depending on circumstances) to acclimatise the industry after which it should not need exceptional help.⁶¹² With this classic 'infant industry' argument – which meant rejecting the permanent protection sought by both the radical autarkists and special industry interests – Calvo Sotelo demonstrated his commitment to mainstream classical capitalist ideology. These arguments showed him to be a successor to the liberal reformists of the previous protectionist generations, including Jaumeandreu, Güell and Alzola. Two years later, he led an international campaign to encourage foreign investment in the country, reassuring investors that they would have no difficulty in withdrawing their profits and down playing the extent of state interference in the economy – as he wrote himself, 'foreign capitalists have nothing to fear from our legislation'.⁶¹³ Paradoxically it was during this period, in July 1927, that Calvo Sotelo launched one of his most controversial interventionist initiatives, the establishment of a state monopoly, CAMPSA, in the production and distribution of oil and petrol products. This involved the compulsory acquisition of Standard Oil and Shell's Spanish assets which deeply divided opinion both at the time and subsequently.⁶¹⁴ Calvo Sotelo faced intense domestic hostility as well as an international campaign led by Royal Dutch Shell's chairman, Sir Henri Deterding, to deny oil supplies to Spain. Only a last-minute agreement

⁶¹⁰ Ibid.

⁶¹¹ Viñas *et al* suggest this may have been an exaggerated figure. Nonetheless, its publication fuelled pressure by Britain and the United States to lower tariffs and the regime was forced to respond. Viñas *et al* op.cit. p22.

⁶¹² Calvo Sotelo, *Mis servicios*, op.cit. p182.

⁶¹³ As he himself wrote: 'The dictatorship in Spain strives to introduce the least possible degree of interference with the normal daily life of the nation. It goes without saying that it does not support too audacious and consequently, dangerous reforms and it has a rather conservative tendency, so that foreign capitalists have nothing to fear from our legislation'. 'Spain Under Primo de Rivera: Possibilities for Investment of Foreign Capital by José Calvo Sotelo', 10 June 1929, *Barron's* (1921-1942), p21.

⁶¹⁴ The economist Gabriel Tortella, for example, has argued that CAMPSA had no economic justification and that a combination of state controls and its bank shareholders had anyway limited it to the import and distribution of oil products. Tortella suggested the monopoly was a revenue-generating manoeuvre to compensate for the failure of Calvo Sotelo's proposals for direct tax increases. Prieto, op.cit. p28. There is some justification for this charge as Calvo Sotelo himself acknowledged: the banks co-financing the venture were extremely risk averse and this meant that CAMPSA was unable to make innovative investments, Velarde (1974), op.cit. p180.

with the Soviet Government, outside the influence of multinational financial and oil interests, enabled CAMPSA to survive.⁶¹⁵ For Calvo Sotelo the arguments were clear: national sovereignty was at stake in a key strategic industry and the benefits of the private monopoly were being siphoned off by foreign owned companies. There was subsequent support for these arguments: Velarde for example, called the initiative a ‘bright spot’ in the Dictatorship’s corporate industrial policy. He highlighted its success in supplying the rapidly growing demand for oil products profitably, while making very considerable contributions to the Treasury (these rose from 112m pesetas in 1928 to 264m in 1932).⁶¹⁶

The regime’s attempts to corral other industries within the state’s corporate planning framework were less successful, as Calvo Sotelo himself was acutely aware. He pointed to the negative effects of the Dictatorship’s system of industrial regulation and saw the role of the Comité Regulador de la Producción Industrial, established in 1926 as especially pernicious.⁶¹⁷ In 1928, concerned at the impact of interventionist policies on the exchange rate, he commissioned a group of experts, led by Flores de Lemus, by then the country’s leading economist, to review Spain’s possible adoption of the Gold Standard. The wide-ranging and coruscating report that followed, made a deep impact.⁶¹⁸ Flores de Lemus highlighted the country’s lack of expertise and systems in managing the complex intervention programme the regime had initiated and argued that, together with high debt levels, ‘the excessive control of industry had been a negative economic factor leading to monetary depreciation’.⁶¹⁹ Calvo Sotelo himself willingly accepted these conclusions but found himself up against Primo de Rivera’s continued commitment to a radical intervention policy and was unable to implement the report’s central recommendations.⁶²⁰ Calvo Sotelo’s pragmatic responses to the implementation of his policies of economic nationalism illustrate a common dilemma for underdeveloped and dependent economies, such as Spain at that time: a lack of expertise and

⁶¹⁵ Initially a Spanish company, Petróleos Porto Pi, part-owned by Juan March, acted as an intermediary supplier but in November 1927 the Spanish Government negotiated directly with a Soviet Russian team and a three-year contract was agreed, at prices ten percent lower than the prevailing international rates. Tuñón de Lara, M, *La España del siglo XX* Tomo 1, Madrid, 1966, p180. There are parallels with the relationship between Cuba and the Soviet Union in face of US multinational pressures on the island in the 1960s.

⁶¹⁶ Velarde (1974), op.cit. p181.

⁶¹⁷ Prieto, op.cit. p21.

⁶¹⁸ Flores de Lemus, *A Dictamen de la Comisión para el Estudio de la Implantación del Patrón Oro*, Madrid, 1929.

⁶¹⁹ Calvo Sotelo *Mis servicios*, op.cit. p202.

⁶²⁰ As Calvo Sotelo himself put it: ‘in this, and other points, the President as well as other ministers, showed themselves to be intransigent in maintaining in full force of all the interventionist measures, as well as the guarantees over debt issues’, Calvo Sotelo *Mis servicios*, op.cit. p202.

infrastructure as they tried to take greater control over their economies in face of the dominant power of international investor interests.⁶²¹

Calvo Sotelo's regenerationist views can be seen most clearly in his budget proposals. These had two main themes: the creation of a more equitable tax system and a radical programme of investment to modernise the country's infrastructure. In his 1926 Budget, Calvo Sotelo (like Alba before him) attempted to introduce a profits tax to pay for social measures and cut indirect taxes, measures he revealingly saw as establishing an 'authentic' democracy in place of the political 'formalism' of direct suffrage. Like many of his attempts to convince the conservative classes of the need to concede some of their privileges to ensure social peace, the proposals failed. A furious press campaign, in which Calvo Sotelo's policy was labelled Bolshevik, attacked the measures, revealing, in his words, the 'egoism of the conservative classes reluctant to cede any of its prerogatives'.⁶²² The success of this retaliation was clear evidence of the Dictatorship's inability to confront the power of the classes which had brought it to power, a weakness that was to prove fatal to the careers of both Calvo Sotelo and Primo de Rivera himself. His financial reforms were more successful in other areas: the consolidation of the state's current debt, together with technical and administrative improvements, was one of the most radical and progressive in Spain's financial history.⁶²³

Calvo Sotelo's most significant economic contribution, however, was his comprehensive regenerationist budget introduced in July 1926. Working closely with the Public Works minister, the Conde de Guadalhorce, his so-called 'extraordinary' budget was based on a ten-year plan for public investment. The aim was to support industry with infrastructure, cheap credit and an expansion of the corporatist monopoly sector and was financed by a mixture of state-guaranteed loans and funds raised through newly created sector-based banks. These institutions (the Banks for Local Credit, Foreign Commerce and Agriculture) supported a programme of 'expansionary schemes almost Keynesian in their mobilisation of capital in the implementation of public works projects'.⁶²⁴ The wide range of investment projects included port improvements, eighty bridges, six thousand kilometres of roads in a thousand different schemes, public education,

⁶²¹ Flores de Lemus himself had pointed out that the bureaucracy, statistics and documentation were not ready or adequate for the Dictatorship's programme of active state interventionism. Velarde Fuertes, *J Política económica de la Dictadura*, Madrid, 1974, p24.

⁶²² Cited in Flores de Lemus, *J op.cit.* p56.

⁶²³ Prieto for example points to a number of authors, including Carr and Ben-Ami, who have highlighted the boldness and progressiveness of Calvo Sotelo's tax proposals. Prieto, *op.cit.* p20.

⁶²⁴ Velarde (1974), *op.cit.* p64. Calvo Sotelo however remained fiercely committed to reducing the budget deficit and this, together with his opposition to autarky, marks him off from the Keynesian policies of the Nazi and fascist parties. Prieto, *op.cit.* p46.

military spending (including the creation of a naval air force), new prisons and courts. The total amounted to 3500m pesetas spread over ten years (of which nearly half was aimed at infrastructure) and was additional to 3600m pesetas already approved as government loans for irrigation schemes and railway investment. Between them, these proposals represented a very significant financial commitment, amounting to a twenty percent increase in annual public spending.⁶²⁵ In linking a planned investment programme for the country's development to an ideology of economic nationalism, the policy was a practical expression of Calvo Sotelo's modernism. In an *El Liberal* interview in 1931 he argued that 'there was no other way for Spain than to exploit its own wealth, irrigate its dry areas, regulate its rivers, take advantage of the millions of latent kilovolts force, repopulate uncultivated land; in short to increase population density, consumer power and Spain's wealth, without undermining the taxpayer or the Treasury'.⁶²⁶ Some have pointed to the benefits of these public sector works as 'premature Keynesianism' while others have characterised them as typical of 'the economic exhibitionism of upstart, insecure regimes'.⁶²⁷ For Carr they were in fact 'a reversion to the ideas of Costa and behind him to the ideals of the eighteenth century reformers [...] an exaggeration of the nineteenth century protectionists' faith in a national market'. Carr goes on to argue Calvo Sotelo was 'haunted by dreams of autarky'.⁶²⁸ In fact, Calvo Sotelo's position was far more ambivalent: like previous 'modernising' protectionist thinkers, he saw protection as a temporary state.⁶²⁹ Interestingly, Carr's somewhat surprised conclusion contradicts his own criticism: 'in spite of the defects of their policies, the Dictator's technocrats were responsible for the most remarkable and frequently underestimated essay in modernisation'.⁶³⁰

Although Calvo Sotelo's plans provided a measure of stimulus for the Spanish economy, they failed to provide the hoped-for 'take-off' of Spanish industrialisation. There were two main

⁶²⁵ Ceballos Teresi, *J La Realidad Económica y Financiera de España*, Madrid, 1931-1933, Tomo VI, p79. The total public sector budget for the previous year, 1925/6, had been 3500m pesetas. In the event, there were problems in subsequent years when it became difficult to raise capital from foreign banks to finance the investment especially when the value of the peseta fell. Cabrera, M Comín, F García Delgado, *J Santiago Alba: un programa de reforma económica en la España del primer tercio de siglo XX*, Instituto de Estudios Fiscales, Madrid, 1989, p341.

⁶²⁶ Cited in Flores de Lemus, op.cit. p162. The Republic's subsequent problems in paying off the Dictatorship's debts suggest this was an overoptimistic assessment of its financial neutrality. Calvo Sotelo himself pointed to the similarity between his policies and the Republic's investment programme: 'I am very happy. Ninety per cent of my work has been expressly ratified by Señor Prieto. And I have been clearly praised by the socialist leader of France, M Auriol', highlighting the essential continuity of the Primo Dictatorship and the Republic's economic policies. Ibid.

⁶²⁷ Carr, op.cit. p581.

⁶²⁸ Ibid.

⁶²⁹ This position is in marked contrast with economic thinking under Franco which saw protectionism as a permanent barrier to the outside world, as its leading exponent, Suanzes, was to argue (see below).

⁶³⁰ Carr, op.cit. p581.

reasons for this: firstly, and most significantly, the Primo de Rivera dictatorship was trying to carry out reform without either changing the basic social structures inherited from the Restoration or challenging the influence of the special industrial and financial interests. As a result, the system of protectionism failed to incentivise investment in new capital equipment, while agricultural reform measures were introduced within the existing, unreformed distribution of land. The continuing dominance of these interests was confirmed by the replacement of Calvo Sotelo as Finance Minister by an orthodox conservative banker, Manuel de Argüelles, closely followed by Primo de Rivera's own fall from power in January 1930. The second major problem was the onset of the international trade slump which, combined with Spain's adoption of orthodox financial disciplines, led to the suppression of domestic demand. The Republic's subsequent acceptance of these same orthodox financial policies (partly under the Bank of England's pressures on the Spanish currency) was to restrict the economic room for manoeuvre available to the Republic's governments, with catastrophic consequences for its social and political objectives.⁶³¹

In summing up Calvo Sotelo, Alejandro Prieto describes him as a conservative, a monarchist, a nationalist, a Catholic and a supporter of an authoritarian, corporate, though not totalitarian, state.⁶³² His nationalism was an expression of the long-standing resentment at the dominant role that the imperial powers, especially Britain and France, had played and a response to the political and economic vulnerability it had helped create. Like the nineteenth century protectionists before him, Calvo Sotelo wanted to see Spain take its place again as a significant European power, a modernised and industrialised nation. Like them too, he believed this required a strong central state, committed and able to stimulate national production and to protect its citizens and communities. Unlike them however, he believed this would require the nationalisation of 'the profitable industries, necessary to ensure the economic autonomy of Spain'.⁶³³ Optimistically he claimed that the state should be able to claim part of the profits of these industries while 'at the same time guaranteeing private property since that is what gives the economy creative force, wealth creation and the evolution of civilisation'.⁶³⁴ A modernised

⁶³¹ Successive Republican Finance Ministers made stabilisation of the peseta their central priority in order to restore Spain's international credit rating. 'To achieve this they used conservative, deflationary measures, cutting back imports, reducing the bureaucracy and working to balance the budget'. Benavides, L *La Política Económica en la II República Española*, Madrid, 1972, p124.

⁶³² Prieto, op.cit. p25.

⁶³³ Prieto, op.cit. p47. He was never able to satisfactorily resolve the contradictions in this position, as the controversy over CAMPSA demonstrated.

⁶³⁴ Ibid.

economy would enable Spain to confront foreign competition with a strong and confident state, capable of negotiating with foreign governments and companies on equal terms.

Calvo Sotelo's journey from committed parliamentary *Maurista* to enthusiastic supporter of Primo de Rivera's dictatorship illustrates the growing dependence among the right of his generation on the direct, rather than Parliamentary based, management of capitalism to modernise the country. This turn to direct economic management reflected the weak popular base of the right in the face of the growing strength of working-class organisation, rather than any belief in dictatorship as an end in itself. Calvo Sotelo for example never advocated an autarkic future for the country. He remained a man of the 'bureaucratic hard right' (*conservadurismo burocrático*) in the tradition of the nineteenth century authoritarian prime minister, Bravo Murillo. Even after his turn towards the ultra-right under the Republic (when, as Pechorromán has suggested, he developed an ambiguous attitude to fascism and could be described as a *monarco-fascista*), he instinctively defended liberal democracy and opposed the Falange.⁶³⁵ A decade later Franco's dictatorship was to take a very different approach, while, paradoxically, eulogising the by now-martyred Calvo Sotelo.

Just ten years after Calvo Sotelo's ministerial fall, another adviser and Minister in a dictatorial regime, Juan Antonio Suanzes, played an equally decisive role in the state's response to Spain's internal and external economic crises. The military uprising of July 1936 represented the answer of the traditional elites to the political challenge of the newly enfranchised social forces unleashed by the Republic's democratic reforms. The aim of the military regime's savage repression was to destroy the democratic aspirations nurtured by the Republic. At the same time, its autarkic control of the economy was designed to create a radically new path to achieve the country's independence. Suanzes was the main architect of this autarkic economic policy and he played a central and critical role in its implementation. He translated the widely shared resentment at the loss of sovereignty Spain had suffered at the hands of foreign investors and financial interests, and specifically the British, into an economic policy requiring all-embracing state intervention and control of the population.⁶³⁶ In this sense Suanzes' thinking represented a radical change in the form of conservative nationalism initiated by Cánovas. Although

⁶³⁵ Prieto, op.cit. p26.

⁶³⁶ Ángel del Arco Blanco points out that Suanzes 'was far from being a mere technician within Francoism; we now see a man politicised and imbued with all the ideals of the Crusade', Ángel del Arco Blanco, M *Juan Antonio Suanzes: Industry, Fascism and Catholicism* in Quiroga, A and Ángel del Arco Blanco, M [Editors], *Right-Wing Spain in the Civil War Era, Soldiers of God and Apostles of the Fatherland, 1914-45*, New York, 2012, p158.

Cánovas' ideological successor, Maura, had remained a committed parliamentarian, his disciples like Calvo Sotelo had developed his authoritarian thinking under Primo de Rivera's dictatorship, a period Velarde characterised as 'pre-fascist authoritarian nationalism'.⁶³⁷ The Franco regime's authoritarianism however was qualitatively different in scope and nature and has been widely defined as totalitarian. Viñas *et al* have pointed out that one of the main drivers for the regime's need for such totalitarian control was the extraordinary radicalism of its economic programme: coercion was needed to put in place the measures required to ensure people and firms accepted the demands of a comprehensive import substitution policy.⁶³⁸ It was Suanzes who both defined the autarkic programme and, with Franco's enthusiastic support, was its most vigorous advocate and agent.

Like Calvo Sotelo (and Franco himself), Suanzes was a Galician. Born into a navy family in 1891 (his father was a veteran of the Cuba war) he was educated at naval school. He trained at the Naval School of Engineering in El Ferrol where one of his closest companions was Franco's brother, Nicolás. In 1922, after a period at sea he was appointed as a senior manager at the Cartagena shipyard, Sociedad Española de Construcción Naval (SECN), a joint venture of the British company, Vickers and the Spanish Government. During an intense period of investment in the navy, he oversaw the construction of a new fleet of destroyers and submarines. In 1926 he was appointed as Director of Construction at the El Ferrol shipyard where he worked for a further five years on the construction of Spain's cruiser fleet. There his major preoccupation was to raise the very low percentage of the Spanish-made components in the ships, a venture which was remarkably successful.⁶³⁹ The experience of working for British management had a profound, lifetime effect on Suanzes: 'he began to realise how Vickers was manipulating the management of SECN, which he saw as one of the causes of industrial underdevelopment of Spain, in this case the outcome of the subordination and dependency exercised by the British'.⁶⁴⁰ It is clear his subsequent political as well as personal attitudes were deeply affected by the experience. Writing in 1963 about his time at SECN, he referred

⁶³⁷ Velarde, J 'El Movimiento Estructuralista Español' in Molero, J *El análisis estructural en economía: ensayos de américa latina y española*, Madrid, 1989, p170.

⁶³⁸ Viñas *et al*, op.cit. p305. As Suanzes himself put it, this demanded 'the total nationalisation of consumption (autarky)'. Imports therefore had to be restricted while exports of national products, 'typical products of Spanish brand', were promoted. Cited in Ángel del Arco Blanco, op.cit. p156.

⁶³⁹ According to Miranda and Viscasillas this rose from an average of 20% in 1920 to 95% on the final cruiser that Suanzes oversaw in 1934 for SECN. Miranda, E Viscasillas, J 'In Memoriam: el General Don Juan Antonio Suanzes', *Revista de Historia Naval*, No. 101, 2008, p3.

⁶⁴⁰ Valdivieso, M 'Juan Antonio Suanzes, Mantenedor de Utopías', *Ferrol Análisis, Revista de Pensamiento y Cultura*, No. 27, 2012, p249. He was particularly bitter about the exclusion of Spanish technicians from key posts in the company.

to his treatment by one of the British managers as ‘a series of disagreeable incidents and humiliating treatment generated by his contemptuous and unjust idea of Spaniards’.⁶⁴¹ His subsequent experience as Inspector General of SECN Construction in Madrid confirmed this disillusion, made worse by the Spanish management board’s consistent failure to challenge British manipulation of the company. In February 1934 an episode took place that ‘went beyond the tolerable’.⁶⁴² Suanzes led a competitive bid to construct nine destroyers for Brazil, but the British partners then added a ten per cent mark-up, making it more expensive than the tender from Vickers’ own shipyard. Suanzes and three fellow managers then resigned in protest, causing a major political row. Gil Robles, the leader of the right-wing political party, CEDA, used the incident as an example of the ‘flagrant irregularities in our naval construction in the hands of foreign capital which is able to undermine the technical skills of the Spanish’.⁶⁴³ For Suanzes the central – and indelible – lesson was that vital national priorities such as defence should never to be subject to control by private sector companies, especially when they were under foreign ownership or influence.

For the next two years Suanzes worked as a consultant and then as managing director of an Austrian-owned engineering company in Madrid. On the outbreak of the civil war in 1936 he was briefly detained, before taking refuge in the Polish Embassy for six months. In March 1937, along with other Embassy refugees, he was allowed to emigrate to France. By April he had joined the military uprising and renewed his friendship with Franco at a meeting in Salamanca.⁶⁴⁴ He was quickly brought into Franco’s inner circle and, during the summer of 1937, worked with others on the plans to define a radical nationalist post war state. Appointed as Minister of Industry and Commerce in Franco’s first government, he was dropped a year and a half later, a victim of the Falange’s growing influence. However, just over eighteen months later, in September 1941 he was brought back to the centre of the regime as the first president of the INI (the Instituto Nacional de Industria), the powerful economic interventionist organisation established by the regime. Four years later, in 1945 Franco re-appointed him as Minister of Industry, a post he held alongside his role as INI President. As a result of this dual appointment, he was able to dominate the economic management of the country for the next

⁶⁴¹Suanzes, *J Ocho discursos*, Centro de Estudios Económicos de INI, 1963, cited by Valdivieso, op.cit. p250.

⁶⁴² Ibid.

⁶⁴³ Ibid.

⁶⁴⁴ ‘From that moment they struck up an extremely close and personal relationship and a political and military partnership of enormous importance. There were very few people, like Suanzes, who were able to achieve a harmony of perfect understanding with Franco; it would be actively maintained for the following twenty-five years’, Miranda and Viscasillas, op.cit. p6.

six years until, in 1951, he was forced out as the price of a US government loan. He nonetheless remained INI President for a further twelve years, continuing to play a central role in the direction and implementation of economic policy. In 1963, he finally resigned in disgust at the regime's turn to economic liberalisation.⁶⁴⁵ This long career at the heart of the regime's economic policy provides an excellent 'window' into the inception and development of the Franco regime's autarkic ideology as a reaction to foreign, especially British, economic dominance. Suanzes' policy of economic autarky and state-based economic interventionism was explicitly forged as the means to resist such foreign influence. Only intense pressures for more liberal economic policies, led by the United States from the 1950s, were able to force changes in the regime's policy.

There are conflicting views over the degree to which the Franco regime's economic autarky represented either a major break with past policies – inspired by the rise of fascist ideas across Europe – or an extension of the economic nationalist thinking of the late nineteenth century, exaggerated by the deep social and economic divisions of the interwar years.⁶⁴⁶ Both autarkists and protectionist conservatives drew on a general narrative of economic nationalism as a reaction to the pressures of the international economy, in its various trading, financial and investment forms. Despite this common root, they had fundamentally different approaches to Spain's relationship with the international economy. The long-term aim of both liberal and conservative protectionists was for Spain to participate fully in the international economy, once domestic industries had developed competitive strength under the protection of the country's high tariff regime. As we have seen, versions of this 'infant industry' argument had been made from the beginning of the nineteenth century and this thinking, with its underlying neo-classical assumptions, also lay behind Calvo Sotelo's policies.⁶⁴⁷ The Franco autarkists broke with this tradition: their aim was to keep the international economy at a distance while building up a largely self-contained economic empire, either in Africa or among fellow Hispanic nations in South America.⁶⁴⁸ In this sense the Franco regime represented both a fundamental ideological

⁶⁴⁵ Miranda and Viscasillas, op.cit. p11.

⁶⁴⁶ Velarde for example argued that 'the Spanish economy up to 1959 is a child of Cánovas', Velarde Fuertes, J *Tres sucesivos dirigentes*, op.cit. p30. Balfour, on the other hand, argues that Franco's autarky was both a fascist inspired economic policy and an ideological strategy of national redemption, 'a fatal illusion that the nation could achieve self-sufficiency by isolating itself from the rest of the world'. Balfour, S *The End of the Spanish Empire* op.cit, p233. Viñas *et al* argue the same point: 'autarky is import substitution and something more and this something more is fascist practice even if some writers try and avoid it'. Viñas *et al*, op.cit. p300.

⁶⁴⁷ Calvo Sotelo remained firmly committed to the principles of capitalism: 'capital is essential, without profit and the creative forces of the capitalist the economy would die'. Cited in Prieto, op.cit., p31.

⁶⁴⁸ The imperial dimension was an essential underpinning for Suanzes' long term autarkic vision. Ángel del Arco Blanco summarises the link between economy and imperial aspirations in his thinking: 'the economy

break with the past and an attempt to recreate an imperial past. The collapse of the Primo de Rivera 'soft' dictatorship (exemplified by Calvo Sotelo's economic policies) and the defeat of the Republic's combination of political radicalism and economic conservatism, had created the opportunity to implement Franco's radical authoritarian nationalism. The economic face of the regime was Suanzes' industrial autarky.⁶⁴⁹

Suanzes' policy of economic autarky was crystallised in a crucial few months of work in the summer of 1937 as part of a wider exercise by the rebel regime to define a post-Civil War state. Suanzes played a critical role in this process: he defined both the objective – the religiously-inspired moral regeneration of the country – and the means – the building of an independent and economically strong and self-contained nation. He had a decisive role in the work on a wide range of policy issues, including administration, employment, industry, justice, the family and home, education and religion.⁶⁵⁰ His main preoccupation however was industry: in a 1937 report to his close friend, Nicolás Franco, he set out the details and thinking behind the proposed autarky policy.⁶⁵¹ The overriding goal was national independence achieved by the creation of a strong, unified state to which all political and economic policy would be subordinated. To realize this, industrial development was essential, not as a 'modern money-making process' to satisfy private interests but as an essential instrument for national independence and defence.⁶⁵² The 'New State' could not therefore leave industry in foreign hands, but had 'to intervene in its orientation, development and functioning' and to do so behind barriers that provided 'total and absolute' protection.⁶⁵³ Suanzes therefore proposed that the state prepare a national Plan for Autarky which would set out an import substitution strategy and a programme to ensure exports contributed to, rather than undermined, growth.⁶⁵⁴

would be a key element in the expansion and development of the country that would proceed hand in hand with virile military power to safeguard the Empire, to which Spain, resuscitated by arms, was marching'. Ángel del Arco Blanco, *op.cit.*, p157. It was also founded on Suanzes' own racist and nationalist vision of the 'Spanish race [...] an intelligent, sober and heroic race, creator of twenty flourishing nations'. *Ibid.* p159.

⁶⁴⁹ Viñas *et al*, *op.cit.* p305.

⁶⁵⁰ His military background and religiosity were central to his recommendations for a reformed administration. This should combine 'compliance to duty with strength, purity, discipline, courtesy and cheerfulness'. Miranda and Viscasillas, *op.cit.*, p7.

⁶⁵¹ This plan became the basis for implementation of autarky under the INI. As Gómez writes: 'Suanzes' famous notes at the first INI board meeting were based on his 1937 Plan for Autarky which simply listed sectors which needed intervention based on creating a balance of payments, Spanish production and discipline of the private sector'. Gómez Mendoza, A [editor] *De Mitos y Milagros: El Instituto de Autarquía (1941-1963)*, Barcelona, 2000, p25.

⁶⁵² Ángel del Arco Blanco, *op.cit.*, p161.

⁶⁵³ *Ibid.*

⁶⁵⁴ The Autarky Plan involved the nationalisation of a wide range of industries (including cars, fertilizers and rubber), substitution of imported consumer goods (including raw cotton, machinery, pharmaceuticals and paper pulp) and the total import elimination of certain imports like food, coal and silk thread. On exports, the Plan

Deliberately, and unlike previous protagonists of protectionist policies, Suanzes did not rely on a rationale of economic theory: in defining his approach at a Falangist conference in the following year he said ‘I am absolutely sceptical about economists, perhaps through ignorance. I do not believe in theory at all [...] I do not believe in formulas’.⁶⁵⁵ Instead, guided by his military and engineering training, Suanzes set out his plans in the form of general management goals and specific tasks. As a result, there was little consideration of the wider effects of his policies or the opportunity costs they created.⁶⁵⁶ His approach represented a radical break with previous generations of ‘modernising’ protectionists, including Calvo Sotelo, who had largely developed their ideas and policies within the classical traditions of economic theory.

In January 1938 Suanzes was appointed Minister of Industry and Commerce in Franco’s first government, a role Franco saw as a priority for the regime and decisive in the rebuilding of the country. Based in Bilbao, Suanzes concentrated on reviving industry in the nationalist territories, focussing on the regime’s two immediate priorities, restructuring the defence industry and those industries heavily dependent on imports. By March 1939, Suanzes was ready to set out the shape of the new state’s policy. Through direct intervention and nationalisation, channelled through a state agency, the appropriately named Instituto Nacional de Autarquía, Suanzes developed import substitution plans across a wide range of industrial sectors, including defence, construction, shipbuilding, road transport, petrol and oil, machine tools, mining and food production. The private sector was assigned a subsidiary role, a reflection of Suanzes’ deep distrust of the sector: for him ‘there was no place for individual interests only those of the fatherland’.⁶⁵⁷ State intervention had to be total: ‘private initiative could not be trusted: the state through Unions, Corporations and its institutions would take the initiative in economic policy’.⁶⁵⁸ These proposals were to become the framework for the

aimed to negotiate higher sale prices for Spain’s food and minerals while cutting the prices that international companies charged the domestic market (and thus help offset the overvalued exchange rate). Measures were proposed to restrict consumption, encourage recycling, make full use of farm products and even offer lower quality of wine to the armed forces. The aim was to reduce the commercial deficit by 350m pesetas. Gómez Mendoza, A ‘La económica española y la Segunda Guerra Mundial: Un estado de la cuestión’, *Espacio, Tiempo y Forma, Serie V, H. Contemporánea*, t. 7, 1994, p358.

⁶⁵⁵ As Gómez emphasises, Suanzes wanted to be seen as a practical man of action not concerned with theoretical principles, but as tenacious, hard-working and effective. His approach to management was highly directive, usually insisting on a final say on all decisions, a reflection of his military training. Suanzes in fact never left the military, remaining active as a reservist to the end of his life. Gómez, op.cit. p355

⁶⁵⁶ Although this anti-intellectualism was typical of the regime, as Velarde has shown, there were already discussions among Falangists around alternative approaches to economic policy. These were to gather pace during the 1940s and serve as the intellectual basis those arguing against Suanzes’ autarkic approach and for a more economically liberal policy. Velarde, *Stackelberg* op.cit. p138.

⁶⁵⁷ Ángel del Arco Blanco, op.cit. p156.

⁶⁵⁸ Ibid.

country's economic policy for the next twenty years.⁶⁵⁹ In August 1939, Franco, under pressure from the Falange, reorganised his Cabinet, keeping only two members. Suanzes was among those who were dropped but he was compensated with Franco's personal assurance that there would be 'new tasks of immense importance' in the future.⁶⁶⁰ Instead, he was asked to take over reconstruction of the navy, then in a critical state. Reporting to his cousin, the Naval Minister, Salvador Moreno, Suanzes took early action to nationalise navy construction by ending the SECN contract to manage Spain's naval shipyards at Ferrol, Cartagena and San Fernando. SECN however managed to frustrate Suanzes' more ambitious proposals by persuading the Industry Minister not to support his radical change plan. Suanzes blamed 'traditional obstacles, those that have always blocked the path of our businesses: private interests without brakes or controls'.⁶⁶¹ This was a key moment in Suanzes' career. The suspicion that the private sector was always vulnerable to foreign pressure and therefore liable to betray the national interest, conditioned his (and the country's) economic policy and practice throughout his subsequent career as Minister and INI President. Like many on the right, Suanzes saw the Republic as the worst culprit: 'Spain had fallen into foreign hands and its political, economic and spiritual degradation had reached their culmination in the Second Republic'.⁶⁶²

Suanzes' battle over the running of SECN was not the only field of conflict involving the British: one of the most difficult foreign ownership issues for him, and for the Franco regime as a whole, was the British owned and managed Rio Tinto mines. From the late nineteenth century, Rio Tinto had been the ideological target of the growing nationalist movement: the company had aroused the antagonism of Restoration conservatives, the Primo Dictatorship and the Republic, as well as intense popular hostility during the periodic strikes at the mines. For the Franco regime, 'Rio Tinto personified all that was bad about the presence of foreign investment in the Spanish economy [...] the difference with the Francoists lay in the level and

⁶⁵⁹ The Franco regime's version of economic autarky involved a qualitatively distinct form of nationalisation, as Gómez and San-Román point out. 'The European pattern, especially in the post war period, consisted primarily of nationalisation of underinvested industries affected by demobilisation, whereas in Spain, although a few existing industries were nationalised, many were created *de novo* in a large number of industrial fields – for the most part, sectors in which private initiative had been present many years before the 1936 Civil War. Intense competition between public and private sectors followed'. Gómez-Mendoza, A and San-Román, E 'Competition between Private and Public Enterprise in Spain, 1939-1959: An Alternative View', *Business and Economic History*, Winter 1997; 26, 2, p696.

⁶⁶⁰ Miranda and Viscasillas, op.cit., p8.

⁶⁶¹ Suanzes' hostility was reinforced by Vickers' refusal to supply construction plans to help the rebels build warships: foreign interests were frustrating the 'salvation of the fatherland', private initiative was again hindering national destiny. Ángel del Arco Blanco, op.cit., p155.

⁶⁶² Ibid., p159.

intensity of its reaction, not in the basic issue'.⁶⁶³ Its ideological importance was reinforced by the essential contribution the minerals (and specifically the copper and sulphuric acid produced from the ore) made to the regime's autarkic economic objectives. This was reflected in the priority Franco gave the issue ('the wealth and independence of a nation depends on the primary materials it is able to draw on' as he put it⁶⁶⁴) and which Suanzes himself spelt out in a valedictory analysis of his career:

After a century of precipitate decline, a Spain dormant, disappointed, sceptical and progressively pauperised in all aspects, has been turned into the Cinderella of western Europe; where before it had exercised true hegemony, now we had lost our spirit of enterprise and initiative; part of our rich primary goods and above all, our mines were exploited by foreigners.⁶⁶⁵

The result was an unremitting fifteen-year campaign by the regime (in which Suanzes played a central role) to gain control of the company.⁶⁶⁶ In early 1939, Suanzes put a total embargo on Rio Tinto exports. His aim was to close Rio Tinto's installations to force the company to sell the whole of its copper output at government determined prices as the first step in a process of nationalisation.⁶⁶⁷ He was not able to go further however in face of the strong British reaction.⁶⁶⁸ The dilemma facing Suanzes, and the regime generally, lay in the key role the company played in the international market, as one of the world's largest producers of copper and sulphur. Nationalisation would not only arouse enormous and highly visible worldwide hostility but would also undermine the Rio Tinto-led international price-setting cartel and hence its influence on world prices. This threatened one of Spain's most important sources of desperately needed sterling foreign currency.⁶⁶⁹ These pressures only intensified with the outbreak of the Second World War: the supply of Rio Tinto's copper and sulphur bearing ore, a key input for the munitions industry, became strategically critical to Britain's survival. The Royal Navy's blockade of the North Atlantic gave Britain a direct influence over Spain's trade

⁶⁶³ Gómez Mendoza, A *El "Gibraltar Económico": Franco y Riotinto, 1936-1954*, Madrid, 1994, p24. 'For the Franco regime, Rio Tinto was a reminder of foreign intrusion, a colonial vestige it wanted to eradicate'.

⁶⁶⁴ Ibid. p86.

⁶⁶⁵ Suanzes, *J Ocho discursos*, Centro de Estudios Económicos de INI, 1963, cited by Valdivieso, op.cit. p250.

⁶⁶⁶ For Suanzes, this long campaign and its unsuccessful conclusion was an indication, that even at this late stage in Britain's imperial power, Britain continued to play a very significant economic role in Spain.

⁶⁶⁷ 'The example of Rio Tinto was not fortuitous. The English mining company 'was the clearest case of the colonisation that the nationalists loathed' Gómez (1994), p362.

⁶⁶⁸ Britain's Foreign Secretary, Anthony Eden had threatened to abandon Britain's official policy of neutrality during the Civil War when the regime had previously acted against Rio Tinto: Eden was to become a director of the company after the Second World War.

⁶⁶⁹ Harvey, op.cit. Chapter 10.

while making its need for foreign currency even more acute.⁶⁷⁰ Suanzes therefore had to settle for a long-term campaign of harassment, aimed at pressuring Rio Tinto into an agreed sale: it is a measure of British support for the company and Spain's desperate economic weakness that it took until 1954 to persuade the Rio Tinto board to agree to sell, by which time its Spanish mines were almost exhausted.⁶⁷¹

In September 1941, Franco decided to take up Suanzes' idea of creating the INI (Instituto Nacional de Industria) and appointed him as its first president. The INI's aims, reflecting the proposals Suanzes had made three years before, were 'to promote and finance, in the service of the Nation, the creation and revival of our industries, especially [...] those in defence of the country and those supporting the development of our economic autarky'.⁶⁷² With Franco's personal and enthusiastic support and involvement, INI was to be at the centre of economic life, the main interventionist instrument in creating a strong, self-sufficient industry in strategic sectors.⁶⁷³ Crucially, it was an active management entity designed to unify the management of its companies, reflecting Suanzes' own management philosophy and experience. INI's dominant role was clear from the range of State monopolies it created which included the oil, railway, energy, tobacco and car industries. It also established a major presence in other industries, including fertilizers, airlines, tourism, merchant marine, export banking, cellulose, aeronautics and metals. Although INI has been widely compared to Mussolini's IRI (Istituto per la Ricostruzione Industriale), there were very significant differences in their approach. The Italian institute was essentially a financing intermediary, organising funds to support the regime's industrial priorities.⁶⁷⁴ By contrast, and reflecting the Franco regime's radical autarkic policy, the INI took an active, usually controlling role in the companies and sectors it had identified as priorities in the Autarky Plan.⁶⁷⁵

⁶⁷⁰ In Wigg's words the trade embargo was 'the Allies' decisive tool'. The March 1940 War Trade Agreement concentrated on cereals, petrol, cotton and coal together with the supply lines from the sterling zone British Empire that were identified by the Board of Trade. Wigg, R *Churchill and Spain, The Survival of the Franco Regime, 1940-1945*, Sussex, 2005, p10.

⁶⁷¹ Harvey, op.cit.

⁶⁷² Miranda and Viscasillas, op.cit. p9-10.

⁶⁷³ Both as Industry Minister and as President of INI, Suanzes had direct access to Franco rather working through the Prime Minister. This gave him a very considerable autonomy and enabled him to work across a range of ministries in pursuit of his interventions. This style was reflected in INI's own highly centralised management structure which was designed to ensure all substantive decisions were under Suanzes' direct control. Ibid.

⁶⁷⁴ Gómez Mendoza, *De Mitos y Milagros*, op.cit. p20. The need for a more active state role also reflected Spain's less entrepreneurial culture.

⁶⁷⁵ Ibid. p25.

Four years later, in 1945, Franco re-appointed Suanzes as Minister of Industry and Commerce alongside his INI job. This combination of roles was to give Suanzes unparalleled influence for the next six years. Only under intense US pressure, and as the price for an economic development loan, was Franco forced to dismiss Suanzes from the cabinet in 1951.⁶⁷⁶ He remained President of the INI, his power base for the rest of his career, right up to his retirement. During its first years INI drew on state finance but from 1958 with the liberalising of the economy, it was increasingly forced to seek private finance thereby losing much of its previous independence. Suanzes' continued commitment to his autarkic vision for Spain led to increasing conflict within government and eventually to his resignation in 1963. Viñas *et al* suggest that behind Suanzes' autarkic policy – the structural conversion of the productive economy and the relegation of international trade to the minimum possible role – lay three important ideological dimensions. First, putting the plan into practice required a totalitarian state able to draw on coercive mechanisms. Second, the objective of building a strong and independent economy was consistent with the state's imperial aspirations, focussed on Africa.⁶⁷⁷ Third, foreign investment was to be restricted, even when it came from the regime's main allies, Germany and Italy. Autarky, they argued, has a long history as a theoretical and ideological basis for resistance to foreign expansionism. For demagogic nationalists – and for aggressive fascist powers in particular – the central priority is to achieve economic independence through nationally organised production and state control of resource extraction. Suanzes' plan, and the assumptions that lay behind it, provide evidence of all three of these ideological features, especially in its resistance to foreign interference.

Suanzes' personal and political journey, notably his early direct experience of the exercise of Britain's informal imperial power through his work with Vickers, had fuelled his political and economic nationalism. A foreign power, notionally supporting a joint venture, had taken ruthless advantage of Spain's weak economic position. His bitter anger was aimed both at the unequal economic power that had allowed exploitation of the country's resources and at his fellow countrymen's role as collaborators in the process. For the rigidly disciplined Suanzes, deeply religious and equally strongly imbued in military tradition, his patriotic resentment found a ready outlet in Franco's militarism and his totalitarian methods. With his extensive management experience and engineering training, Suanzes made a critical contribution to the

⁶⁷⁶ Gómez Mendoza, *El Fracaso de la Autarquía...* op.cit. p310.

⁶⁷⁷ 'In these imperial aspirations as well as in its interventionist economic strategy, the regime was inspired by Mussolini's policies'. Viñas *et al.*, op.cit., p298.

regime's economic policy, both as ideologue and highly effective manager of its detail. His antipathy to theoretical inquiry allowed him to adopt and develop the rigid, inward-looking assumptions that lie at the heart of autarky. At the same time his fierce and intensely practical determination, combined with his close relationship with Franco enabled him to exercise an extraordinary influence over Spain's economic agenda. Even after the defeat of the fascist Axis powers, he was able to maintain a largely autarkic policy at INI for nearly twenty years in defiance of a world turning to political liberalism and free market economics. Resistance to international influence over Spain's economic policy was only definitively removed once he was forced from power.

The careers of Calvo Sotelo and Suanzes illustrate the two general themes of this section of the thesis. First, their policies reflected a strengthening resistance to foreign economic interests, Britain's in particular, following the First World War. This resistance, couched in increasingly nationalistic terms, was to find its most extreme form in Suanzes' long campaign to bring the British-owned Rio Tinto mines back under state ownership. Second, both rejected the previous century's prevailing orthodoxy that the state should play only a minimal and supportive role in the economy. Instead, they both saw the state as taking a central and active economic role, initiating and directing intervention in a wide range of sectors. For Suanzes, the state's role was central to his political as well as economic vision, an agent of national purification and development. As authoritarian economists from the political right, both Calvo Sotelo and Suanzes were attempting to modernise Spain's economy without undermining the politically dominant landed and financial interests. Supported by an expanding world economy, Calvo Sotelo's market-based interventionism achieved a measure of economic development, though it failed to achieve economic take-off. His policies remained rooted in the economic ideology of previous generations of liberal protectionists whose founding proposition was that Spanish industry needed protection to allow it the time and space to modernise and become able to compete with more advanced foreign firms. His approach was still therefore firmly located in traditional classical market economics. Like earlier protectionists, he was clear that the private sector was too weak to achieve this unaided and that the state would have to play a major interventionist role in developing industry, modernising agriculture and managing labour relations. Facing the much deeper political and economic crises of the 1930s, the Franco dictatorship extended these policies, adopting extreme measures of political repression and economic autarky, designed to develop the economy in support of the state while entrenching the power of the ruling elites. Its totalitarian policies aimed both to repress the social

movements given political voice under the Second Republic and to impose an autarkic nationalisation of the economy. Underlying this attempt to build a self-sufficient economy was a rejection of the classical economic theory based on competition between individuals and nations in favour of building a strong, self-sufficient state representing higher national values. In the post war era, this strategy was gradually undermined and eventually destroyed by the strength and overwhelming influence of a revived international capitalism, this time led by US rather than British imperialism. Almost a century and a half of British informal imperialism in Spain was effectively at an end.



Figure 11: José Calvo Sotelo (1893-1936)



Figure 12: Calvo Sotelo in 1936



Figure 13: Juan Antonio Suanzes (1891-1977)



Figure 14: Suanzes with Franco

Conclusion

Two complementary propositions have underpinned the thesis. The first is that the British free trade campaign to open the Spanish economy to foreign trade and investment during the nineteenth century was based on the exercise of informal imperial power, and that this had a major impact on the course of Spain's economic development well into the twentieth century. The second main proposition is that this exercise of informal British power was an important influence on Spain's political development, notably on the nineteenth century protectionist movement and its turn to radical economic nationalism in the twentieth century.

The thesis has been careful not to claim that Britain's informal imperial role in Spain in itself explains the chequered path of the country's economic modernisation or the evolution of its protectionist movement, let alone its metastasis into extreme economic nationalism. Throughout the period a wide range of other domestic cultural, institutional and political factors also helped to shape Spain's response to the new and powerful forces of international capitalism. For example, it was domestic political pressures that led the conservative landed interests driven by the world trade crisis, to join the liberal industrialists in the 1870s and 1880s in demanding tariff protection. It was this alliance, driven by internal political forces, that enabled the protectionist movement to turn the tide of British-driven free trade policy. Nor was Britain's the only imperial influence on Spain: the thesis has pointed to the important impact on Spanish economic policymaking of France, particularly in the 1850s and 60s, and, later in the period, of Germany. Despite these complicating factors, the thesis has shown that Britain's systematic and long-running diplomatic and ideological campaign had a central and significant impact on the direction of economic policy and practice of successive Spanish regimes throughout the nineteenth and well into the twentieth century. Moreover, this exercise of British informal power in Spain closely conforms to the framework outlined by Gallagher and Robinson in their description of Britain's preferred imperial strategy during the nineteenth century. They argued that Britain's drive to extend the scope of its trade and investment interests abroad was founded on breaking down a foreign country's barriers to trade while supporting the local political elites willing to create and sustain favourable domestic conditions for the expansion of British commerce. Military occupation and direct rule were only necessary where local elites were unable to provide such conditions. In most cases, diplomatic pressure combined with the threat to use military force was enough to ensure compliance with British interests. In Spain's case, local elites were in general willing to support Britain's drive for

commercial liberalisation and the direct exercise of force was only necessary in extreme circumstances, such as during the first Carlist war (chapter one) and the two World Wars (chapters four and five).

The second half of the thesis has explored Spain's domestic response to Britain's campaign to open up its economy by examining the development of the protectionist movement. In tackling an issue which Gallagher and Robinson did not address, namely the response of local political elites to the pressures of informal imperialism, it has concluded that Britain's exercise of informal imperialist power in Spain had an important effect on domestic politics. In particular, the strong protectionist movement emerged very largely as a direct reaction to the British free trade campaign, an illustration of a dialectical process typical of colonial elites under threat from external economic and political forces. The defiant response by sections of Spain's liberal industrial class, especially in Catalunya, to British pressure is important in light of accusations, still made, that the protectionist movement was simply a narrow self-interested defence of vested economic interests. In fact, one of its central objectives was to put a reformed Spanish state, rather than vested interests, in the driving seat of the modernisation of the country's economy. This points to a second and often neglected aspect of the protectionist movement – its liberal and modernising objectives. The movement's nineteenth century leaders wanted to reform the nation's economy as a whole and not simply to defend the interests of a particular region or sector. Indeed, only when the landowners joined the protectionist campaign did established vested interests undermine the movement's reformist ambitions and only in the twentieth century did some protectionists support an explicitly regional ideology of independence. For most of the nineteenth century, protectionism centred on political resistance to Britain's pressure for tariff reduction and on interventionist national policies designed to create a flourishing industrial sector capable of competing in international markets. The aim of nineteenth century protectionists was to match the technology and standards of leading industrial countries and not to insulate Spain from these developments. As we saw in the previous chapter, only in the 1930s did Franco's regime reject this approach in favour of economic autarky. In summary, the thesis concludes that the protectionist movement was an early example of resistance to the economic colonialism driven by the new industrial economies of northern Europe, Britain above all.

An important underlying assumption of the thesis is that Spain's economic development cannot be analysed in isolation from its relationship with the rest of the world. For example, Spain's progress towards a free trade policy during the mid-nineteenth century reflected the emergence

of a global trading economy driven by Britain's industrial revolution and maritime dominance. As a result, Spain's economic development became closely tied to Britain's own journey to free trade earlier in the century. Britain's commitment to free trade had emerged only gradually in the decades following the Napoleonic Wars. Its progress was accelerated by the wave of protest at the increases in corn law tariffs imposed in 1815 but was not completed until the parliamentary defeat of landed interests in the Corn Law reforms of 1846. As the first chapter showed however, even by the 1830s there was strong support in Britain for government initiatives to open up foreign markets by removing obstacles to trade. Supported by the then new classical economic thinking and responding to strong lobbying from British manufacturers whose domestic markets were becoming saturated, successive British governments from the 1820s pressed foreign nations across Europe to reduce protectionist barriers. Spain was an especially important target in light of its large domestic and colonial markets and its strategic position astride the rapidly growing Atlantic and Mediterranean trade routes. These commercial pressures coincided with Britain's overriding strategic foreign policy goal to ensure that Spain remained within the group of liberal nations and did not fall under the influence of the central and east European absolutist empires. To guarantee the survival of Spain's liberal monarchy, Britain was prepared to use military force in Europe for the first time since the Napoleonic Wars. Albeit limited by French concern that its influence would be marginalised if Britain was allowed unrestrained scope to intervene, this support was critical to the monarchy's survival. Most importantly, it provided Britain with the political foundation for the diplomatic pressure it exerted in the subsequent decades to open the Spanish economy to foreign trade and investment.

Britain's explicit objective was economic colonisation to meet the demands of its increasingly powerful northern manufacturers: Spain's role was to provide a market for their goods and to supply food and mineral resources to support the new industry-based economy. To that end it was important to undermine and, if possible, destroy rival manufacturing centres, especially those, like the Catalan industry, producing textiles. The steady removal of Spain's trade barriers over the period and the adoption of an overtly free trade policy in its liberal revolution of 1868, points to the impact of Britain's influence. In the subsequent decade, there was an additional motive for Britain's campaign to open the Spanish economy: from the 1870s, the country became vitally important to Britain as a mineral source, notably for iron ore, copper and sulphur. In the final decades of the nineteenth century Spain was one of the main European destinations of the extraordinary wave of pre-First World War British overseas investment.

The deep involvement of British capital in the mineral industry and the unfavourable terms of trade it imposed on Spain reinforced the economic colonial nature of the Anglo-Spanish relationship in the period leading up to the First World War.

The thesis has shown how this asymmetric economic relationship was underpinned by diplomatic and military dominance. By highlighting five occasions in the century between the 1830s and 1940s at key points of crisis, when Britain either used or threatened to use military force to constrain Spain's foreign policy objectives and specifically its economic independence, the thesis has underlined the essentially imperial nature of the Anglo-Spanish economic relationship. Moreover, it has pointed out that, as Britain's diplomatic and economic influence in Spain waned in the course of the twentieth century, it relied increasingly on the exercise of military strength (notably by imposing naval blockades during the First and Second World Wars) to defend its interests at moments of crisis. After the Second World War this option was no longer open and British imperial power was rapidly replaced by the United States, despite the new Labour Government's hopes that British influence could be sustained in Spain.

A central proposition of the thesis is that industrial interests in Spain, initially based largely in Catalunya, responded to Britain's ideological and economic policy pressures by developing an alternative, nationally based path to industrial modernisation. The careers and writing of six protectionist economists and political activists from the early nineteenth to mid-twentieth centuries have illustrated this dialectical process in practice. From the beginning of the period the benefits and dangers of open borders for less technologically developed nations were widely understood. Jaumeandreu and his successors pointed out how the simple application of the universalist propositions of classical economic thinking, based on untrammelled economic competition, undermined the economies of underdeveloped countries like Spain. Although he failed to build up a fully-fledged theoretical response to the British classical theorists, Jaumeandreu's early articulation of the 'infant industry' argument for trade protection remained politically potent for the next century. The thesis has highlighted two other important elements of the protectionists' ideological positioning. First, they saw national economic development as crucial to their project. National, rather than regional or sectoral policies were necessary both to create a market for industrial output and to establish a strong self-sustaining industrial base. Armed with this analysis, all six of the protectionist economists and politicians argued for economic reform focussed on the nation state. Second, in recognising the depth of Spain's relative backwardness, they pressed for an active and interventionist state, as opposed

to the passive, purely supportive role championed by many classical, especially British, economists. As we have seen, these ambitions for a widened state role developed from the relatively light touch, proposed by Jaumeandreu and Güell, to the highly interventionist policies of Calvo Sotelo and Suanzes, an evolution that reflected both the growing complexity of advanced capitalist states and Spain's vulnerability to the widening gap between the performance of the Spanish economy and the northern European economies.

The sharp decline in Spain's relative economic performance during the nineteenth and twentieth centuries can be largely attributed to the country's dependent role within an international economic nexus controlled by the industrialising economies of northern Europe and North America. Spain's governments were tightly constrained by a range of external economic and political pressures and forced to accept rules dictated by external powers. France and Britain dominated the country diplomatically as well as economically, while external investors and financiers and international marketplaces helped to set limits to the development of its economic potential. Within Spain, successive governments, broadly representing traditional landowner and commercial interests, found their room for manoeuvre increasingly circumscribed by the growing strength and contradictory economic interests of industrialists, Castilian *cerealistas*, and financial institutions. Governments relied on free trade and non-interventionist governance to resolve these conflicting economic forces. However, the liberal protectionists resisted this *laissez-faire* approach, arguing that the only escape was a diametrically opposite policy, economic protection linked to an active, supportive state. Towards the end of the century, as imperial rivalry and international trade competition intensified, free trade was progressively abandoned in Spain and arguments in favour of an interventionist state grew. However, in face of deep resistance to change by established interests, progress was slow and uncertain. Economic reformists like Alzola, Alba and Flores de Lemus set out their alternative plans and policies, but traditional centres of power and the new regional parties blocked these radical reforms, even when, as in the political crises of 1916, the need for change was widely accepted.

During the nineteenth century the conflicting pressures on Spain's ruling elites had been so intense that for long periods they could only be reconciled through the exercise of military power, often then legitimised by a limited, usually manipulated, suffrage. Later in the century, during the apparently stable period of the Restoration, governments steadily lost legitimacy as the elite's reliance on private sector-led economic development and a minimum role for the

state failed to create a stable foundation for the reconciliation of competing political and economic interests. As a result, conservatives increasingly turned to political and economic nationalism, as chapter seven records. From the late 1870s onwards, the Conservative Party, led by Cánovas and later Maura, mobilised patriotic sentiment behind imperial expansion and opposition to foreign economic interests.

By the beginning of the twentieth century, the political scope for effective government action was further complicated as demands by the politically unrepresented social and labour movements grew more insistent. During the First World War, these new movements played a decisive role in the growing crisis of the Restoration regime. Following the end of the War, the world-wide crisis of overproduction and unemployment further deepened the enormous imbalances between different areas of the country and underlined the extent of Spain's underdevelopment compared to the European north. The result was a series of strikes and government crises, with the industrial region around Barcelona especially affected by violence and social unrest. By 1923, these economic and political pressures had destroyed the legitimacy of the Restoration regime and created the political space for a military coup and authoritarian dictatorship. The scale of the economic crisis led to an acceptance of state-based economic interventionism on a far more radical scale than under the pre-First World War governments. As chapter eight shows, Calvo Sotelo's expansionary policies were combined with direct intervention in leading sectors of the economy and attempts to rectify the grossly inequitable tax system. The state's inadequate administrative capacity limited the impact of the economic reforms while resistance to redistributive policies by the landowner and financial elites meant the benefits of expansion did not reach many of those most in need.

Under the Second Republic's governments these problems were intensified by the collapse of world trade and by the pressures of economic aspirations given voice by radical political reform. As a result, the dictatorship brought to power by the military uprising of 1936 required authoritarian policies far stronger than Primo de Rivera's to preserve the power of the ruling elites. As chapter eight outlines, this involved totalitarian solutions both to repress social protest and to impose an autarkic nationalisation of the economy. The military's brutal exercise of force, aimed particularly at the new social groups which had become politically active after the First World War, was an essential pre-condition for the regime to put its autarkic ideology into practice. The Franco regime's radical interventionism also required the exercise of all-encompassing state power to resist the influence of the outside world. In its pursuit of

economic independence from international trade, finance and investment interests, Britain's investments in Spain became the chief target. The Second World War brought on the final act of Britain's century of informal imperialism in Spain. Chapter five describes how Britain fought hard to retain its supply of vital minerals and to keep the Axis powers from a military base astride its crucial North Atlantic trade routes. Franco attempted to fend off Britain's concentrated political and economic pressures by seeking allies among the Axis powers and by attempting to control the production and sale of Spain's minerals. His lack of success once again revealed the same asymmetry of power that had kept the country as a dependent nation since the Napoleonic Wars. Only Britain's enfeebled post-war state together with political and economic alliances, first with the US and then the European Union, enabled Spain to free itself finally from the embrace of Britain's informal empire.

The thesis began as an attempt to resolve the apparent political paradox that democratic governments of both left and right in Britain had supported the emergence and perpetuation of authoritarian fascism in Spain in the 1930s and 1940s. It has shown that this policy was the outcome of the deep and long-standing strategic and economic demands of Britain's trade and investment-based empire. Britain exerted diplomatic, ideological and, on occasion, military pressure on Spain to ensure its foreign and domestic policies complied with these demands throughout the rise, apogee and decline of its empire. These pressures, backed by the threat and use of force, were sufficiently powerful and consistent to suggest the Anglo-Spanish relationship can be characterised as one of informal imperialism. Further, the thesis has demonstrated that Britain's exercise of informal power led to a dialectical reaction in Spain which sought to reclaim national sovereignty over both political and economic policy making. This struggle took several forms during the century of hegemonic British influence, ranging from the liberal protectionist movement of the nineteenth century to the extreme autarkic nationalism of the Franco regime. These conclusions have emerged from the historiographical methodology underlying the thesis. In seeking to explain the form of Spain's political and social development, this approach gives the economic relationship between the two countries a greater prominence than in traditional accounts. Moreover, by following the development of the economic relationship over a century-long period, the thesis has been able to identify the influence and essential underlying continuity of Britain's economic and political interests.

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