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**International Capital before
"capital internationalization" in Spain,
1936-1959***

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Abstract

In this paper I continue reconstructing the path followed in Spain by foreign economic players through the period 1936-1959, the former one before "capital internationalization" (the paradigm created by Muñoz, Roldán and Serrano, 1978). The first attempt was made about Swiss investments (Carreras/ Tascón, 2000). This issue was focused on foreign direct investment, although foreign contributions financing the Spanish Civil War, the external debt and the main portfolio (or real estate investments) are also discussed here. Main legal framework is remembered as well as some results showed previously, in order to get the best ranking idea among foreign investments. The foreign investment trend drawn from the beginning to the end of the years considered—accordingly with the path in the sixties—finally shows the United States leadership. U.S. direct investments data emerge as the most reliable and available for improving the FDI (Foreign Direct Investments) picture concerned.

U.S. data show up good evidence and therefore a very good proof of the great impact of FDI in the Spanish economy during this period. The case of foreign sources has made this insight possible, also for challenging the conventional wisdom on the scarcity of foreign investment in Spain from 1936 to 1959. There was foreign investment in spite of very strict legal restrictions, despite the Franco "autarchy," surely—of course— because a network enabling with investments existed before 1936.

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Introduction

In this paper I challenge the conventional wisdom on the scarcity of foreign investment in Spain during the period 1936-1959, which encompasses the Spanish Civil War and the first two decades of the Franco regime. Conventional wisdom holds that during this period foreign investment played little role in the process of Spanish economic development, and that it was only with the IMF-sponsored stabilization plan of 1959 and the formal opening of the Spanish economy to the outside world that it took on a significant role.¹ The picture that emerges from my study is a fairly different one. Based on a combination of foreign data sources, I suggest that foreign investment in fact did play a significant role in promoting Spanish industrialization during the period during which the Franco regime espoused an economic policy of “autarky.”

The period of time just prior to 1959 is usually associated with a lack of foreign capital mainly because of the extremely strict legal constraints imposed by the dictatorship’s economic policy. Yet the speed with which economic activity suddenly took off in Spain after 1960 seems to conflict with the idea that the country was a wasteland to foreign investment through the 1950s.² This paper helps to demystify the suddenness of the Spanish economic miracle of the 1960s by revealing the existence of significant foreign capital relevant to the economic history of Spain during the period just prior to the economic “liberalization” sought by the 1959 Stabilization Plan. In this sense, the analysis presented here coincides with the view presented by Muñoz, Roldan and Serrano in their work, *La Internacionalización del capital en España*, published in 1978 by Cuadernos para el Diálogo.

The time period explored in this paper has its starting point just before the “alzamiento nacional” (the “National uprising”) by rebel officers against the Spanish Second Republic in 1936. It concludes with 1959, which also marks the beginning of what is known as the Franco regime’s second era (1959-1973), considered also as the period of the Spanish economic miracle. As this paper will show, the miracle was neither so divine nor so innocuous.³ The consensus is that the opening of the country to foreign investment happened in the 1960s and 1970s, and that it was at this point that it became the “motor del crecimiento” (“driving force of growth”) in Spain.

In the first part of this paper I will review, with a few changes, some results from a previous study of mine,⁴ as they are necessary for understanding and drafting the central argument. This argument asserts the existence of foreign capital in Spain and proves its relative importance during the years preceding the economic “liberalization” executed by the technocratic governments dominated by members of Opus Dei. Official Spanish figures on foreign investment for the period are as yet unavailable. Hence, I must point out the decisive assistance of foreign sources, while at the same time acknowledging the difficulty of finding Spanish sources of equal validity; they are either inaccessible or simply no longer exist. The reliability and credibility of information coming from abroad are guaranteed by the interests that fostered the compilation of statistics on Spain as carried out by the Bank

¹See for example Jose María Alvarez de Eulate, “Política de financiación exterior,” en *Política Económica de España*, Guadiana de Ediciones, Madrid, 1972, pp. 55-74; p. 61. As for the reference manuals, see i.e., Ramón Tamames, *Estructura Económica de España*, t. 2, Alianza Editorial, Madrid, 1982, p. 1106.

²Despite some old and current controversies on the point “modernization,” there is an established consensus that Spanish industrialization was achieved during the 1960s. See for example Gabriel Tortella, *El desarrollo de la España Contemporánea. Historia económica de los siglos XIX y XX*, Alianza Editorial, Madrid, 1994.

³The period 1939-1959 has generally been called “autarky” in the Anglo-Saxon literature. For instance, “The Stabilization Plan of 1959 marked the abandonment of autarky in favor of development strategy that sought to integrate Spain into World markets...” See Sofia A. Pérez, *Banking on privilege. The politics of Spanish financial reform*, Cornell University Press, Ithaca, 1997, p. 65.

⁴See Albert Carreras/Julio Tascón, “Investissements étrangers et intérêts suisses en Espagne, 1936-1946,” *Documentos de Trabajo de la Facultad de CC. Económicas y Empresariales* 223, Universidad de Oviedo, Oviedo, 2000.

of England, the Foreign Office, or the Office of Business Economics of the Department of Commerce of the United States of America.⁵

My study is an attempt to reconstruct the path followed in Spain by foreign economic players, whose decisive influence turned out to be crucial to the country's definitive industrialization. This paper is part of on-going research, within which this contribution should help to substantiate whether maintaining that "Spain is different" makes sense for a period in history when there is little doubt that "America made the European way."

In the following sections, I first consider the role of foreign capital during the Spanish Civil War. I then construct a picture of the role of foreign capital in Spain during the first two decades of the Spanish regime, drawn from various foreign sources. After an overview of the importance of foreign capital in general, I deal with the particularly important role of direct U.S. investments.⁶

Foreign Financing of the Spanish Civil War

The principal studies of foreign financing provided to both sides during the Spanish Civil War are those of the Spanish economic historian, Angel Viñas, along with the work of the British historian, Gerald Howson, who discovered that, in addition its business of selling unusable arms to the Republicans, the USSR was engaged in such thievery in Spain as to require a wholesale revision of previous accounts of the Civil War.⁷

The total foreign debt of Franco's "New State" after the Civil War appeared to be just over \$500 million U.S., of which about 80 percent corresponded to the war debt. This is the amount of money cited by Joan Sardá to identify the total figure of foreign resources used by the "nacionales" to finance their war campaign.⁸ On the Republican side, on the other hand, the legal government which appears to have been robbed, even morally, by the USSR, financed the war by selling off silver, the currency generated by exports, and above all, with the gold reserves of the Bank of Spain. The gold deposit that the Republic made in Mont de Marsan was the only non-depleted remains of

⁵Among the bibliographical, documentary and unpublished sources I wish to emphasize those that made the working paper Carreras/Tascón (2000) a novel contribution. These sources come from those called "third neutrals" in our study; the Britons were the most skilled in financial subjects worldwide at that times. On the one hand we have reports from Overseas and Foreign Department of the Bank of England and, Foreign Office documents. To be more concise, the "Draft Memorandum regarding the nature and extent of foreign interest in Spanish finance, commerce and industry" (BEA, OV61/2, fol. 8c) and the "Informe sobre la situación financiera, comercial, agrícola e industrial de la España republicana durante 1936-1938", made by don Joaquín Juliá, member of the Secretaría Comercial de la Embajada Británica in Caldetas, Barcelona. On the other hand, now I have added other sources considering U.S. foreign investments in Spain during the period. See, United States Treasury Department, Office of the Secretary, *Census of American-Owned Assets in Foreign Countries*, United States Government Printing Office, Washington, 1947. United States Treasury Department, Office of the Secretary, *Census of Foreign-Owned Assets in the United States*, United States Government Printing Office, Washington, 1945. U.S. Department of Commerce/Office of Business Economics, *Direct Private Foreign Investments of the United States. Census of 1950*, United States Government Printing Office, Washington, 1953. U.S. Department of Commerce/Office of Business Economics, *U.S. investments in Foreign Countries, A supplement to the Survey of Current Business*, by Samuel Pizer & Frederick Cutler, United States Government Printing Office, Washington, 1960.

⁶The sequence starts with financing the war and continues with the External National Debt and the limits and stimulus to foreign investment. See Carreras/Tascón, 2000 (forthcoming), also the second version, Editions Antipodes, Lausanne.

⁷The Soviet Union kept the wedding rings and humble jewelry that the Republicans had put at the disposition of the Republic when it desperately called for a final effort. See Gerald Howson, *Arms for Spain. The untold story of the Spanish Civil War*, John Murray, London, 1998.

⁸The issue of figures related to financing the war has been the main object of controversy of researchers studying the period. Robert Wealey estimated that, between 1936 and 1939, Franco received approximately \$570 million from (only) the Axis countries. Cit. Jordi Catalán, 1995, p. 209.

foreign reserves. The main beneficiaries of the depletion of Spanish gold reserves practiced by the Republic and of the foreign debt contracted by the rebel forces were the USSR on the one hand, and Fascist Italy and Nazi Germany on the other.

With regard to the sources of financing that Franco turned to, it must be pointed out that, in addition to the credit given by transnational companies such as Texaco, Standard Oil, General Motors and Río Tinto, he also made use of credit awarded by banks from other countries.⁹ The financial cost of the Civil War and the foreign debt contracted by the rebels with Italy and the Third Reich, and acknowledged by the Franco regime, represent a significant dead weight in rebuilding its economy for a country with no foreign reserves.¹⁰

The following table offers a summary of the debt:

CREDITS AWARDED AND ACKNOWLEDGED BY LAW IN 1939

<i>Date</i>	<i>Amounts</i>	<i>Concessory/ Addressee</i>	<i>Concessory's country of origin</i>
11/8/36	13.500.000 ptas.	Sociedad General de Comercio, Industria y Transportes de Lisboa/ Andrés Amado	Portugal
	1.000.000 \$ + (ampliado) 200.000 \$	Compañía de Tabacos de Filipinas	
6/4/37	£ 500.000 + (ampliado) £ 300.000	Kleinwort and Sons	Inglaterra (Juan March's influence)
25/10/37	£ 1.500.000 + (ampliado) £ 500.000	Kleinwort and Sons	Inglaterra
20/10/38	£ 1.000.000	Banque Suisse	Suiza
28/4/39	£ 1.000.000 (2 créditos)	Banque Suisse	Suiza
28/2/39	1.500.000 escudos	Caixa de Depositos, Crédito e Previdencia	Portugal

Sources: Manuel Tuñón de Lara/M.^a Carmen García Nieto, "La guerra civil," Tercera parte, en *La crisis del Estado: Dictadura, República, Guerra (1923-1939)*, Barcelona, Editorial Labor, 1981, pp. 241-545, p. 441.

Note: Reconocimiento hecho por una Ley Reservada de la Jefatura del Estado, de 1º de abril de 1939, que reconocía los créditos contraídos.

The three Swiss credits acknowledged by the Franco regime in a law of April 1, 1939, constitute only a part of the total loans awarded by Swiss financial institutions. Although we do not know the total amount of this figure, we can confirm the existence of another loan granted to Franco's government by the Unión Bancaria Suiza in October 1938. The credit amounted to twelve million francs and £400,000 and recognized the right to prolong it for another six months, part of the agree-

⁹The president of Texas Oil Company, Thorkild Rieber, was decorated with the Gran Cruz of Isabel la Católica in 1954 (April 1st). The company had supplied some 1,886,000 tons of fuel on credit. See Manuel Tuñón de Lara/M.^a Carmen García-Nieto, "La guerra civil," 1981, p. 440. Fernando Eguidazu and Angel Viñas's assessment of the foreign credit received by the Franquist put it at between \$694 and \$716 million. Cit. by Catalán, 1995, p. 209.

¹⁰Juan March was especially helpful as a private negotiator and financier in favor of the "nacionales." He personally loaned £1,000,000 for the cash purchase of the first Italian planes, in addition to other payments. The transfer of various finance values reached, according to Maiz, 600 million pesetas and other credits from the British "Claiworth Bank," which was apparently controlled by March. See Manuel Tuñón de Lara/M.^a Carmen García-Nieto, "La guerra civil," 1981, p. 440.

ment that would be fulfilled.¹¹ This credit is not recognized in the law of April 1, 1939, unless there is a confusion of figures and we are actually dealing with the same loan.¹²

Two years after acknowledging these credits, the Swiss and Spanish governments reached an agreement to avoid the Spanish blockade of Swiss products at the French and Portuguese borders. After postponing the appointment with the Swiss delegation, it was decided that the blockade would be lifted, with a ten million Swiss franc maximum credit being awarded to the Spanish government in return.¹³

External Debt

Just with the information presented thus far, one would have to conclude that Spanish dependence on foreign savings before and after the Civil War was relatively trivial. Historical research to date has said little about the ownership of Spanish External National Debt bond certificates. Yet it would seem both pertinent and necessary to know a little bit about what this alternative meant for foreign capital flow. The foreign debt in circulation during 1936-1946 has its origins in the conversion of the Consolidated Debt at 3 percent carried out in 1882. This conversion created a perpetual debt that perceived 4 percent yearly, tax free, by overdue trimesters, on the first of every January, April, July and October. Bond certificates that were stamped abroad, for the amount of 76 million pesetas, received interest payments in pounds sterling, francs or German marks, or the equivalent in pesetas. The majority of bonds were held in Spain, for a total amount of 832,806,300 pesetas and can be so identified by the words “domiciliado en España y pagadero en pesetas” (“domiciled in Spain and payable in pesetas”).¹⁴ The Perpetual Foreign Debt during the 1936-1944 period at 4 percent amounted to 910,703 million pesetas, going down to 910,631 million in 1945 and then up again to 910,739 million pesetas in 1946.¹⁵

On January 1, 1945, the Foreign Debt was issued, payable at 4 percent, as payment for the nationalization of the *Compañía Telefónica Nacional de España*, for a total of 637 million pesetas, equivalent to \$56.7 million. This issue was represented in 50,000 bonds in the amount of one thousand dollars, payable to the bearer, with an annual interest rate of 4 percent payable in dollars and redeemable at about two million annually. They cannot be purchased in Spain.

On November 1, 1946, the External National Debt, payable by the Argentinean Loan at 3.75 percent, was issued. This Foreign Debt was born of the *Convenio Comercial y de Pagos* [Trade and Payments Agreement] signed in Buenos Aires on October 30, 1946. The nominal amount of the issue is 400 million pesos that can be purchased in Argentina. It has an cumulative depreciation of 2.45 percent.¹⁶

¹¹Archive Fédéral de Berne, E6100 (A), 18, #1279. Kapitalexport 1939.

¹²The most believable version is the one that states that it is the credit referenced in the AFB in the amount of twelve million francs and £400,000, but, for example, Catalán (1995, pp. 212) makes no mention of pounds sterling, nor of the source of information, although he hints at the Ministerio de Hacienda. The rest of the information coming from the acknowledgement of the loans that Catalán describes, the £175,000 and the fifty million escudos, does not coincide with the ones that figure in the preceding table. It is very difficult to compare these figures.

¹³Archive Fédéral de Berne, E7800 1, box 30. *Wirtschaftsverhandlungen mit Spanien (1936-1946)*.

¹⁴The bonds can be found included in the following series: F, for 24,000 pesetas nominal; E, for 12,000; D, for 6,000; C, for 4,000; B, for 2,000; A, for 1,000; G, for 100, and H, for 200 pesetas. See Banco de Bilbao, *Agenda Financiera*, 1951, Bilbao, Artes Gráficas Grijelmo, 1951, “La deuda pública española,” pp. 10-23.

¹⁵According to the note in the data given by the Banco de Bilbao publication, since 1943 there are more than 6,197,000 pesetas from External National Debt at 3 percent. See Banco de Bilbao, “La deuda pública...” 1951, p. 22.

¹⁶The titles were stamped in series of (“con láminas de” sic) 100, 500, 1,000, 5,000, 10,000 and 50,000 pesos. See Banco de Bilbao, 1951, p. 18.

For an overview of the whole External National Debt during the Civil War years, I will do as Mr. Santos Julià indicates. In his report of 1937 he states that, in general, the main defect of Spanish statistics is none of them had been “recopilada con sinceridad” [“compiled in all honesty”]. He also warns that “suspicious questions cannot be asked even in the Government offices; hence we cannot make a detailed calculation that would give us, as exactly as possible, the approximate amount of obligations acquired by the Spanish State, whether in the form of consolidated, extraordinary or floating debt.” The statistics published by the Dirección General de la Deuda, states Mr. Julià, only make reference to the debt that depended directly from that department, but do not include the amounts endorsed by State, nor the 305 million gold pesetas, nor other amounts that increase the Spanish Public Debt by some 7,000 million pesetas more than the figure announced by the Dirección General de la Deuda Pública. According to data put out by the Dirección General de la Deuda y Clases Pasivas, the amount of the consolidated Public Debt as of April 1, 1936, including the special railway debts and the Transatlántica debts, amounts to 19,482,141,913 pesetas.¹⁷ Of those nineteen billion, one must set at 2,290 million Floating Debt issued in 1934, 1935 and 1936 in Obligaciones del Tesoro, 305 million in gold bonds that were handed over to the Centro Oficial de Contratación de Moneda, which at that period in time represented amounts endorsed by the State that will have to be paid, as the firms that had issued those amounts had been taken over or intervened. All of this brings the Public Debt – not counting interest or obligatory payments – up to a total figure of 23,581,141,313 pesetas.

Another 2,014 million were issued by 173 municipalities, 547 million were put into circulation by eleven provincial councils and 48 million were issued as capital by ten Juntas de Obras del Puerto, making a total of 26,190 million pesetas. This is merely the minimum amount of obligation taken on by the Government and some of its provincial and local departments before the Civil War broke out. Of this huge sum, only about eighty million was Foreign Debt. Mr. Julià hints at the war’s conclusion by saying,

All this will have to wait for the war to come to an end to know what the victorious government will acknowledge, since one must keep in mind that just as the Republican Government has had to take on obligations with official and unofficial agencies in two or more countries, so has the Nationalist Government. Depending upon which side wins, it will remain to be seen how it will honor its promises.

More can be discovered about the evolution of the Public Debt over the period, but first I must also apply the caveat of lack of honesty that I referred to earlier to the following block of information. The source used may be minimally tainted with the same lack of sincerity, but bear in mind, if you will, the old cliché that “statistics are power” and there is little doubt that the Banco de Bilbao, in 1951, was and represented Power. That was the year when the public agency published a brief notice entitled “La Deuda Pública Española” (Spanish Foreign Debt) in their *Agenda Financiera (Financial Agenda)* on the financing of the Civil War and on the currency reform carried out by José Larráz y Lacambra’s (former minister of finance). Here it is stated that payments totaling 11,994 million pesetas were made during the war and, as there were only 3,684 million pesetas in income, there was a deficit of 8,260 million pesetas that was financed largely by advance payments made by the Banco de España as follows:

¹⁷*La Gaceta*, February 22, 1938, reduces the former figure to 19,374,436,910 pesetas, referring to January 1, 1938.

ADVANCE PAYMENTS MADE BY THE BANCO DE ESPAÑA
(in millions of pesetas)

1937	April 28	200
1937	June 26	200
1937	August 21	600
1937	September 28	400
1937	November 4	600
1937	December 27	500
1938	February 15	500
1938	April 21	600
1938	June 9	500
1938	July 27	500
1938	September 7	500
1938	October 13	500
1938	November 22	500
1938	December 28	500
1939	February 2	500
1939	March 7	500
Total		7,600

Banco de Bilbao, *Agenda Financiera 1951*, p. 14.

The central bank's balance as of December. 31, 1941, showed a debit of 10,169 million charged to the Public Treasury. One must add the 4,000 million pesetas in Special Debt, which in turn appear in the assets of the central Bank when the State took on the responsibility for the losses caused the Bank by the Communists' looting. By virtue of the law of December 21, 1946, both debts were refunded, with the increment in circulating trust added as compensation. In other words, a large part of the expenses brought on by the Civil War were indirectly financed with the Banco de España's issuing of bills. Once José Larraz has listed the main dispositions, it is concluded that these reforms brought about an annual savings of 79 million pesetas with the reduction in interest; an annual economy of 95 million pesetas for six years in payment quotas, and a deferment of 130 million pesetas that were deemed amortized during the period of Communist dominance and hence never paid. We have Comín's data (1989) to clear up the issue of debts that were later acknowledged and that in fact may have been paid. The following table shows Comín's data:

LIABILITIES ACKNOWLEDGED BY WAR ARREARS, 1940-1946 (millions of current pesetas)

	Total charge by War Arrears	National Debt	Army
1940	787	1	414
1941	2093	617	926
1942	1219	415	592
1943	2058	413	1340
1944	2035	297	873
1945	308	3	296
1946	-440		-308

Source: Francisco Comín, "El Sector Público," *Estadísticas Históricas de España, Siglos XIX-XX*, Fundacion de Banco Exterior, Madrid, 1989, pp. 395-460, p. 441.

The data series expressed in thousands of pesetas, in the final pages of the *Agenda Financiera* of the Banco del Bilbao report, allow me to draw up the following chart recording the Foreign Debt in circulation at the time.

FOREIGN DEBT IN CIRCULATION 1942-1951

	External redeemable at 4%, 1-January-1945, free	External redeemable at 3,75%	Full Amount of the Public Debt*
1943			12.413.286
1944			28.579.570
1945			31.561.303
1946	538.560		32.554.057
1947	400.565		38.424.776
1948	311.388	1.037.692	42.865.888
1949	264.814	999.321	43.993.871
1950	199.222	967.466	46.922.466
1951	157.483	952.662	48.693.376

Source: Banco de Bilbao, *Agenda Financiera 1951*, pp. 22-23.

*By which the total in circulation on January 1, 1943 is referred, bear in mind, however, that the figure we assign is increased with the redeemable amount of 4 percent of May 15, October 1 and November 15, 1942, and, 3.5 percent the same year, from the conversion and unification of other Debts and calling in of railway stocks, but whose figures in circulation on July 1 and September 20, 1943 according to what is indicated in the following calls, as being the one closest to the year that we have.

The series of the total State Debt for the war period up until the fifties, according to the same source, is as follows:

	Full Amount of the National Debt*
1935	19.306.636
1936	19.205.671
1937	19.224.395
1938	19.206.905
1939	19.206.905
1940	19.206.979
1941	19.206.851
1942	21.210.539
1943	12.413.286
1944	28.579.570
1945	31.561.303
1946	32.554.057
1947	38.424.776
1948	42.865.888
1949	43.993.871
1950	46.922.466
1951	48.693.376

Source: Banco de Bilbao, *Agenda Financiera 1951*, pp. 20-23.

By contrasting the information available from different sources regarding the State's Public Debt we can see the enormous difficulty, the impossibility in fact, in reaching any certain conclusions as to its amount and evolution. The only clear coincidence one finds when comparing Higinio Paris Eguilaz, Manuel Jesús González and Francisco Comín's contributions starts in the 1950s when a counteractive policy of not issuing new debt was initiated in 1958.¹⁸ The same thing is true of the Fo-

¹⁸See González, 1979, pp. 60, 59 and 379. Comín, 1989, pp. 431-432. Paris Eguilaz, 1949, p. 172. See also how the details as to the importance of some public magnitudes offered by Comín reveal that the Public Debt in circulation for the year 1955, with respect to the national income had fallen twenty-eight points to the level of this ratio in 1935. See Comín, 1989, p. 400.

reign Debt – one must be extremely cautious in drawing conclusions about its amount and evolution. That is why merely finding out what the trend for the series of Foreign Debt was, or even just identifying the main peaks and valleys with any degree whatsoever of credibility, is a thankless and endless task: thankless, because uncertainty continues to affect any conclusion drawn; endless, because it's easy to guess at how much is missing before definitive figures can be given.

The initial commentaries made at the beginning of this section, based on the *Agenda Financiera* of the Banco del Bilbao 1951, allow us to observe a coincidence, although never exact, with information offered by Higinio Paris Eguilaz in one of his publications in 1949. I'm referring to the figure of around 910 thousand million that both sources use for the Foreign Debt from 1935 to 1944. Even the 1945 figure of about 1,500 million pesetas given by the two authors seem to coincide. Those 910 million would be Perpetual Foreign Debt payable at 4 percent, to which the added value of the titles issued in order to be able to pay for nationalizing Telefónica would reach a similar figure in 1945, according to both sources. After 1946 it would appear that the coincidence between the two authors' estimations ends. If we compare the figures to the ones offered in the Banco de Bilbao charts, we find even greater discrepancies. Paris Eguilaz's information only comes close in the case of the total Foreign Debt payable at 3.75 percent, which would have to be added to the figure of Foreign Debt payable at 4 percent offered in the Banco de Bilbao report.

In spite of these problems, the existing data on the different types of External Debt, as well as the kinds of Fixed Domestic Debt payable (at different rates), the Treasury Bonds (*Obligaciones del Tesoro*) and other public effects and the securities issued with the guarantee of the State, do give us an idea of the resources diverted towards this kind of financial investment by foreigners and their firms, if we could find out the legal status of the subscribers. Buying Foreign Debt seems to have been a relatively significant alternative in view of the difficulties in repatriating profits at this time and especially after 1938, when it seemed clear that the “nationalist” side would be victorious.¹⁹

The Limits to Foreign Investment during the Autarkic Period

Keeping Swiss interests in Spain during the 1936-1946 period was risky and worsened by the fact that the majority of them were located in Republican territory. During the war, the Republic collectivized enterprises by decree, affecting foreign interests to varying degrees. In this section, I will look at the legal restrictions imposed by the Franco regime on foreign investment and also look at the treatment of foreign interests in the Republican zone.

The discouragement that the Civil War brought about for foreign investments, and Swiss ones in particular, is undeniable. The same can be said of the following period that coincided with World War II, during which the Franco regime espoused an ideology of economic autarky. Given the legal and administrative framework in which capital investments were made in Spain, the scarce, not to mention non-existent, stimulus to foreign investment in Spain seems patent. The special regime that regulated foreign investment by virtue of two laws (the *Ley de Ordenación y Defensa de la Industria Nacional* (November 24, 1939) and the law that created the *Instituto Español de Moneda Extranjera* (IEME—August 25, 1939) and their statutes passed by decree on November 24 of the same year, imposed clear discrimination. This discrimination is highlighted in the preamble to the first law. The policy initiated with these laws, many aspects of which were not abandoned until twenty years later, sought to create “a great and prosperous Spanish economy, freed of foreign dependence that will give new value to national prime materials.”²⁰

¹⁹When the *Junta Técnica del Estado Nacionalista* was constituted in October, 1936, the public fiscal responsibility was assigned to the *Comisión Financiera*, which acted until the first formal Franco government was formed in February 1938, when Andrés Amado was designated to head up the *Ministerio de Hacienda*.

²⁰See Juan R. Cuadrado Roura, *Las inversiones extranjeras en España: una reconsideración*, Málaga, 1976, p. 14.

Articles 5, 6 and 7 of the law of Ordenación y Defensa de la Industria Nacional (Nov. 24, 1939) deal with the issue of foreign investment. According to Section A, Article 5, the maximum share of the social capital of any Spanish company that could be owned by foreigners was 25 percent.²¹ However, the law also stipulated that the State could authorize further

acquisition of tooling machinery, patents, privileges and maps of foreign origin, that might be necessary for the implantation and development of the industry in question, for the fairly determined value in the currency of the country of origin and in the form of company obligations, payable in a period not less than ten years, so long as these contributions do not exceed 20 percent of the social capital.

With respect to this foreign capital participation, the law allowed “the extraction, in the same currency, of a percentage of the annual profits agreed upon in general, as well as those corresponding to the payment and interest that may have been established by the obligations referred to in the previous paragraph.”²² Article 7 of the Ley de Ordenación y Defensa de la Industria Nacional allowed for softening the rigid quantitative control during later periods, when the autocratic ideology relented: “in exceptional cases, the State, with prior deliberation with the Consejo de Ministros, can vary the restrictions established in Articles 5 and 9, to the degree necessary to carry out industrial projects of extraordinary national interest.”²³

It is unquestionable that the law was highly restrictive. Though it did not exclude the presence of the foreign investor or partner outright, it obviously imposed significant restraints. The maximum quota of foreign capital participation – 25 percent – could be increased to 45 percent, but demanded more complicated paperwork. Foreign capital participation of up to 100 percent was only allowed for trading companies.²⁴ Article 20 of the law endowed the Ministry of Industry and Trade with the capacity to develop the content of the same by the Regulation, but this never actually occurred. Legislation tended towards case-specific authorization instead of establishing a general framework for foreign capital contributions.²⁵

The discriminatory treatment of foreign capital enshrined in the two laws had already been established in previous measures taken by the Franco side during the latter part of the civil war. These included a decree (number 313) in 1937 that blocked positive balances in pesetas by foreigners, a law of June 1938 restricting foreign participation in mining firms’ capital to 60 percent, the law of Monetary Crimes (Dec. 24, 1938) and the installation of the IEME, which was given control over a broad set of operations related to international movements of capital that affect the Spanish economy.²⁶ This was the legal framework that was institutionalized at the end of the war and that was left almost unaltered until the Decree-Law 16/1959 (July 21) that promoted the “New Order of the Spanish Economy.”²⁷

²¹Ibid.

²²See Manuel Jesús González, *La economía política del franquismo (1940-1970). Dirigismo, mercado y planificación*, Madrid, Editorial Tecnos, 1979, p. 217.

²³Ibid., p. 218.

²⁴Ibid.

²⁵The trade treaties frequently specified special conditions for foreign investors from the country in question. Ibid.

²⁶See *ibid.*, p. 217, and Juan R. Cuadrado Roura, 1976, pp. 14-15.

²⁷When the Dean report (1954) clearly annotated the United States’s interest in Spain eliminating the obstacles to foreign investments, the official policy when it was possible to go so far as to “nationalize” some foreign interests and participation in the country, as in the cases of Telefónica, the RENFE railways, Riotinto and “Barcelona Traction.” See Roura, *ibid.*, p. 15.

Foreign Investment and firms in 1936

If one were to ask what position the United States or Switzerland held in the panorama of foreign investment in Spain at the beginning of the period under study, the answer would trip over several stumbling blocks. The troubles arise from the scant knowledge we have, both of the frame of reference – foreign investment in general – as well as the specific weight itself of the cited investments in particular inside Spain during the years 1936-1959. The “Draft Memorandum regarding the nature and extent of foreign interest in Spanish finance, commerce and industry” contained in the Bank of England’s Archive (BEA, OV61/2, pg. 8c) and the Survey on Swiss financial credits in Spain carried out in 1936 by the Swiss Association of Bankers and by the Swiss Union of Commerce and Industry²⁸ come to our aid in alleviating this lack of information to some degree. The latter inform us as to the total portfolio investment (not direct), expressed in the currency with which securities were acquired and converted to Swiss francs at the going exchange rate at the time. It is not possible, however, gauge private individuals’ or companies’ legal status by means of the survey’s figures.

Commercial and Industrial Companies’ credits and participation can in some cases constitute direct investments, as they can also take the form of bank credits appearing under the following headings: Credits and participation of Commercial and Industrial Companies, Bank Credits (Encuesta Comité) and Back Payments corresponding to securities (valores mobiliarios), that are given in the Comité Espagne of the Swiss Association of Bankers report to the Department I Director of the Banque Nationale, M. Swab, dated June 25, 1936.²⁹ One note of concern regarding these data involves the CHADE mystery, whose stocks, obligations and bonds, belonging to Swiss bearers, are not included in the survey’s confidential list. However, one must bear in mind that the distinction of one type of direct investment and another of portfolio investment is merely based on possession of more than 10 percent of the foreign firm by the investing company, and not even this distinction bears much universal validity.³⁰

A look at the following chart will give us an idea of the specific weight that Swiss and U.S. investments had in Spain at the beginning of the period. It was drawn up based on the supposition that the Swiss financial credit total represented the total of Swiss investment in Spain, observed in June of 1936.³¹ I have converted the data for these countries into pesetas according to the currency exchange rates given by the Survey of the Swiss Association of Bankers.³²

²⁸The information appears as an annex preceded by a letter dated in Basel, June 25, 1936, directed by the Comité España of the Swiss Association of Bankers to the Director of Department I of the Banque Nationale, Mr. Swab. See, E2001 © 4/167.

²⁹Annex. E2001 © 4/167, pp. 746. Commission Nationale pour la publication de documents diplomatiques suisses, préparé par Mauro Cerutti, Jean-Claude Favez et Michèle Fleury-Seemüller, *Documents Diplomatiques Suisses. Diplomatische Dokumente der Schweiz, Documenti Diplomatici Svizzeri*, 1848-1945, volume 11 (1934-1936), 1er. Janvier 1934-31 décembre 1936, Bern, Benteli Verlag, 1989. Documento n° 252. E2001 © 4/167. See Carreras/Tascón, 2000.

³⁰The distinction is based on a question of control. See Peter H. Lindert, *Economía Internacional*, Barcelona, Ariel, 1994, pp. 568-569.

³¹If the 44,101,706 Swiss francs plus the 876,703 Swiss francs corresponding to the stocks and obligation of sections II and III were included, Switzerland would maintain the same position in the ranking, as the fifth most important investor for that period.

³²Said conversion is carried out using the exchange rates of the day. See Commission Nationales pour la publication de documents diplomatiques suisses, *ibid.*, p. 746.

ESTIMATION OF FOREIGN INVESTMENTS IN SPAIN, 1936

Nationality	Millions pesetas	% over the total of the seven countries	Ranking
French	2.220,00	54	1
British	664.29	16	2
USA	515.00	12	3
Belgium	440.00	11	4
Swiss	166.00	4	5
German	125.00	3	6
Italian	7.00	0,2	7

Sources: BEA, OV61/2 y OV61/11, Comission Nationale.... p. 746. Exchange rates: 1 pta.=0,42 Fc. s.; 1 £ = 15,50 Fc. s.; \$1 = 3,09 Fc. s.

The dates of the documentation used (from the Bank of England Archive, OV61/11 and OV61/2) correspond to September 12 and November 5 respectively, but one would certainly be right in thinking that the evaluation was prior to the beginning of the war. That is why we have taken the exchange rate for the different currencies for June 1936 from the Survey's information on financial credits in Spain by Swiss bankers.³³ The presence of foreign investments quantified using the information made available by the Overseas & Foreign Department of the Bank of England do not consider the number of small import- export companies belonging to foreigners as particularly high. Germans, Scandinavians, French and Belgians are especially active in this kind of business. Belgian interests represented in the "Canadiense" are also excluded, just as Belgian participation in several tramway companies are also not taken into account.³⁴ Three-quarters of the £18 million (664.29 million pesetas) figure given by Mr. Moody as the total of British investments in Spain are investments in mines, of which at least £10 million correspond to the Rio Tinto Company.³⁵

The picture offered by the *Memorandum* in regards to the measurement of each country's interests contains a lack of statistical accuracy that the people drafting the report themselves consider insurmountable given the data available to them. Nevertheless, their estimates regarding the presence of foreign interests in *all major Spanish companies*, whether banking, mining or manufacturing, appear to be dead right. Even if foreigners did not hold positions of control in these companies, the report states that *the major firms in Spain* have substantial British or foreign interests.³⁶ This would point to a kind of internationalization before the "internationalization of capital in Spain." The following charts illustrate the point.³⁷

³³The official exchange rates from the Boletín Oficial de Burgos that we are aware of are dated December 31, 1936. This date appears less convenient to me than June 1936. See James W. Cortada, *Historical Dictionary...*, 1982, p. 395.

³⁴BEA, OV61/2, vols. 3, 4 and 5 (2169/4) fol.10 (5.11.36). foreign Investments in Spain, fol. 10/2.

³⁵BEA, OV61/11, Anglo-Spanish payments agreement (2172/2), "U.K. in Spain. Enquiry from H.M.T. as to estimate of the amount of British capital invested in Spain," fol. 20. In 1873 (February 17) the Spanish government, in wont of better offers, accepted the £3,680,000 (92,800,000 pesetas) that Hugh Matheson offered. See Charles E. Harvey, *The Río Tinto Company. An economic history of a leading international mining concern, 1873-1954*, Cornwall, Alison Hodge, 1981, p. 11.

³⁶BEA, OV61/2, vols. 3,4 and 5, pp. 8c.

³⁷Belgian interests do not appear, with no explanation offered for this exclusion except the facts acknowledged in the letter that M. Mcgrath directs to H. Wilson Smith, Nov. 5, 1936. See BEA, OV61/2, fol. 11^a.

ENTERPRISES BASED IN SPAIN

<i>With German interests</i>
Union Naval de Levante
Soc. española de construcción naval
Mieres Mines
Electra Quenicade
Stolzenberg
Fabricación nacional colorantes y explosivos
Los Guindos
Deutsch-Atlantische Telegraphen Ges
Siemens
General Eléctrica Española
Bosh
Banco Alemán (Deutsche überseeische Bank)
Banco Germanico
Cia Metallurgica
A.E.G.
Tras mediterranea

<i>With French interests</i>
Cia. Minera y Metalúrgica de Pennaroya
Michelin
L'air liquide
Societe Generale de Banque pour l'étranger et les colonies
Credit Lyonnais
Soc. Nobel Française
General Eléctrica Española S.A.

<i>With Italian interests</i>
Pirelli
Fiat

<i>With U.S.A. interests</i>
National Telephone Co.
Radio Argentine Co.
Int. Harvester
General Electrica Española S.A.
Ind Iberica
S.A. de Fumigadores Químicos

<i>With Czechoslovakian interests</i>
Skoda

<i>With Swiss interests</i>
Brown Boveri S.A.

Source: Bank of England Archive, 0V61/2, vols. 3,4 y 5, (2169/4), fol. 8/b.

The Memorandum states, and it coincides with what we know, that foreign capital in Spain has been subject to many difficulties in the preceding years. The report makes allusion to His Majesty's Consul General to Barcelona's testimony, in which he officially records how, at the beginning of 1935, "there have not been any foreign capital investments of any great amount in Cataluña" for

quite a while. The Consul adds that it is also very unlikely that investments will take place in the future, at least until the situation is cleared up and foreign capitalists can put much more confidence in the Government. Therefore, the general attitude towards Spanish authorities, from foreign companies that undertake construction work, for example, was hostile. The Consul puts the finishing touches on his allegation with the decisive consideration: "Repatriation of foreign capital in Spain was difficult."³⁸ For that very reason many companies, amongst which the Consul cites Pirelli and Canadian Light and Power, invested their profits in Spain, due to the difficulty they had in 1935 in obtaining permission to export their profits.

The Consul General of Barcelona adds a reflection on the flow of specialized labor when referring to capital flows in his report. These "foreign technical experts," that labor aristocracy, have contributed, with their work in foreign companies based in Spain, to the importance that these companies have reached in their respective activities.³⁹ The Consul concludes by foreseeing very serious consequences for Spanish industry, derived both from a policy of excluding those foreign experts as well as from their not being prepared to live and work in Spain.

The Overseas and Foreign Department employees have used official sources to demonstrate foreign investments (non-British, sic) in Spain. But, aware that their lists of firms are incomplete, as well as of the possibility of having made mistakes in drawing them up, they complement the lists in the preceding charts with commentaries that, they warn, are merely the result of personal observation and private knowledge.

With regard to German interests, the Memorandum states that La Unión Naval de Levante is a shipbuilding enterprise, with its director general installation in Valencia. It appears, according to the Overseas and Foreign Department employee, that Krupp has a small part in the company, but control is definitely Spanish. The Sociedad Española de la Construcción Naval is not completely German. British firms, mainly John Brown, Vickers and Armstrong, created this company after the First World War. Almost all the technicians are British and it is extremely unlikely that any participation has passed to Germany. The company has shipbuilding fields in Bilbao, Ferrol, Cádiz and Cartagena. The Guindos is a lead-mining firm that works in Linares and owns a foundry in Málaga. This company is controlled by Lead Consortium. Siemens is controlled, of course, by the German company of the same name. Krupps has a small share in the Compañía Transmediterránea, if it still exists.

Peñarroya, working out of Cartagena, stands out among the French interests. Michelin has a plant in Barcelona and Air Liquide one in Madrid. French interests are also represented in mining companies such as the Compañía Andaluza de Minas, Solvay and Piritas de Huelva. The international U.S. Harvester Company has a machinery assembly plant in Madrid. But there are also very relevant U.S. interests that have been omitted from the corresponding chart. I am referring to Ford Ibérica, with a factory in Barcelona.⁴⁰ The resulting number of main foreign enterprises that operated in Spain in 1936, counting the complementary increase we have just made, would be as follows:

³⁸BEA, OV61/2, pp. 8c.

³⁹The Consul identifies the contribution of the "foreign experts" as the main reason for these foreign companies' economic relevance, since the technical board and management are delivered by these experts. See BEA, OV61/2, pp.8^a.

⁴⁰See BEA, OV61/2, fol. 10/1.

ENTERPRISES WITH FOREIGN INTERESTS BASED IN SPAIN IN 1936⁴¹

	Number of Firms	Banks ^a	Telegraph and Electricity	Chemicals	Automobiles	Machines	Explosives	Shipbuilding	Mines
French	10	2		2	1 ^b	1	1		3
USA	7		2	1	1	2			
Swiss	1		1						
German	15	2	5	1			2	3 ^c	3
Italian	2		1		1				
Czechoslovakia	1					1			

a) Including also franchises.

b) At last it would be two more firms, automobile sector oriented. See footnote.

c) Also Shipowners.

The Memorandum seems to offer a fairly complete account of the main foreign (non-British) interests in Spanish industry and commerce immediately preceding the Civil War. The lack of precision in quantifying the interests mentioned in no way blurs the image of specific weight that each foreign economy had in Spanish economic activity.⁴² Nevertheless, we feel that it is a good idea to look for further information on Swiss interests, given that there is evidence that there were other Swiss firms beyond Brown Boveri S.A. operating in Spain. The following charts attempt to show, as far as we have been able to ascertain, Swiss business presence as well as Swiss participation in companies based in Spain.

SWISS BUSINESS PRESENCE IN SPAIN, 1936-1946

<i>Business Sectors</i>	<i>Firms name</i>	<i>Constitutional Date</i>	<i>Copartnerhips</i>
Food	Nestlé	Barcelona, 1920	
Food	Hero España, S.A.	1922	
Textile	I.G. Farben Industrie		Participación suiza/ 1938
Textile	Cotonificio de Badalona, S.A.	Badalona	Importantes intereses suizos en 1938
Textile	Edmundo Belbié, S.A.	Gerona	Importantes intereses suizos en 1938
Bank	Banco Hispano-Suizo para la industria eléctrica	Madrid, 1920	Crédit Suisse de Zurich/ Banque pour l'Entreprises Électriques
Bank	Union des Banques Suisses	(anterior a la guerra civil)	
Financial	Valeurs de Métaux		Participación suiza/ 1938
Insurance	Assurances Nationales Suisses		
Insurance	Fédérale, La		
Insurance	Suisse (La) d'Assurances Générales		
Insurance	Vita		
Insurance	Grupo Winterthur	1910	
Insurance	Zürich Seguros		

⁴¹I have not taken into account that the following notes are pencilled into the Memorandum when making the chart Belgian-Canadian. It would undoubtedly be important to have the names of many insurance companies when adding up French interests. Citroën and Renault Motor cars in Barcelona have also been crossed out. Standard Electric, Electrical apparatus in Madrid has also been pencilled out for the U.S.A. All of this must be duly investigated. See BEA, OV61/2, fol. 8/b.

⁴²See BEA; OV61/2, pp. 8c.

Electricity	Compañía Sevillana de Electricidad	Sevilla, 1894	2 représentants de la Banque pour Entreprises Electriques de Zurich y otros 2 del Credit Suisse de Zurich/Consejo de Administración, 1924
Electricity	Energía Eléctrica de Cataluña	1911, Barcelona	Compañía General de Electricidad/Société Suisse pour l'Industrie Électrique/ Compagnie Générale d'Électricité/Alta Italia
Electricity	CHADE		Participación suiza/1938
Electricity	Sofina		Participación suiza/1938
Electricity	Sidro		Participación suiza/1938
Chemical	Instituto Berna de España, S.A.	1903	
Chemical	Grupo Novartis, S.A.	1924	
Chemical	Productos Roche, S.A.	1930	
Chemical	I.G.Chimie		Participación suiza/ 1938
Automobile	Hispano-Suiza, Fábrica de Automóviles	1904, Barcelona	Colectivizada en 1937/Absorbida por ENASA en 1947
Machinery	A.E.G.		Participación suiza/ 1938
Machinery	Sociedad Española de Electricidad Brown Boveri	1914, Madrid	Fusión con la compañía sueca ASEA en 1988
Machinery	Sulzer España, S.A.	1896	

Sources: E. Bougoüin, *La finance internationale et la guerre d'Espagne*, Paris, 1938. Manuel Campillo, *Las inversiones extranjeras en España (1850-1950)*, Madrid, 1963. María Teresa Tortella, *Una guía de fuentes sobre las inversiones extranjeras en España entre 1780 y 1914*, Mimeo, fax enviado a la BHU el 17 de junio de 1998. Ambassade de Suisse en Espagne, Encuesta sobre el establecimiento de empresas suizas en España, 1997. FO, 371, 22670, fol. 172.

Business Sector	<i>Swiss Copartnerhips in Spain</i>
Food	2
Textiles	3
Bank/Financal	3
Insurance	6
Electricity	7
Chemicals	4
Machinery	1
Automobiles	1
Total	27

The chart indicates that, whether through Swiss multinational subsidiaries or through subsidiaries of other foreign companies, Swiss interests in Spain were distributed among at least twenty-seven firms, although there is no guarantee that they remained so throughout the whole time period from 1936 until 1959. Therefore, there is much to investigate and contrast, but electrical and insurance companies stand out because of the sheer numbers of them installed in Spain. The importance of others, such as Nestlé in the food group, or the Spanish-Swiss Fábrica de Automóviles, is well known. The Swiss were also celebrities in the insurance and chemical sectors, although the importance that these companies had for the Spanish economy during the 1936-1959 period is more difficult to assess.

The U.K. information makes it clear that confiscated properties were not included in the data presented so far. That is, despite the war and collectivization, especially in Catalonia, foreign firms tried to continue with their daily business and requested help from the authorities to guarantee their survival without tremendous upsets, though well aware of the need to pay bribes.

Foreign Investment at the Beginning and End of the Period

In the 1938 balance sheet for Spain presented by Cleona Lewis for the Brookings Institution in the United States, long-term foreign capital in Spain appears to come from the same set of countries identified for 1936 in the British Archive data.⁴³ However, it is worthy of note that, by the time it became clear that the rebels would be victorious, U.S. capital had reached second place in the ranking of foreign investors. Even more so is the fact that U.S. investment had grown by 127.24 percent during those two years of the Spanish Civil War. The total increase reached by all the nations at the head of foreign investment in Spain, is 9.83 percent between 1936 and 1938.⁴⁴ In the face of the divestment carried out by France, Belgium, Germany and Italy in Spain (see chart), there is a slight impulse in British investment, but the growth in U.S. investment is spectacular.

FOREIGN INVESTMENT IN SPAIN, 1936 AND 1938

(in million pesetas/pesetas of 1938)

	1936	1938	Difference (in %)	Ranking en 1938
Nationality	a	B	$[(b-a)/a] \times 100$	
French	3,409.92	3,306.15	-3.04	1
British	1,020.35	1,031.03	1.05	3
U.S.A.	791.04	1,797.57	127.24	2
Belgian	675.84	656.33	-2.89	4
Swiss	254.98	-----	-----	
German	192.00	186.12	-3.06	5
Italian	10.75	9.80	-8.89	6
Total	6,354.88	6,979.65	9.83	

Sources: Carreras/Tascón, 2000. Cleona Lewis, 1948, p. 315 (includes direct and portfolio investment). Martin Acena, 1989.

1938: ptas./dólar =24.49 (Average rate of the peseta in Tangiers, 1941); 1 pta. 1936 = 1,536 ptas. 1938 (BBVA, 2000)

I have transposed the value of the peseta in 1938 to 1939 pesetas according to the readjustment tables offered by the Banco Bilbao Vizcaya Argentaria. One peseta in 1936 would be worth 1.536 pesetas in 1939. As for pesetas/\$U.S., I have used the average exchange rate for the peseta in Tangiers in 1941, 24.49 pesetas per \$U.S., much closer to its real value than the official exchange rate of 10.78 pesetas/\$U.S.⁴⁵ The \$73.4 million represent direct U.S. investment, whereas the remaining figures also include portfolio investments.⁴⁶ The U.S. Department of Commerce's *American Direct Investments in Foreign Countries*, 1940, is the source for the U.S. figures used by Lewis. For the remaining countries, she has used the Foreign Section of the Moody's Governments and Municipals, 1939.⁴⁷ Lewis points out that the official or semiofficial studies are available for consultation, especially in the case of the U.S. or Great Britain, and many are published annually by the League of Nations balance of payments series. She makes special mention of the information given by the Dept. of Commerce, the Foreign Section of Moody's Governments and Municipals, as well as a series of reports put out by the Dept. of Overseas Trade of the United Kingdom, published under the generic title, "Economic and Commercial Conditions." The outstanding position of the U.S. makes understanding the evolution of the U.S. investment effort in Spain even more interesting, starting from the time when a

⁴³Cleona Lewis, *The United States and Foreign Investment Problems*, The Brookings Institution, Washington, 1948.

⁴⁴The set of seven countries comprised 84 percent (83.80 percent) of all authorized foreign investment for the decade of the 1960s. Information from Gamir, 1972.

⁴⁵For the official value of the peseta in 1938, see Dixon, 1985, p. 219. The author warns that the non-official figures (that is, the real ones) were much higher than the ones included in his chart on that page.

⁴⁶Lewis takes the definition of direct investments from the U.S. Department of Commerce. See Cleona Lewis, *ibid.*, p. 285.

⁴⁷*Ibid.*, p. 287.

“nacionales” victory appeared to be inevitable, until, according to many experts, the years 1958-1963, that point the country towards the Western model of economic growth.⁴⁸ Before undertaking this task, one must understand the situation of foreign investment at the beginning and at the end of the period under study. Given the agreement of the figures in the draft memorandum given for 1936 by the Bank of England’s Department of Overseas Trade and those given by Cleona Lewis for 1938, I will use the first – they are prior to the 1936 uprising – because Switzerland is included, whereas Lewis offers no information in this regard. The endpoint will be the year following the 1959 Stabilization Plan, i.e., 1960.

The following is the simplest chart, expressed in millions of 1960 pesetas:

Foreign Investment	
1936	36,291.97
1960	2,836.80

Source: Carreras/Tascón, 2000, González; 1979, p. 290.

Nevertheless, if we want to corroborate what has been said, we must move ahead to 1965. The resulting chart (expressed in millions of 1965 pesetas) would be thus:

Foreign Investment	
1936	51,716.07
1965	5,639.90

Source: Carreras/Tascón, 2000; Gámir, 1972.

In this case, a few warnings must be made that are unnecessary in the first chart, as the 1960 figure for foreign investment is the one that Manuel Jesús González takes from the figures of the Balance of Payments put out by the Ministry of Commerce. What’s more, I have taken the sum of direct, portfolio and property investments as being “foreign investment.” Nevertheless, the 1965 total investment figure includes those investments authorized by the Presidency of the Government, whose participation is greater than 50 percent of the firm’s capital. Álvarez de Eulate warned that these figures should be interpreted with great caution. Their imprecision lies in the fact that they do not include investments with minority foreign capital participation, in addition to them being mere authorizations – not those necessarily carried out – and do not include the sectors that were liberalized in 1963. It appears that the economic activity sectors with greater foreign capital concentration in the 1960s were chemicals, transportation materials and electrical machinery.⁴⁹ Bear in mind that this vision serves to give us an idea of what the situation was like; it does not attempt to offer die-hard figures. It’s better than nothing and does serve the purpose of allowing us to follow the trend. Nevertheless, our argument, even if it were to be proven correct, contains a classic error in that it is based on comparing flows and stocks, and the first figure represents the variable – stock – and the second reflects flow.

However, in order to go deeper into what foreign investment meant for the Spanish economy, it is necessary to know what specific weight it had in national economic activity. Since the above-mentioned error is clear, for now it is impossible to establish a ratio that demonstrates the weight of foreign investment flow on gross creation of fixed capital. However, we can measure its importance with respect to the capital stock that includes all the economy’s durable, tangible and reproducible goods located on Spanish soil, independently of the owner’s nationality. To do so, later on we will take the one that would, for now, appear to be the best estimate of national capital stock –

⁴⁸See Emile Témime, Albert Broder, Gérard Chastagnaret, *Historia de la España Contemporánea. De 1808 hasta nuestros días*, Ariel, Barcelona, 1982, p. 319.

⁴⁹See J. M. Álvarez de Eulate, “Política de financiación exterior,” in *Política Económica de España*, Guadiana de Publicaciones, Madrid, 1972, pp. 56-74, pp. 64-65.

the one elaborated by Cubel and Palafox. As they state in their article, private and public stock are based on the ownership of goods. By definition, their concept does not include non-reproducible assets, such as patents. Inventories or durable consumer goods are excluded from the estimate; therefore, said estimate becomes irrelevant if the ownership of the stock's different components is in the hands of Spaniards or foreigners.⁵⁰ Even so, a rough approximation is necessary to give us an idea.

The conclusion we are able to draw has been recognized previously by historiographers and is expressed by Tamames in the following quote: "...up until 1936 foreign investment found no kind of impediment in Spain. The foreign capitalist enjoyed full freedom to invest, transfer his profits and carry out divestments."⁵¹ At the other end of the time period, 1960, there is also a consensus expressed in the literature, one that repeats the cliché about the crucial role of the 1959 Stabilization Plan in opening Spain to foreign investment. Broder states (and he is not alone in his affirmation) that "the driving force of growth during the 1960s and 1970s is, unarguably, foreign investment."⁵² The widespread acceptance of this view is also captured in a caricature published in the newspaper *El País* in 1979, depicting Spain covered with the names of foreign firms, from Ford to Zanussi, including Rhone-Poulenc and Siemens. The caption reads: "The tenth power in the world." The data Álvarez Eulate offer for 1965 may even obviate a very elevated— one might even say extraordinary — volume of capital from "foreign investment with minority participation." Even at that, it is difficult to believe that the caricature of the period does not correctly express Spanish economic reality applied to the decade of the 1960s. One of the reasons would simply be that the flow of U.S. direct investment shows a positive balance, for example in 1965, a very considerable one, 2,724 million pesetas, as we shall see in later comparisons. Álvarez Eulate's figures for that year include one of the "most up-to-date" evaluations of foreign capital participation in the different sectors of the Spanish economy. The sectors covered by his study for the period between 1960 and 1970 make up — according to the author — approximately 80 percent of all majority investments authorized.⁵³

In order to create a picture in which we can tie together the foreign investment structure at the beginning and end of the period, I will attempt to illustrate — using a simple yet risky academic exercise — the importance that the growth of capital stock had in Spain. Álvarez Eulate's data for the period between 1960 and 1970 can be compared with that of the Overseas Trade Department of the Bank of England for 1936. It would be a question of considering that in 1959 the foreign investment registered in Spain was zero and that its contribution began in 1960, taking all that is accumulated annually as the total existing foreign investment, in 1960. It is not terribly orthodox to assign a value of 1960 pesetas to the entire period, as I have done, in order to convert dollars to pesetas, since it necessarily undervalues the amounts. However, this crude exercise gives us an approximate impression of the changes in the positions of foreign savings invested in Spain according to the national origin of these capitals. We must bear in mind that (as Eulate states): "part of the incomes of private outside capital coming from Switzerland itself or from other European countries, is through subsidiaries of U.S. firms." Also according to Eulate, this fact increases the importance of investment coming from the United States even more, which surely represents more than 50 percent of the total. The author's

⁵⁰See Cubel/Palafox, 1997, p. 120. The authors state that in National Accounting terms, the concept is identified with the expression of gross fixed capital creation. Nonetheless, I believe that there must be some kind of typographical error in the paragraph, because that is not the case. See the definition of gross fixed capital creation in SEC 95. Francisco Comín has drawn up a series of gross fixed capital creation that I will use along with the ones by Cubel and Palafox of national capital stock (public and private), and it is clear that the first is a flux variable and the second one is a stock variable. See Francisco Comín, *Estadísticas Históricas de España. Siglos XIX y XX*, 1989.

⁵¹Ramón Tamames, *Introducción a la economía española*, Alianza Editorial, Madrid, 1968, p. 349.

⁵²See Emile Témine et al., p. 328. A somewhat discordant interpretation is sustained by Cubel and Palafox, based on the national capital stock series they estimated.

⁵³Álvarez de Eulate, 1972, p. 64.

appreciation is that, for this reason, the flow of outside capital in Spain is excessively tied to economic policy measures taken in the U.S.A.⁵⁴

ESTIMATION OF FOREIGN INVESTMENT IN SPAIN, 1936 AND 1960-1970
(expressed in millions of 1960 pesetas)

	1936	1960-1970	Difference (in %)*
Nationality	a	b	$[(b-a)/a] \times 100$
French	19,456.08	3,223.38	-83.43
British	5,821.80	2,138.88	-63.26
USA	4,513.46	15,604.75	245.74
Belgian	3,856.16	632.63	-83.59
Swiss	1,454.82	10,555.80	625.57
German	1,095.50	5,024.85	358.68
Italian	61.35	1,693.03	2659.72
Total (7 Countries)	36,259.17	38,873.32	7.21

*% over the total for these seven countries

Source: Carreras/Tascón, 2000; Alvarez de Eulate, 1972 and BBVA, 2000(1 pta. 1936 = 8,764 ptas. 1960)

The countries expressed for the 1960-1970 period represent 83,80 percent of all foreign investment.

Although the decade of the 1960s is contemplated as a single economic exercise, the above chart serves to put aside eccentricity and as an illustration of just what little reliable information is available.⁵⁵ All in all, there can be little doubt as to the growing importance of U.S. capital towards Spain, especially during the 1950s. The figures presented in the above graph amply corroborate this fact. Although the percentage of increase of U.S. investment during the 1960s as compared to 1936 (246 percent) is less than that of Switzerland, Germany or Italy, none of these other countries invested as much in absolute terms as the U.S. did.

No one disputes the preeminence of the U.S. at the head of foreign investors during the years of rapid development under the technocratic governments of the 1960s, in which Harvard-trained Opus Dei ministers were placed in charge of economic policy. It is true that the U.S. and Switzerland make strange bedfellows at the head of foreign investment during the decade that put the final touches on Spanish industrialization. Prior to Franco's victory in 1939, Switzerland's main economic interests were to be found in the Republican zone. There are reasons to think that Switzerland already began to hold the top positions in foreign investment in Spain during the 1940s, even if it only ranked fifth among the group of outstanding investors.⁵⁶

A report drafted by a delegation of the Federation of British Industries that visited Spain in February 1961 sheds greater light on the fall in British investment volume, although not without some signs of British patriotism. The report states that

Foreign capital investment in Spain is subject to regulation covered by law... During 1960 eighty-three projects for foreign investment totalling U.S. \$132 million and sixty-two for a value of U.S. \$32 million have been authorised. Import licences for machinery and equipment issued against foreign capital participation were distributed as follows among:

⁵⁴The experience was said to have been known as consequence of the Johnson measures adopted in 1968. Ibid., p. 65.

⁵⁵As Tamames reminds us, there are no official statistics on foreign investment for the 1939-1959 period. See Tamames, *ibid.*

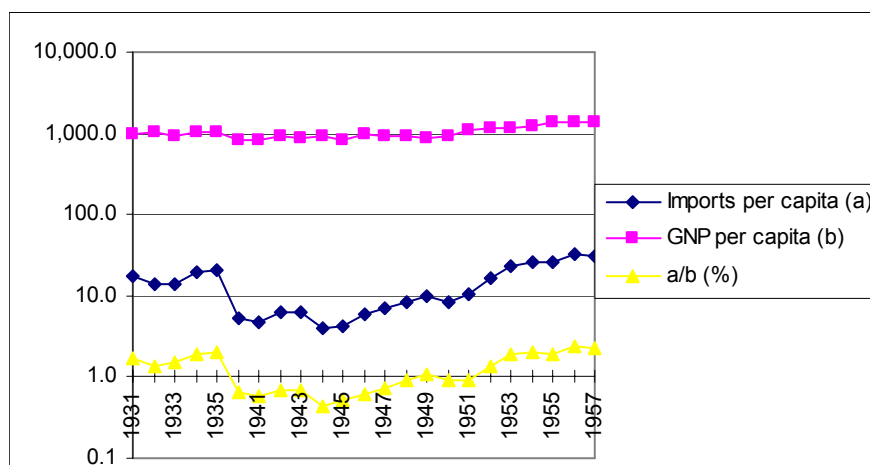
⁵⁶See Carreras/Tascón, 2000.

Industry	%	Country	%
Chemicals	46.07	West Germany	26.17
Transport	12.26	France	20.95
Building & Development	8.81	U.S.A.	20.11
Electricity	3.11	Great Britain	9.16
Foodstuffs	2.34	Belgium	5.97
Textiles	2.19	Latin America	5.33
Machinery	0.64	Switzerland	4.95
Other Manufacturing	17.47	Holland	4.06
Agriculture	0.53	Portugal	1.69
Sundry	6.58	Italy	1.55
		Scandinavia	0.06

As will be apparent from the majority of the Reports on Industries that follow, what the Spaniards wanted most is British capital and “know how.” Few if any of the members of the Spanish Delegation and none of the industrialists spoken to individually were interested in British investment in 100-percent-owned enterprises. They wanted the British partners to put up the capital required for imported plant; to provide technically skilled operatives, and frequently some working capital. The Spanish partners would provide the land and buildings and most likely some of the working capital.⁵⁷

The above excerpt from the report of the Federation of British Industries manifests the increasingly acute trend of resorting to importing capital goods. This trend was evident during the 1936-1959 period, with even greater emphasis during the 1950s. As Manuel Roman would later point out, “The Spanish economy has always been dependent for its growth upon imports of capital goods.” Roman’s graph, using data from the Banco Hispano-Americano, illustrates the point perfectly, even more so with the correlation coefficient of 0.992 between the capital goods imports series – as an independent variable – and per capita income as a dependent series.

CAPITAL-GOODS IMPORTS AND GNP PER CAPITA, 1931-1957 (Constant pesetas of 1935)



Correlation coefficient = 0,91585343; Source: Manuel Roman, *The limits of economic growth in Spain*, Praeger Publishers, New York, 1971, p. 25.

⁵⁷Federation of British Industries, *Spain. A challenge and an opportunity*. Report of the FBI Delegation which visited Spain in February 1961 to examine the possibilities for increasing trade, London, 1961, pp. 14 and 15.

In this way, the idea of a slowdown in the flow and quantity of foreign investments and in favor of capital goods imports for agriculture, transportation, services, industrial use, livestock, etc. takes on greater force at the dawn of the 1960s.

Direct U.S. Investments

Everything so far points to the idea that the flow of investments coming from the U.S. was not diminishing and, as we've already seen in an earlier chart, that there is evidence of the contrary for the year 1938. This fact refers specifically to direct investments and it is precisely this variable that I will now analyze for the years for which we have data. Kindleberger rightly focuses on the motivation for this kind of investment when he states that, "foreign direct investment may take the form of purchases of securities in a foreign corporation, existing or formed for the purpose, but its essence is control." He goes on to say that: "Control is sought for the purpose of squeezing all the rent, in a Ricardian sense, out of a given advantage, often one in technology, sometimes in the capacity of a vertically integrated company, stretching across national boundaries, to coordinate separate stages of production and distribution more effectively than the atomistic competitive market can."⁵⁸ It is worth remembering an error that specialists such as Albert Broder indicate is an easy trap to fall into. It consists of considering the establishment of foreign companies in Spain as being the same as foreign capital contribution, when in fact, at times they may be the same thing and at other times they clearly are not. Data on the variable, taken from the U.S. Census, offer us the relief of putting this kind of confusion aside. We can be certain that the U.S. capital that does exist is distributed among firms, whether subsidiaries of U.S. firms or foreign or Spanish companies under the control of people or corporations holding U.S. nationality. The following chart shows the number and value of U.S. investments in Spain in millions of dollars.

DIRECT U.S. INVESTMENTS IN SPAIN, 1929-1959*
(in millions of dollars)

	1929	1936	1940	1943	1946	1950	1957	1958	1959
Number	56	55	58	122	46	66	81		
Value	72.0	80.5	73.4	124,1*	28.0	30.7	44	48	53

*Including Canary Islands.

Sources: U.S. Department of Commerce (Office of Business Economics), *Direct Private foreign investments of the United States. Census of 1950, prepared by the Balance of Payments Division U.S. Office of Business Economics*, U.S. Government Printing Office, Washington, 1953.

U.S. Department of Commerce (Office of Business Economics), *U.S. Business investments in foreign countries, A supplement to the Survey of Current Business, by Samuel Pizer & Frederick Cutler (Balance of Payments Division, Office of Business Economics)*, U.S. Government Printing Office, Washington, 1960.

It is important to transform the series if we are to better identify the relevance that the volume of these investments had. If we transpose these values into pesetas and then take these pesetas and transpose them into 1959 pesetas, the resulting graph reveals that U.S. savings into Spain increased up until 1946. At this point a marked decrease is observed, followed by a point when the U.S. savings leveled off at approximately half the investment effort during the decade of the 1950s. Such a sudden difference in the investment total for the year 1943 with respect to 1946 can be explained, at least in part, by the change in the method used to gather information. The data gathered for 1943 limit their scope to those owners of more than \$10,000 spread out among foreign countries and more than \$1,000 in a single country.⁵⁹ Despite this fact, many of the reports on smaller funds were received and the Census clerk states that they were "included in the tabulation." Although the Census

⁵⁸Kindleberger, 1987, p. 23.

⁵⁹See United States Treasury Department, Office of the Secretary, *Census of American-owned Assets in Foreign Countries*, Government Printing Office, Washington, 1947, pp. 6-7.

reliability appears to reach at least 95 percent of the property intended, it does admit that the problem of property that is not registered may represent 2 percent of the total. When the 1950 Census clerk comments on the definitions, sources and methods, he again states that “the coverage is believed to be virtually complete, at least as major investors are concerned.” When indicating omissions, he makes no mention of Spain, but of the possible omissions of small business firms in Canada and Mexico, belonging to individuals. He does admit that those omissions do not seriously affect the totals observed. While mentioning specific exclusions, he also points out that individuals (although not corporations or partners) whose direct investment aggregates abroad reach a total of \$25,000 or less, are exempt from declaring and therefore are not included in the calculation. The self-criticism he makes of the methods employed guarantees that serious abnormalities that would distort the information are excluded.⁶⁰

Nevertheless, since we know that \$10,000 in 1943 do not equal \$25,000 in 1950, there remains this difference that would aggravate the 2 percent relating to small businesses not included in the calculation. The sudden jump from 1943 to 1959 is too small to interpret, but it surely had some incidence. The only thing that can be easily deduced from the change is that decisions guided capital along other pathways. In fact, the fall in the earlier year with data available, 1946, is much more sudden, with no \$25,000 declaration limit at that.⁶¹ In his book, *Private Investments Abroad*, in the chapter dealing with the growth of foreign investments compared to the 1950 Census (the next one to be carried out as comprehensively as the 1943 Census), Carroll comments that U.S. direct investments in Europe showed a \$300 million decrease with respect to 1943. That means that it was a decrease that was seen coming, although only by 15 percent of the new total – 1.7 billion dollars (?) – according to this author. On the other hand, the trend for the total of American direct investments was towards a significant increase for 1950, due to the five billion dollars in direct private investments of the post-war period.⁶² If we are talking about Spain in the 1940s, the obstacles and restrictions that, during the first years (1938 until 1946), were imposed on foreign capital penetration were set up to justify the lock-in effect in those investments. It is worth making mention of the limits still in force in 1950, according to the investors themselves:

FREQUENCY OF PROBLEMS IN SPAIN (CHART 341)

	Total	Investments Currently Active	Other*
Multiple exchange rates	8	7	1
Control of capital movements	9	6	3
Limitation on remittance of profits	14	11	3
Export or import quotas	13	10	3
Lack of trained native personnel	1	1	
Burden of social security legislation	3	3	
Discriminatory enforcement of tax laws	2	2	
Restriction of foreign investment to certain fields	2	2	

⁶⁰In fact, if one compares the new and old series obtained, they give a better estimation of the Census results. See U.S. Department of Commerce/Office of Business Economics, *Direct Private Foreign Investments of the United States. Census of 1950*, United States Government Printing Office, Washington, 1953, pp. 41-42.

⁶¹The 1950 Census explains how, since 1929, the Department of Commerce has maintained a record of direct investments abroad that is constantly updated. See U.S. Department of Commerce/Office of Business Economics, *Direct Private Foreign Investments of the United States, 1950 Census*, p. 36.

⁶²See U.S. Department of Commerce/Office of Business Economics, *U.S. Investments in Foreign Countries*, A supplement to the Survey of Current Business, by Samuel Pizer & Frederick Cutler, United States Government Printing Office, Washington, 1960, p. 2.

Unequal treatment before the law with respect to property holding and conveying, contract enforcement, right to use local courts, etc.	1	1	
Required local participation	2	2	
Nationalization and expropriation	2	2	
Inability to deal with responsible government officials	1	1	
Lack of adequate roads, railroads, harbors or storage facilities	1	1	
Inadequate power facilities	4	4	
Inadequacy of housing, recreational and shopping facilities for employees	1	1	
No problems	2	2	
Number of replies	17	14	3

*Consists of investments disposed of, investments considered but not carried out, and inactive investments. Report prepared for the president's Committee for financing foreign trade, Obstacles to direct foreign investment, *Technical Papers* Two, April, 1951.

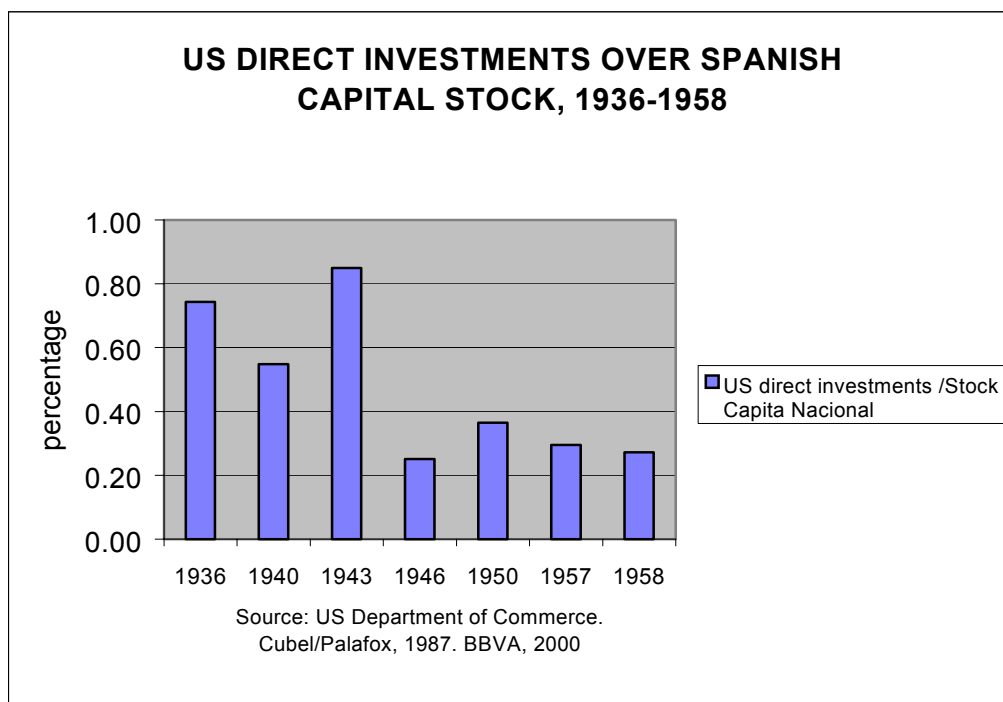
The most superficial analysis of those investments requires an appropriate weighting if the reader is to get a more precise idea of their importance. To do so, using the U.S. Department of Commerce's exchange rate, we can transpose the series into pesetas and then find the ratio of the direct investments over Cubel and Palafox's national capital stock. The result is as follows:

US DIRECT INVESTMENTS IN SPAIN, 1936-1959 (pesetas of 1990)

	Millions dollars	*pesetas/\$U.S.	Millions ptas.	ptas. of 1990 in millions (a)	National Capital Stock (b)	US di/SCP (a)/(b) %
1936	80	7.35	588.00	98,000.00	13,179,396	0.74
1940	73	10.74	784.02	71,274.55	13,009,822	0.55
1943	124	13.25	1643.00	109,533.33	12,898,716	0.85
1946	28	25.47	713.16	32,416.36	12,906,933	0.25
1950	31	52.52	1628.12	49,336.97	13,536,163	0.36
1957	44	53.95	2373.80	53,950.00	18,240,875	0.30
1958	48	54.99	2639.52	52,790.40	19,391,697	0.27
1959	53	59.39	3147.67			

Sources: U.S. Department of Commerce (Office of Business Economics), *U.S. Business investments in foreign countries, A supplement to the Survey of Current Business*, by Samuel Pizer & Frederick Cutler (Balance of Payments Division, Office of Business Economics), U.S. Government Printing Office, Washington, 1960. U.S. Department of Commerce (Office of Business Economics, Direct Private foreign investments of the United States. Census of 1950, prepared by the Balance of Payments Division U.S. Office of Business Economics, U.S. Government Printing Office, Washington, 1953. The peseta average rate taken in 1940 is the official rate, because there aren't data for the Tangiers rate. Pesetas per \$ U.S. in 1936 are those of 1935 Cubel & Palafox, 1997, p. 135. Private Capital Stock Series (SCP) in constant ptas. of 1990, Peseta purchasing power, BBVA. To transform values of the series from the U.S. direct Invest.

The same information is presented more graphically as follows:



It is interesting to consider this graph in light of the restrictions on foreign investment imposed in 1938, most of which weighed heavier during the first postwar years than they did after 1949. We see that the share of U.S. direct investment in total Spanish capital stock remained fairly steady up until 1946. It was during the “tough times” of the condemnation of Franco’s regime (1946), when France’s leftist government decided to close the Pyrenees border, that we see a drop. The UN, despite its condemnation of the regime, did not have the means to carry out an economic blockade. This was also the time when Perón’s Argentina offered Spain its support. Later on it was said that the Cold War and the Truman Doctrine’s strategy in the Mediterranean, in which Spain played a key role, saved the Franco regime. After American military personnel visited and talked with Franco in 1949, the Chase Bank granted Spain a \$25 million loan for essential foodstuffs and the American Congress authorized loans to Spain in 1950.⁶³

The July 27, 1959, decree, which went into effect in 1960, established legal bases that opened the borders to the participation of foreign capital. The decree allowed said investment in the shape of foreign currency, as well as transferable and convertible pesetas, patents, licenses, technical assistance and capital equipment.⁶⁴ Direct investment participation allowed in Spanish firms was raised to 50 percent of capital in the following industries: iron, steel and non-iron metals; cement and pre-fabricated building materials, textiles, food products, leather and footwear, printing, mechanical instruments, chemical and electrical equipment, agricultural machinery, etc.⁶⁵ Needless to say, the transfer of invested capital, as well as the profits earned by its eventual sale, could be transferred abroad in foreign currency with no limit whatsoever on the amount.

⁶³See Témine et al., *op. cit.*, p. 309.

⁶⁴Transferable pesetas are those that originate in foreign capital invested in Spain and in the profits said investments generate. They can be freely transferred outside Spain. Convertible pesetas cover the salaries earned in pesetas by foreign workers and are accepted for purchasing foreign currency in the Spanish market. See Banco Urquijo, *International investment in Spain*, Servicio de Estudios de Barcelona, Barcelona, 1971, p. 56.

⁶⁵See Banco Urquijo, *ibid.*, pp. 56-57.

Although there are only advantages in 1960, that doesn't mean that this type of investment in Spain was necessarily of interest to the Americans. In fact, and evidently up until now, it appears that the greatest interest in this type of investment coincides with the 1936-1943 period, putting aside the fact that the sizeable figure for the final year is due to the calculation of small investors. They played a role in transferring techniques to the Spanish industrial cultural heritage. It is certainly evident that, after the sharp fall in 1946, direct investment was reduced to half during the fifties. At this time, however, the agreements to install military bases resulted in "American aid" loans to Spain, as summarized in the following table.

U.S. PROGRAMS OF TECHNICAL AND ECONOMICAL AID FOR SPAIN, 1951-1959
(OVERALL FIGURES)

Concept	Millions dollars	Percentage	Distribution (%)	
			Agricultural Products	Raw materials and Production goods
Economic Aid	405.0	36.7	38.6	61.4
Technical Cooperation	2.2	0.2	0.0	100.0
PL 480 (sales and donatives)	514.4	46.6	100.0	0.0
Wheat sales by pesetas	20.0	1.8	100.0	0.0
Short and long term loans and Export credits from Export-Import Bank	140.6	12.7	25.7	74.3
Fund Development Loans	22.6	2.0	0.0	100.0
Total	1,104.8	100.0	65.8	34.2

Source: Aracil y Bonafé, 1977, p. 203.

While the flow of new U.S. direct investments to Spain was \$22 million from 1950 to 1959, the U.S. economic and technical assistance programs reach an accumulated total of 1,104.8 million during period. Since the national capital stock grew at a healthy rate during the fifties, the relative importance of US direct investments also appears to decline. In fact, Cubel and Palafox point out that this decade, along with the 1920s, were the two periods of greatest accumulation of capital in Spain. The American "aid" thus appears as a more determining factor than direct investments coming from the U.S. in their contribution to Spain's economic growth during the decade.⁶⁶

As Kindleberger states, direct investments move in both directions in the relationship between countries rich and poor in capital and often, within the same industries. The following charts bring the idea of the change in the scale of direct investment in Spain into sharper focus for the key year – when it also appears to reach the maximum in the series of census data.

VALUE OF AMERICAN-OWNED FOREIGN ASSETS, BY COUNTRY AND BY PROPERTY
CLASS, AS OF MAY 31, 1943. (In million of dollars)

Country	Property class						Total
	Interests in controlled enterprises	Securities	Bullion currency and deposits	Real Property	Interest in estates and trusts	Miscella- neous	
Spain	124,3	35,7	4,5	5,4	0,6	6,2	176,7
Switzerland	45,1	19,2	5,2	9,6	4,6	15,0	98,7
Portugal	14,1	1,8	0,5	0,6	0,2	2,2	19,4
Sweden	32,9	6,6	1,7	1,7	0,5	2,6	46,0

⁶⁶In this sense, it would support the idea of Oscar Calvo's paper on "American aid."

Country	Property class						Total
	Interests in controlled enterprises	Securities	Bullion currency and deposits	Real Property	Interest in estates and trusts	Miscellaneous	
France	171,2	40,8	8,3	74,5	14,2	88,0	397,0
Germany	513,6	125,4	56,6	189,4	50,7	144,0	1.079,8
United Kingdom	520,2	312,4	54,5	17,8	33,6	88,9	1.027,6
Italy	30,0	51,4	34,3	71,1	3,6	22,2	272,7
Czechoslovakia	67,1	11,7	13,7	28,4	6,2	20,9	148,0

Source: United States Treasury Department, Office of the Secretary, *Census of American-Owned Assets in Foreign Countries*, United States Government Printing Office, Washington, 1947.

The significant presence of U.S. direct investment in Spain during the 1940s, along with the arrival of American “aid” during the period, make the “penetration of Yankee capital” in Spain during the 1960s and 1970s seem less dramatic. It appears less and less to be a *dens ex machina* or as having come out of the blue. A similar conclusion about the role of foreign capital in supporting Spanish industrialization during the first decades of the Franco regime can also be drawn from the work of Mari Carmen Rodríguez on the movements of Swiss capital into the country during the same period.

Conclusion

The fact that the Franco’s regime had no need to legitimize much of anything allowed the politicians not to seek justifications for the economic policies they practiced. The nationals had won a war and the “generalísimo” had not simply reached power by means of a *coup d’état*. There is also a consensus among historians, according to Angel Viñas, about the absence of Spanish foreign policy during the years 1936-1959. The role of the U.S. in Spain during this period was predominantly manifested by the presence of foreign interests in firms located in Spain, in other words, in direct investment.

The level reached by U.S. direct investments as a share in Spanish capital stock was significant at the beginning of the period in 1936. The importance of this share continued to grow until 1943 – when U.S. direct investment reached \$124 million right in the midst of the Franco regime’s so-called period of economic “autarky.” In spite of a significant drop in the flow of new U.S. direct investment into Spain over the period of 1936-1946 (the inflow at the end of the period was 66.92 percent less than at the beginning, and picked up by only 6.54 percent from 1950 to 1958), the level of U.S. investment as a share of Spain’s capital stock continued to be quite significant throughout the period. Indeed, despite the drop in the flow of U.S. direct investment into Spain, this flow continued to account for a very significant share of fixed capital formation in Spain (12.46 percent) during the period 1950-1958.

The Spanish case does not support those theories that relate direct investment to political ties between countries.⁶⁷ It rather seems to support Kindleberger’s theory, according to which direct investment tends to respond to changes in economic perspective that investors have news of. In fact,

⁶⁷I have already said that the volume of direct investments even in 1943 was worthy of note. This shows how right Kindleberger’s theory is in this respect. Direct investments are not generally ruled by differences in profit rates between countries, but by existing differences in return rates obtained by other firms in the same branch. Kindleberger offers the example of the increase of U.S. investments in Europe motivated by the 1957 Treaty of Rome that established the Common Market. However, this investment response, according to Kindleberger, is not due to the fact that it called attention to already existing opportunities but allowed the American businessmen to become aware of lost opportunities. See Charles P. Kindleberger, *Economic Laws and Economic History*, Cambridge University Press, Cambridge, 1989, p. 86.

if during the fifties the volume of direct U.S. investment fell to half of that of the forties, it could well be because the comparative advantages exploited in Spain by U.S. capital had entered into a period of decreasing profits, advising investment elsewhere.⁶⁸ “American aid” became a more significant factor than direct investment in contributing to Spain’s economic growth during the 1950s. However, the contribution of U.S. investment flow to Spanish fixed capital formation – at 12.46 percent for the decade – is still very significant, suggesting that the question deserves more research.

Unlike authors such as Stephen Hymer, who compares direct investment to the giant redwoods that stand for centuries, Kindleberger’s theory suggests that the tide of foreign investment into Spain ebbed when the investing company found better uses for its funds in its own country or when it needed cash to make up for losses.⁶⁹ Certainly one of the possible uses for the resulting savings of the U.S.A. that the literature corroborates is capital goods production, since Spain’s demand for these increased during the fifties. The Americans with interests in production firms in Spain were well aware of this. In any event, the decrease in the flow of direct U.S. investments in the 1950s compared to the previous decade can be added to the series of other important changes occurring during the decade that Manuel Jesús González highlights in his work.⁷⁰

NET U.S. CAPITAL FLOW TO SPAIN, 1946-1959 (in millions current pesetas)

	U.S. flow	Fixed Capital Formation*	U.S. flow/FCF (in %)
1946-1949	483.93	4584.00	10.56
1950	105.04	1461.00	7.19
1959	59.39	7446.00	0.80

Source: Stanford Research Institute, *American investments in Spain, comprising a report by Stanford Research Institute (International) on the role of American investments in Spain’s development and an opinion survey by DATA, S.A.* (Madrid), Barcelona, American Chamber of Commerce in Spain, 1972, p. 95.

*Fixed Capital Formation (Spanish) = Formación Bruta de Capital Fijo. For Spain Francisco Comín Series used (1989).

The comparison of U.S. capital inflows to Spanish Fixed Capital Formation shown in the table above suggest that, if Spain was kept out of the Marshall Plan by the U.S. government, there was an equivalent of the Marshall Plan run by American firms in Spain.⁷¹ When measuring U.S. capital flows over another variable such as Spanish National Income, with data provided by the Consejo de Economía Nacional, we get the next chart. I measured flows in constant pesetas of 1990, and Spanish National Income (“SNI”) accumulated for the periods.

U.S. DIRECT INVESTMENT FLOW OVER SPANISH NATIONAL INCOME

	U.S. d.i. flows (a)	SNI accumulated (b)	Ratio [a/b] (%)	Annual Average Ratio (%)
1946-1950	16,921	573,908	2.95	0.59
1940-1950	-21,938	756,261	-2.90	-0.26
1950-1958	3,453	2,581,183	0.13	0.01

- Using the Spanish National Income series by the Consejo de Economía Nacional.

Here we have very good proof of the impact of foreign direct investment on Spanish economic activity during this period. As many writers state, and as we find in many Bank of England and Foreign

⁶⁸See Kindleberger, *International capital movements. Based on the Marshall Lectures given at the University of Cambridge 1985*, Cambridge University Press, Cambridge, 1987, pp. 24-25.

⁶⁹See Kindleberger, op. cit., p. 28.

⁷⁰See Manuel Jesús González, *La economía política del franquismo...*, 1979, p. 117.

⁷¹I suggest there was another “Marshall Plan” for Spain, different from the U.S. Marshall Plan, and it was running by the U.S. direct investments abroad.

Office documents of the period, business relations may follow paths that do not follow diplomatic relations. This is certainly the case for the “autarkic” decade of the 1940s and above all for those corresponding to the first period of the Marshall Plan, as the following chart shows us.

	US flow/FCF (%)	Annual Average (%)
1946-1949	10.56	3.52
1950-1958	12.46	1.56

The necessary comparisons with the 1960s – the years of the country’s industrialization – shed even more light to ponder the idea exposed here (see the next charts).

	Foreign direct investment/ Spanish National Income (%)
1960	0.53
1965	0.50

- SNI serie by Alcaide; and Eulate, 1972.

US direct investment/GNP (1946-1950 annual average)	Foreign direct investment/ GNP* 1971
0.74	0.31

- Foreign direct investment (owned more than 50 percent firm’s capital); Eulate, 1972.

The above charts strongly belie the conventional wisdom about the role of foreign investment in Spain during the Franco regime’s different periods. There was significant foreign investment during the first two decades of the regime and it helped the Spanish economy considerably, even in the 1950s, when American aid was added to the equation. U.S. investors certainly weren’t anti-Franco, They were clearly concerned with extracting profits, and not very worried about political ideas.

All this allows us to better understand the course of Spanish industrialization in the 1960s and the role of the United States in Spanish development. The Spanish catching-up process was achieved in the 1960s, but we have seen that foreign investment, mainly by the U.S., was already contributing to this in the two previous decades, and even during the Spanish Civil War. Accounts of Spanish economic development must be corrected for this: there was foreign investment in Spain despite very strict legal restrictions and despite the Franco regime’s policy of autarky, surely because a network enabling these investments existed before 1936.

One of the more interesting questions that this finding raises is that of the impact of foreign investment during this period for the Spanish labor market and the organization of Spanish labor, which was organized clandestinely in spite of the absence of political freedom and the compulsory affiliation of workers with the Sindicato Vertical. In order to pursue this question, however, we need to find data on the firms affected by foreign investment, located mainly in Barcelona, Madrid, the Basque Country, Valencia and the south of Spain. We would need to explore their records (type of business, firm size, work force of the firms, and labor productivity). It would also be important to identify the networks provided by the so-called U.S. Spanish lobby and the degree of real support given to the regime by networks of foreign investors.

We must continue working along these lines to understand fully the consequences of the evidence presented here on the role of foreign capital in Spain prior to the 1959 liberalization. Statements such as “*the period during which the greatest volume of foreign investment is concentrated in our country begins with the Stabilization Plan (1959)*” do not seem to hold up anymore in light of the evidence encountered.