

Competition between Private and Public Enterprise in Spain, 1939-1959: An Alternative View

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According to much of the economic literature, the creation of public enterprises in Spain during the 1940s and 1950s strongly resembled nationalization processes that occurred elsewhere in Europe in the aftermath of World War II [Martín Aceña and Comín, 1988, p. 19; Segura, 1988, p. 837; Serrano, 1993, p. 317]. But the European pattern consisted primarily of the nationalization of underinvested industries affected by demobilization [Dunkerly and Hare, 1991, p. 384], whereas in Spain, although a handful of industries were nationalized, many public enterprises were created *de novo* in a large number of industrial fields – for the most part, sectors in which private initiative had been present for many years before the 1936 Civil War. Intense competition between the private and public sectors followed.

We will first review the literature bearing on the creation of public enterprises in the period 1939-1959. According to the most common view, private interests were unharmed by the activities of the public sector, which played a supplemental role, concentrating on areas that suffered from weak investment. In the next section, we provide an alternative assessment of the relationship between private and public firms, stressing that acute competition followed after a national corporation for the promotion of industry, the Instituto Nacional de Industria (INI), was created in 1941. This organization was granted privileges denied to private firms and monopolized a large share of the domestic market. In order to illustrate the process that led to unfair competition, we have selected two case studies: the nitrogen industry and the car industry. Import substitution in both sectors was given priority by the “New State” in 1940, but, although the Ministry of Industry gave private firms responsibility for meeting this goal, INI imposed its presence in both sectors. We conclude that the economic policies implemented after 1939 created a

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hostile environment for private entrepreneurship that exerted a negative influence on business expectations and deterred private investment.

State Intervention and Regulation

With the intention of recreating Fascist economic ideals, Francisco Franco's first governments promoted rapid industrialization in Spain. They justified state intervention in the economy on two grounds: first, the need to guarantee the supply of indispensable consumer goods and basic raw materials when the three-year civil strife came to an end [Harrison, 1978, p. 152; Segura, 1988, p. 837]; and second, the special conditions created by the outbreak of hostilities in Europe and by Spain's post-Civil War ostracism [Anderson, 1970, pp. 27-29]. The first part of the official explanation has been criticized in light of the small material losses endured during the Civil War, but some scholars have agreed with the second [Velarde, 1992]. In pursuit of autarky, policy makers embarked on a complex system of measures that minimized the operation of the market. In the following paragraphs, we will concentrate on four types of measures: legislation, government agencies, market regulation, and nationalization.

A legal framework was set up in 1938-39 with the apparent purpose of fostering capital formation in industry, but its elements were contradictory [Fontana and Nadal, 1976, p. 500]. On the one hand, the Charter of Labour of March 9, 1938, recognized "private enterprise as the fertile source of the economic life of the nation." On the other hand, state interference in the manufacturing sector was endorsed under the provisions of the Bill for the Protection of National Industry (October 24 and November 24, 1939), which left decisions about establishing new plants to the government. To some extent, the contradictions reflected the existence of internal divisions among the various political factions that formed the "New State." Under the pompous slogan of the bill to protect and promote industry, firms were to be declared "industries of national interest" if they met a number of requirements. Firms so designated were granted incentives ranging from tax reductions and tariff exemptions to guaranteed returns on investment.

INI, a national corporation created in September 1941 with the object of "promoting and financing those industries that contribute to the success of our economic self-sufficiency," became a key instrument of state intervention. Some economic historians believe that public enterprises under INI's control did not affect the creation of private firms [Comín and Martín Aceña, 1996, pp. 37-38]. Others have depicted INI's role in promoting industrial progress as supplemental, flowing from a failure of private capital [Segura, 1988, p. 840]. There is disagreement, however, over the period when such a subsidiary role began. Some scholars are disposed to postpone this process until 1964 [Comín, 1996, p. 357; Comín and Martín Aceña, 1996, p. 38].

Market regulation was carried out by an array of autonomous agencies, which enjoyed the power to set internal prices, to distribute raw materials and intermediate and final goods, and to allocate foreign currency. There was no

unity in policy making, and government bodies frequently interfered with each other. Each tried hard to gain as much power as possible for its own benefit.

In addition to creating state enterprises, the government also resorted to nationalization in efforts to tighten its grip on the economy. Railways, the telephone exchange, and banks were all placed under state control, although for quite different reasons. For example, the heavy destruction of roadbeds and rolling stock during the 1936-39 Civil War was a prime motive in the creation of RENFE (1941), the state-owned railway company [Muñoz, 1995]. Moreover, there was a history of public intervention in railways throughout the interwar years, originating in their poor performance during World War I and extensive underinvestment thereafter [Gómez-Mendoza, 1989, pp. 46-51]. Rail companies themselves actually had been pressing the government for a takeover before their leases expired. (Under the provisions of the 1855 General Railway Law, private companies had been granted licenses to exploit their lines for ninety-nine years; after that time, railway lines would revert to state control.) In telecommunications, CNTE was set up (1945) because Franco's government wished to gain control over that strategic sector, which was being run by ITT [Comín, 1996, pp. 362-63].

Economic Autarky Reassessed

The picture of state intervention and regulation described in the previous section is not supported by current research on the autarky years (1939-59). It therefore seems useful to reassess the role played by the government. In our opinion, the state created a hostile environment that depressed private investment, thus requiring further state intervention in industry.

When comparisons are drawn between industrial policy making in Spain and in the rest of Europe for the 1940s and 1950s, chronology seems to offer the only similarity. But in fact, Spain's public enterprises of the 1940s were much closer to those created elsewhere in the interwar years to facilitate military mobilization. As Chandler and Friedmann showed, many companies of this kind emerged in Germany and Italy, and state corporations such as VIAG or IRI played crucial roles in rearmament policy [Chandler, 1990; Friedmann, 1970, p. 304]. IRI's subsidiary companies, FINSINDER (1936) and FINMARE (1937) responded perfectly to the requirements of economic and military self-sufficiency [Toniolo, 1980, p. 323].

Moreover, although the "New State" was strongly disposed toward economic sovereignty, the actual number of nationalizations was small when compared to those in other countries. Surprisingly, the authoritarian regime renounced the takeover of mineral deposits under foreign control, despite the huge propaganda returns possible from such actions. This policy was a clear departure from the pattern of extensive nationalizations carried out in countries endowed with rich oil deposits. Rio Tinto, Ltd., probably provides the best example of Spain's behavior in this area. After fifteen years of government efforts to drive the company out of business, Rio Tinto's copper mines were

finally purchased by a syndicate of banks in the summer of 1954 with the blessing of the government [Gómez-Mendoza, 1992, p. 362; 1994].

A second contrast between Spain and Europe lay in the organization of Spain's public enterprises around state corporations. In France and the United Kingdom, firms were controlled directly by the state [Caron, 1979, pp. 297-301; Dunkerly and Hare, 1991, pp. 386-89]. A final difference can be found in the sectors in which the state involved itself. Public enterprises in Spain differed greatly from those in England or Germany in their heavy concentration in manufacturing. In addition, they had an important stake in consumer goods, although they also concentrated on basic activities like metallurgy, chemistry, transport equipment, and electricity [Myro, 1988, pp. 476 and 483].

In Spain economic policies directed toward self-sufficiency did not arise in response to the hardships experienced during World War II. Rather, they were developed before the end of the Civil War, driven particularly by the economic ideas of Juan A. Suanzes, who was twice appointed Minister of Industry (1938-39 and 1945-51) and who was also chairman of INI from its creation in 1941 until 1963 [Gómez-Mendoza, 1994a, pp. 354-63].

By 1937, Suanzes had already expressed his contention that a large number of strategic sectors, including banks, should be nationalized as soon as hostilities ceased. He also welcomed a totalitarian and centrally planned economy with the double purpose of achieving import substitution and export rationalization [Suanzes, 1937]. A year later, Suanzes completed a "National Plan for Autarky" [Ministerio de Industria y Comercio, 1938; Suanzes, 1938]. The plan, drawn up shortly after the exchange rate was pegged to the pound at 42 pesetas, was designed to restore the balance of payments. At this rate, the peseta was grossly overvalued, exerting a negative impact on exports. In its commercial and industrial aspects, the plan followed a double line of action. On the one hand, a number of industries, including war equipment and consumer and capital goods (raw cotton, rubber, motor cars, and fertilizers) would be nationalized. On the other, the plan supported the tactic of selling without buying in hopes of increasing the stock of foreign currency by 350 million gpesetas.

At the beginning of 1939, Suanzes drafted a new plan for industrial development, focusing on the same lines of action – nationalization and restoration of the balance of trade [Ministerio de Industria y Comercio, 1939]. The most important part of the second version of the plan was its listing of fifteen industrial sectors that were to be put immediately under state control. There was a strong correlation between this list and the sectors to which INI directed its attention in 1942. Suanzes acknowledged that self-sufficiency would be only partial, since the economy relied heavily on the importation of machine tools. Foreign investment would be readily accepted if it complied with the terms set by the government [Ministerio de Industria y Comercio, 1939].

In sum, Franco's willingness to perpetuate an overvalued exchange rate and his ambition to achieve economic sovereignty called for the adoption of compensating policies. A rigid state control of the market was thus established. Of course, World War II had a strong impact on these plans. The importation

of equipment from the territories occupied by the Nazis was particularly affected. Moreover, shortages of basic raw materials and foodstuffs led to the intensification of controls. From 1945 onward, however, no improvement is detectable. As foreign exchange reserves were rapidly depleted, a more restrictive policy for the granting of import licenses followed. Industrial concerns thus were forced to rely on obsolete technology and to use inferior domestic raw materials, which increased production costs. With sale prices kept at a low level by the authorities in their drive to curb raging inflation, business profits plummeted in the 1940s. Exporters lost all interest in expanding their sales abroad because they were forced to surrender foreign currency to the Ministry of Commerce. Compelled to sell in their home market, companies saw their business expectations rapidly worsen, and investment plans were sharply reduced.

Capital formation was also affected by industrial policy. It is important to avoid being misled by the legal framework established in 1938-39. Far from promoting the establishment of new plants, the legislation actually deterred private investment in most instances [Tortella, 1994, pp. 270-71]. The benefits provided by the 1939 Industry Bill were relatively weak. Tax reductions, for example, were not particularly attractive, because the tax burden at the time was relatively light. Moreover, the granting of import licenses was severely limited by the chronic foreign exchange shortage. Finally, firms declared to be of "national interest" were compelled to satisfy a number of requirements, including the use of domestic raw materials and the appointment of nationals to top management positions.

This kind of legislation encouraged arbitrariness and favoritism [Donges, 1976, pp. 45-46], which indeed became recurrent features of Franco's regime. According to the 1939 law, applications to become an "industry of national interest" required the backing of various state agencies, which were entitled to veto any project. One of these was INI, which usually denied approval on the pretext that new plants posed a threat to its own interests. Its attitude toward private initiative was partially interrupted in the period 1948-51, when Suanzes was trying hard to obtain U.S. assistance. A credit in dollars was considered crucial to ease the foreign currency shortage that was disrupting imports and placing the industrialization drive in jeopardy. In those circumstances, Suanzes resorted to more liberal behavior as a token of his good intentions [Gómez-Mendoza, 1995, pp. 160-62]. Arbitrary decisions were also common regarding applications for import licenses or for foreign currency. INI was particularly favored in its currency requests, never running short of the foreign exchange needed to import equipment from abroad.

But above all, the 1939 Industry Bill granted to the state the right to supervise the performance of any "industry of national interest" through the appointment of an administrator. Furthermore, the state was free to seize an industrial concern whenever the "supreme interest of the nation would make it necessary." This feature extended to INI. Under articles 7 and 8 of the law of August 25, 1941 that created it, INI was given the power to confiscate partially or totally any private concern owning patents, plants, or mineral deposits that might be of value to INI's future plans. In such cases, the shares of the seized

company were to be exchanged for debentures of the new public enterprise. No evidence has yet been found that this provision was ever applied, but the threat alone might well have prevented private investors from entering manufacturing sectors likely to attract the attention of INI.

There are reasons to believe that INI underplayed its statutory role of promoting industrial development during the term of its first chairman. Suanzes attempted to model INI as a self-sufficient entity, in an early version of the project calling it the "National Institute for Autarky" (changed at the last minute by the State Secretary, Carrero Blanco). Over time, Suanzes's ideas about INI evolved toward the creation of a kind of state within the state that would be free from legal restrictions. It would act with total disregard for private initiative. Because INI was placed under the jurisdiction of Carrero Blanco and not of the Minister of Industry, Suanzes enjoyed wide-ranging powers to press for legislation favorable to INI's interests. All decrees affecting its long-run investment plans were actually drafted by Suanzes himself, and they were seldom amended by Carrero. Most of these decrees began with the phrase, "INI is entrusted with the mission of..." which actually meant that INI had assigned itself a mandate to act in a particular field.

INI benefited throughout the period from specific laws on mining reserves. For instance, it was granted exclusive rights for the extraction of pyrites and potash in the mining districts of Huelva and Cardona, respectively. Private firms already operating in those districts were greatly harmed [Gómez-Mendoza, 1994b, pp. 203-4]. Furthermore, INI's companies were guaranteed that their output would be sold in the home market at prices providing a rate of profit above market level. Consequently, the discussion of projects by INI's board of directors lacked economic significance. Since there was no respect for the operation of the market, resources were often misallocated. For example, INI's managers always found it preferable to establish a new plant rather than to rely on third parties for the supply of intermediate goods. As a result of such practices, the size of the market was severely restricted for the firms already in operation. Unable to expand their scale, private concerns were saddled with high operating costs [Carreras and Tafunell, 1996, p. 89].

Suanzes's dictum summarizes the attitude exhibited by INI toward private entrepreneurship: "the acceptance of private initiative will be conditioned on its being absolutely subordinated and perfectly tuned to the superior national interest." This submission was viewed as indispensable for the progress of the country. It pointed to the path that economic intervention would follow. Though private firms were declared to be a prime source of wealth, they were certainly not the only source. "They might become harmful whenever they conduct business in an anarchic or inadequate way," Suanzes declared. In that case, private initiative was to be regulated by the state on either a provisional or a permanent basis [Gómez-Mendoza, 1994, p. 98]. Such vague criteria opened the door to arbitrary regulation.

INI's contempt for private initiative and arbitrary decisions reached alarming levels in relation to foreign-owned companies operating in Spain. In Suanzes's words, "Behind the tyranny of private interest hides too often a

capitalistic super-power with ramifications outside our borders; it does not always match the national good" [Suanzes, 1941]. His ideas on this matter were hardly original. They were linked to a hackneyed carping that blamed foreign capital for all evil. In an attempt to preserve national sovereignty, the proportion of issued capital in foreign hands was restricted to 25 percent [Article 5a of the Bill for the Protection of Domestic Industry, November 24, 1939], as was the number of foreign directors and managers; foreign investment in Spain's defense industries was completely prohibited. Finally, both the chairman and the managing director of such firms had to be Spanish citizens.

Under the application of these postulates, foreign-owned firms endured considerable hardships in the 1940s. Under constant threat of suffering the nationalization of their assets, the companies also found their performance closely watched by the authorities. Firms operating in the mining sector went through a particular ordeal. The Peñarroya and the Rio Tinto companies suffered constant harassment [Gómez-Mendoza, 1992; 1994]. Squeezing operating results by setting prices below cost, authorities hoped to force the companies out of business in order to purchase their property for a trifle. The companies were denied import licenses and access to foreign currency, which was indispensable for renewing their equipment. While Rio Tinto was quite successful in rallying international political support to its cause, the Barcelona Traction Company was unable to follow suit. Action against that Canadian-based company became the paradigm for economic aggression against foreign firms operating in authoritarian Spain.

The cost to the domestic economy of these nationalistic policies was quite high. Capital imports were crucial for easing the effects of the foreign currency shortage. It was the price paid for subsuming economic needs to political targets. Indeed, the struggle to regain control of rich mineral deposits was made a government priority. Suanzes had declared his contempt for natural monopolies, which supposedly had turned Spain into a colony of the economic powers. Only the urgent need to end postwar ostracism led Suanzes to abandon this line of action. In the final years of the 1940s, the grip on foreign companies was partially loosened. Rio Tinto and Tharsis contemplated quite incredulously the cancellation of an important fine levied on them for defaulting on the Spanish Treasury [Gómez-Mendoza, 1994, pp. 254-59]. After Suanzes was removed from his cabinet post in 1951, discrimination against foreign firms gradually came to an end. In many cases, they were assimilated by domestic firms.

The "Problem of Nitrogen"

The expansion of the domestic supply of nitrogen to match home demand was presented as a prime goal by the "New State" for four main reasons. First, imports of nitrogenous fertilizers ranked second to raw cotton in terms of value, draining the country's stock of foreign currency. Second, the military was concerned that imports had provided 95 percent of internal consumption before the outbreak of the Civil War, suggesting that Spain was

highly dependent on foreign countries to satisfy its demand for explosives. Third, agricultural yields were expected to rise sharply with the expanded use of nitrogenous fertilizers. In 1954-55, the agrarian sector absorbed 6.7 kgs of nitrogen per hectare of cultivated land, only 46 percent of the average consumption in OEEC countries [Gómez-Mendoza, 1997, p. 1]. Finally, confronted with an alarming degree of excess capacity, the largest European producers of synthetic nitrogen expanded their sales abroad in the 1930s through intensive dumping. Prices on the Spanish market plummeted to around half the level in France, Germany, or Italy. Deprived of tariff protection, the only two plants erected to manufacture nitrogen in the aftermath of the First World War were forced to shut down.

The authorities contemplated the elimination of this obstacle as a necessary condition for redressing the economic prostration of the country. Thus, a major plan was drawn up shortly after the end of the Civil War by the Ministry of Industry with the aim of solving the "Problem of Nitrogen." The plan relied exclusively on the assistance of private firms to expand output capacity up to 125,000 tons of nitrogen, equivalent to some 600,000 tons of ammonium sulfate. In order to stimulate a prompt response from private entrepreneurs, nitrogen was awarded the status of an "industry of national interest" in the early part of 1940. In Table 1, we have listed the proposals put forward by seven private firms, making use of three different technologies.

Table 1: *The Tender for Nitrogen (tons of nitrogen)*

	Project	Authorized
(i) Coke furnace gas		
SEFANITRO	24,000	YES
SIN	9,000	YES
(ii) Electrolytic hydrogen		
NICAS	10,000	YES
Hidronitro	8,250	YES
Cae del Azoe	37,500	NO
(iii) Distillation of lignite		
EBRO	10,000	NO
Nitratos de Levante	15,000	NO
TOTAL	113,750	51,250

Source: Ministerio de Industria y Comercio (1942).

Note: SEFANITRO stands for Sociedad Española de Fabricaciones Nitrogenadas; SIN for Sociedad Ibérica del Nitrógeno; and NICAS for Nitratos de Castilla.

All seven proposals complied with the specifications included in both the 1939 Industry Bill and the 1939 Nitrogen Plan. Nevertheless, three of the proposals were rejected in 1942. The remaining four projects, which were approved, totaled less than half of the target capacity of 113,750 tons of nitrogen. One of the three rejected projects planned to use electrolytic hydrogen; the remaining two were designed to use the gas obtained from the distillation of lignites. The Ministry of Industry had made quite clear in the past

its lack of affinity for the latter method, but technological disagreement was not the reason behind the denial of the proposals put forward by EBRO and Nitratos de Levante. The true reason is to be found in the interference of INI, which also explains the rejection of the project submitted by Azoe.

Suanzes had supported the view that INI ought to intervene in sectors being developed for state reasons that were likely to operate as monopolies or cartels. The nitrogen industry fell into this category. He had also stressed the pressing need for INI to have a capital stake in the firms created before 1941 to manufacture nitrogen. To develop his plan, Suanzes acted along two basic lines. First, he enforced the entry of INI into the capitalization of SIN. Second, he made use of his prerogative to exclude any firm that was liable to interfere with INI's future plans in the nitrogen industry – though INI's own plans were not drawn up until the autumn of 1943 [Gómez-Mendoza, 1997, pp. 23-25].

Therefore, the only fault of the three companies whose proposals were turned down was a clash of interests with a phantom subsidiary of INI named Encaso. It must be recalled that their applications were motivated by a request from the Ministry of Industry, which was responsible for setting spatial and technical constraints. Thus, INI's attitude altered the essence of an industrial policy that was originally based entirely on private initiative. It opened the way to a mixed solution in which private and public enterprises were asked to coexist. But it also meant a setback for the policy makers at the Ministry who had committed themselves to a solution based primarily on the use of coke furnace gas or electrolytic hydrogen. INI's managers, captivated by the autarky dream of exploiting natural resources with little proven industrial value, imposed their preference for the gasification of slate and very poor coal. Once INI had meddled in the nitrogen plan, it adopted a hostile attitude toward private companies. INI benefited from legislation that was profoundly adverse to private interests and from the concentration of power represented by Suanzes.

A few examples will help to illustrate this last assertion. Encaso was favored in the allocation of foreign currency for industrial use. At one point, INI tried to capture for one plant at Escatrón the lion's share of a dollar credit granted by the Eximbank, though, owing to its minimal projected profitability, the plant was never built. INI also was not subject to the same measuring stick when moving through the formalities to obtain the mandatory permit for the establishment of new plants. The contrasting experience of Abonos Sevilla and the public enterprise REPESA is quite illustrative. Because of constant complaints from INI, three years passed before the private company was granted tax exemptions, whereas REPESA waited only three months. Finally, INI repeatedly denied private companies both the fiscal rebates enjoyed by its subsidiaries and access to raw materials, which were then used by its factories. The most flagrant case was its opposition to the concession of a legal privilege to Abonos Sevilla that would have enabled the company to buy oil at the international price, whereas REPESA's refinery at Escombreras had been enjoying that price advantage for a number of years.

Despite such advantages, INI's contribution to the nitrogen plan was still at zero when production targets were met by the private side of the

industry. Apart from dodging the hostility displayed toward them by the national corporation, private companies managed to erect their factories despite the many obstacles encountered throughout the difficult times of the 1940s. In contrast, INI's production of nitrogenous fertilizers was delayed until 1959 – seventeen years after it had snatched from private firms over 50 percent of the planned capacity for nitrogen production. Because most of its factories relied on inefficient raw materials, INI put heavy pressure on commercial authorities to obtain additional protection for nitrogen. (Of course, this step also proved beneficial to private firms, which had lower average costs.)

The “Motor Car Problem”

News about the creation of the Sociedad Española de Automoviles de Turismo (SEAT), the first large-scale car manufacturing plant established in Spain, was reported enthusiastically in the press in 1950. According to the official thesis about this success story, the lengthy negotiations between INI and the Italian manufacturer FIAT had greatly benefited from the strong support of a syndicate of banks. This account of the early days of SEAT has been readily accepted in recent surveys of the history of INI. It has been said, for example, that INI triggered private initiative in the car industry [Buesa, 1982, p. 320; Martín Aceña and Comín, 1991, p. 228; Schwartz and González, 1978, p. 88]. The object of this section is to show that the events that eventually led to a settlement between INI and FIAT differed markedly from the official view. Indeed, the birth of SEAT was really the defeat of private initiative by public enterprise. The great loser was the Urquijo Bank, which was forced to transfer to INI a project on which it had worked for ten years [San Román, 1995; 1995a].

The establishment of a car plant was first envisioned by Urquijo shortly after the end of the Civil War. In February 1940, car manufacturing was awarded the status of an “industry of national interest.” This encouraged the bank to move forward on its project for the establishment of a car plant in the Basque provinces under the name SIAT (Sociedad Ibérica de Automoviles de Turismo). To that end, cooperation was sought among other banks and from FIAT. Neither the Treasury nor the Ministry of War objected to the proposal. In view of the widespread agreement, a decree granting immediate tax benefits was drafted by the Ministry of Industry in the final days of 1941. It was never published in the official gazette, however, and the Minister himself was responsible for its withdrawal. Permission had been made conditional on INI's having a stake in the future company, and all the documents with the details of the settlement reached with FIAT were transferred to INI.

Suanzes insisted that the negotiations with the Italian manufacturer be started from the beginning. He made quite clear that INI was not replacing Urquijo. His skill in convincing FIAT of the need to draw up a new contract must be acknowledged, but Suanzes was aware that FIAT would be happy to subscribe to any settlement because the company was suffering great losses from the war. There was no hurry. A dozen contracts were discussed before an

agreement was finally reached in 1943. Suanzes drafted a decree entrusting to INI the mission of undertaking car manufacture. Furthermore, INI was expected to control the majority of the capital in the future company. However, Suanzes was unable to convince the Ministry of Industry of the advantages of the new contract concluded with FIAT. The project was dismissed on two grounds: first, it was doubtful whether FIAT would be able to carry out its commitments because of the war; second, the Minister of Industry did not share Suanzes's views on investing INI with greater autonomy.

Suanzes handed in his resignation twice in protest. Not only did Franco not accept it, but he appointed Suanzes Minister of Industry. In 1948, when Suanzes expressed to FIAT his willingness to renegotiate a contract, he was informed that an agreement had already been reached with the Urquijo Bank to establish a plant in northern Spain with a capacity to manufacture 10,000 cars per year. Since the project involved the creation of a new factory, the bank applied for the mandatory permit. The request was rejected on three grounds. First, it was argued that the output level exceeded by far the demand level of the domestic market. Second, it was maintained that the concession of this activity to a private firm with no control from the state would represent a privilege. And finally, it was suggested that the bank was appropriating a contract that had been negotiated by INI five years earlier. This was the official version circulated by Suanzes, who concealed the profound tensions between INI and the Ministry of Industry and the fact that Urquijo had once before been deprived of the original project.

Although one director appointed by the Treasury objected to the entry of INI into a business where it seemed that "there is already private initiative," the Urquijo Bank was forced once again to relinquish its majority in the share capital of SEAT. As compensation, INI was asked to give up its shares in SIN. Two years later, when Urquijo transferred part of its stake in SEAT to a syndicate formed by the five largest banks in the country, Suanzes took the opportunity to announce that SEAT was the fruit of cooperation between private and public enterprise.

Conclusion

In our paper, we have shown that some clichés used today to depict the relationship between private and public enterprises in authoritarian Spain are not supported by the available evidence. First, private initiative responded promptly to the weak requests made by the government in 1940, despite a highly ambiguous industrial policy and bleak future prospects. Hence, the assertion that private capital remained passive was found to be untrue. There was some reluctance, but it was limited to invitations to participate in joint ventures that actually competed with the interests of private firms (in electricity, steel, or nitrogenous fertilizers). Nor do we agree about the parallel that has been suggested between Spain and other European countries after 1945. Similarities can be found only in the few nationalizations undertaken by the government. In every other respect, the singularity of the Spanish case lay in

the state's involvement in industrial activities in which the presence of private firms was already widespread.

For these two reasons, state intervention in the Spanish industrial sector must be explained on quite different grounds. In our opinion, it was accounted for mainly by the hostile attitude displayed by the chairman of INI toward private initiative. To be sure, Suanzes's antagonism was not shared to the same degree by other state agencies, except for the Ministry of Industry in the period 1945-51, when in any case it was eclipsed by INI. Private firms were able to find support for their day-to-day problems from other government agencies. Indeed, the Falangist trade unions presented a haven for many private concerns, including those under foreign control. Suanzes's visceral animosity toward economic liberalism depended for implementation on the backing of influential figures of the regime, including Franco himself.

Suanzes remained firm in his ideas throughout his long term in office. He was absolutely convinced of the need to "part with the huge liberal heritage that we all carry inside us. In theory, we might sense the right procedure or the right norms but a time will come when our performance will be inevitably hampered by our liberal atavism" [Suanzes, 1942]. The period 1945-51 was merely a *mise en scène* of deceptive cooperation with the private sector, motivated by Suanzes's attempt to obtain U.S. financial assistance for a total of \$1.3 billion (about 10 percent of Marshall Plan funds). He had to content himself with a \$62.5 million credit, which specified that it was meant to benefit private concerns exclusively. Although his strategy was unmasked by U.S. financial and political circles, Suanzes was more successful in tricking business historians.

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