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Spain 1935: A Lost Opportunity

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ABSTRACT

A close and unbiased analysis of the economic policies of the Second Spanish Republic shows a remarkable continuity between the fiscal and monetary policies of all the republican governments, whatever their political ideology. While Spain was less affected than other nations by the Great Depression, its impact was nonetheless felt in some sectors of the Spanish economy like agrarian exports and maritime transport, as well as foreign investment. In any case, at the end of 1935 – after two consecutive years of economic growth and having reached the net domestic product level in real terms of 1929 – Spain was leaving behind the economic crisis. The centre-right government was supported by a parliamentary majority, elected for a period that would finish in November 1937. Their economic programme, while maintaining budget equilibrium, envisaged a set of public investments to promote economic growth and employment, while revising, at the same time, the Constitution and the electoral law. Unfortunately, growing ideological sectarianism in the Spanish political scene, unsurmountable differences between the governing coalition and the irresponsibility of some political leaders led Spain to lose a great opportunity for a better future. In the following months of 1936, political radicalization, sectarian violence and the loss of legal certainty put an end to Spanish political and economic normality. Public order and social coexistence deteriorated severely, a process that culminated in the outbreak of the civil war.

Introduction

It is not easy to analyse the Second Spanish Republic leaving aside

ideological perceptions. Economic analyses and statistical data might offer, in many cases, a more objective view of such an important period in Spanish history. The general opinion considers that ideology greatly influenced the economic policies of the republican governments. A close and unbiased analysis of those policies, on the contrary, shows a remarkable continuity between the fiscal and monetary policies of all the republican governments, whatever their political ideology. They did their best to face the economic problems of Spain in a period when the Great Depression shook the economic and social foundations of the western world. While Spain was less affected than other nations by the international crisis, nonetheless its impact was evident in some sectors of the Spanish economy, like agrarian export products and maritime transport, as well as in foreign investment.

At the end of 1935 – after two consecutive years of economic growth and having surpassed the Gross Domestic Product (GDP) level recorded in 1929 – Spain was leaving behind the economic crisis. The centre-right government, backed by a parliamentary majority until November 1937, enacted public investments to boost growth and employment while revising the Constitution and electoral law.

Unfortunately, ideological sectarianism, the selfish defence of private interests and the irresponsibility of some political leaders nullified the effects of those proposals and Spain lost a terrific opportunity for a better future. In the following months of 1936, political radicalisation, sectarian violence, social conflicts, and the loss of legal certainty put an end to Spanish political and economic normality.

Section I of this article deals with the political, economic, and social conditions of Spain in the 1920s and at the arrival of the Republic. Section II analyses the agrarian reforms during the Second Republic. Section III examines the monetary and fiscal policies of the Republican governments. Section IV contains a comparative analysis of the impact of the Great Depression in Spain and in other European countries. Section V addresses the economic and political situation

in Spain in 1935. The Conclusion summarizes the assessments presented in this article.

In the last decades, there has been a significant increase in the quantity and quality of the economic data regarding the 1930s. These include the studies of Leandro Prados de la Escosura, *Spanish Economic Growth, 1850-2015*. (Palgrave Studies in Economic History, Palgrave Macmillan, London, 2017), Jordi Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)* (Instituto de Estudios Económicos, Madrid, 2016), Francisco Comín, *Fuentes cuantitativas para el estudio del Sector Público en España, 1801-1980* (Instituto de Estudios Fiscales, Monografía no. 40, Madrid, 1985) and Albert Carreras and Jordi Tafunell (eds.), *Estadísticas históricas de España, siglos XIX-XX* (Fundación BBVA, Bilbao, 2005). Foreign references were also obtained from Jutta Bolt, Robert Inklaar, Herman de Jong, and Jan Luiten van Zanden, in the *Maddison Project Database*, version 2018, Maddison Project Working Paper, no. 10, available for download at www.ggdc.net/maddison and Brian R. Mitchell, *International Historical Statistics. Europe, 1750-2000* (Palgrave MacMillan, London, 2003).

The tables and figures attached to this article have taken into consideration long-term statistical series, covering the periods 1913-1936 for Spanish internal data and 1919-1939 for international comparisons.

I

On 14 April 1931 – after the republican-socialist coalition won the local elections in the main towns but not all over Spain – the Second Spanish Republic was proclaimed, and King Alfonso XIII left the country. The Monarchy did not fall for the depreciation of the peseta, which in Spain reduced the impact of the world depression, nor for the restrictions on public expenditure made by the Berenguer Government. In April 1931 macroeconomic data did not seem to register a negative impact of the international depression on the Spanish out-

put and employment.[1] The end of the Monarchy arrived because of the growing disaffection for the Crown from very different social groups that felt aggrieved for diverse reasons, from those affected by fiscal reforms to trade unionists, urban middle-class members, intellectuals, university students and even politicians from the dynastic parties.

During the First World War Spain was a neutral country. Spanish economy had the possibility to increase exports and substitute imports without foreign competition. From 1915 to 1919 there was a surplus in the balance of trade. But the rise in the national product was modest and by 1920 the wartime boom was over, and the balance of trade reverted to deficit.[2] The cost of living increased by 88 per cent between 1914 and 1920,[3] producing social discontent and a wave of strikes. Not having taken part in the First World War, Spain did not start the decade of the 1920s with the foreign war debt problems that affected other European nations, which, together with the reparation demands, generated a political ill-will that seriously damaged international cooperation.[4] At the end of 1919, Spain had the fourth biggest reserves of monetary gold in the world (97 million pounds) after those of the United States, France and United Kingdom.[5] As Stanley Payne mentions, Spain was no longer the overwhelmingly rural, agrarian country that it had been before 1910. Accelerated social and economic modernization was producing "a new and more modern society, better educated and increasingly urban, and potentially more attuned to democratization." Those

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[1] L. Prados de la Escosura, *Spanish Economic Growth, 1850-2015*, London, 2017, Tables S3 and S18; J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Madrid, 2016, Tables II.11 and III.9.

[2] D.H. Aldcroft, *Europe's Third World: The European Periphery in the Interwar Years*, Aldershot-Burlington, 2006, pp. 129-130.

[3] J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Madrid, 2016, Table IV.6

[4] M. Flandreau, C.L. Holtfrerich, J. James, *International Financial History in the Twentieth Century: System and Anarchy*, New York, 2015, p. 9.

[5] J.M. Keynes, "A Treatise on Money: The Applied Theory of Money" (1930), in *The Collected Writings of John Maynard Keynes*, London, 1978, vol. VI, p. 265.

changes were also producing "a much higher level of social and political consciousness and a pronounced revolution of rising expectations, especially among industrial workers and farm labourers."[6] James Simpson and Juan Carmona consider that for Spain "the half century prior to the Great Depression was a period of long-run economic growth," with a reduction in the numbers of people living in absolute poverty and improvements in literacy and life expectancy, adding that "Spain on the eve of the Second Republic has a much more dynamic economy than it is usually suggested in the historical literature."[7]

For Shlomo Ben-Ami, "[t]he decade that preceded the Republic was likewise to witness a discernible modernization of Spain's social structure." He mentions especially the urbanization process, the change in the proportions of the working force employed in agriculture and the fall in the rate of illiteracy in the 1920s, the highest fall of the century until the 1960s.[8] Joan Rosés and Nikolaus Wolf recall that between 1920 and 1929[9] per capita Spanish GDP showed an average annual growth of 2.92 per cent.

On 13 September 1923, a military bloodless coup established a dictatorship under the lead of General Primo de Rivera, who on 3 December 1925 formed a civil government. The regime's economic policy was based on protectionism of national production, state intervention in the economy and corporatism, while internal competition was limited.[10] An ambitious programme of public works was launched, with a planned investment of 5,200 m pesetas allocated

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[6] S.G. Payne, *Spain's First Democracy. The Second Republic, 1931-1936*, Madison, Wisconsin, 1993, pp. 23-25.
[7] J. Simpson, J. Carmona, *Why Democracy Failed. The Agrarian Origins of the Spanish Civil War*, Cambridge, UK, 2020, pp. 3 and 8.
[8] S. Ben-Ami, "The Republican 'take-over': prelude to inevitable catastrophe?", in P. Preston (ed.), *Revolution and War in Spain, 1931-1939*, London, 1985, pp.15-16.
[9] J.R. Rosés, N. Wolf, "Aggregate growth 1913-1950", in S. Broadberry, K.H. O'Rourke (eds.), *The Cambridge Economic History of Modern Europe*, Cambridge, UK, 2010, pp. 186-191.
[10] J. Velarde, *Política Económica de la Dictadura*, Madrid, 1973, pp. 38 and 139-171; J. Harrison, *The Spanish Economy in the Twentieth Century*, London, 1985, p. 54.

to the sectors of irrigation, electricity generation, railways, roads and social housing. The Minister of Finance José Calvo Sotelo tried, with little success, to achieve a fiscal reform based on social equity,[11] with higher tariffs to the upper incomes and a revision of the bases of property taxes.[12] At the end of 1929, Spanish gold reserves (102 m pounds) were still the sixth in the world, after those of United States, France, United Kingdom, Germany and Japan.[13] Real GDP per capita increased by 14.3 per cent from 1923 to 1930.[14]

II

The agrarian reform of the Republic did not succeed due to its complexity,[15] its scarce financing and poor management and, also, because ideological issues and land redistribution were given priority over production increase[16] and over the access of peasants to the property of the land.[17] James Simpson and Juan Carmona consider that "the lack of suitable land and the limited state capacity to supervise such an ambitious reform were the decisive factors."[18] For Simpson and Carmona, "agrarian policy was heavily biased towards the needs of landless workers and failed to respond to those of small farmers," at a time of weak farm prices and increasing production costs due to labour legislation.[19]

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[11] C. Albiñana, "La evolución del sistema de impuestos", in *La Hacienda Pública en la Dictadura 1923-1930*, Madrid, 1986, p. 76.
[12] A. Bullón de Mendoza, *José Calvo Sotelo*, Barcelona, 2004, pp. 163-196.
[13] J.M. Keynes, "A Treatise on Money: The Applied Theory of Money" (1930), in *The Collected Writings of John Maynard Keynes*, London, 1978, vol. VI, p. 265.
[14] J. Bolt, R. Inklaar, H. De Jong, J.L. Van Zanden, *Maddison Project Database*, version 2018, Groningen, 2018.
[15] R. Tamames, *Introducción a la economía española*, Madrid, 1967, pp. 45-50.
[16] L. Benavides, *Política Económica en la II República Española*, Madrid, 1972, p. 104.
[17] P. Martín-Aceña, "La economía española de los años treinta", in S. Juliá (coord.), *República y Guerra Civil*, Vol. XL of Historia de España Menéndez Pidal, Madrid, 2004, p. 370.
[18] J. Simpson, J. Carmona, *Why Democracy Failed. The Agrarian Origins of the Spanish Civil War*, Cambridge, UK, 2020, p. 180.
[19] J. Simpson, J. Carmona, *Why Democracy Failed. The Agrarian Origins of the Spanish Civil War*, Cambridge, UK, 2020, pp. 5 and 7.

There were also discrepancies about the contents of the reform among the parties of the republican-socialist coalition. But all the political groups were jointly responsible for the failure of the Spanish agrarian reform.[20]

In 1931, 51 per cent of the active population of Spain (a substantial change from 65 per cent in 1900) was occupied in agriculture accounting for 35 per cent of the GDP, versus 45 per cent in 1900.[21] Joseph Harrison claims that during the first third of the twentieth century "an unprecedented and hitherto unacknowledged expansion took place in the Spanish countryside," with new crops and an expansion of livestock farming.[22] Simpson and Carmona recall that, "between 1910 and 1930, land output increased by 31 per cent and labour productivity by 65 per cent, and the sector made an important contribution to economic growth."[23] Spanish agriculture had a dual character: the cereal producing regions worked mostly for the internal market whereas vegetable and fruit from the Mediterranean area and the olives grown in the South were destined to foreign markets. Geographic distribution of properties was also dual, with big estates in Andalucía, Extremadura and La Mancha and a prevalence of small landowners and tenants in the rest of Spain.[24]

In 1932 Pascual Carrión wrote about the concentration of agrarian property and wealth in Spain: 14,721 owners with more than 250 hectares (with an average of 752) possessed 49.3 per cent of the tax-assessed area of Spain, while 1,774,104 owners with less than 250 hectares (with an average of 6.41) had the remaining 50.7 per cent.[25]

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[20] E. Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, pp. 388-395.
[21] P. Martín-Aceña, P., "La economía española de los años treinta", in S. Juliá (coord.), *República y Guerra Civil*, Vol. XL of Historia de España Menéndez Pidal, Madrid, 2004, p. 364.
[22] J. Harrison, "The Economic History of Spain since 1800", in *The Economic History Review*, no. 43, 1, 1990, p. 82.
[23] J. Simpson, J. Carmona, *Why Democracy Failed. The Agrarian Origins of the Spanish Civil War*, Cambridge, UK, 2020, p. 78.
[24] J. Gil Pecharromán, *Historia de la Segunda República Española (1931-1936)*, Madrid, 2002, pp. 77-78.
[25] P. Carrión, *Los latifundios en España. Su importancia, origen, consecuencia y solución*, Madrid, 1932, pp. 51-53.

A diverging view of the Spanish agrarian problem is that of Juan Carmona, Joan R. Rosés and James Simpson. They conclude that the number of landless peasants decreased from two million in 1860 to less than one million in 1930, while the landowners and tenants increased from 1.6 million to 2.2 in the same period. The landless labourers accounted for 57 per cent of the total agrarian workforce in 1860 and 30 per cent in 1930. Nevertheless, these authors recognise that in Western Andalucía and Extremadura "the large size of average plots made access to land extremely difficult for the landless peasantry."[26] Three years before, Rosés had written that "over large areas of Estremadura and Andalusia there was no farm ladder."[27]

With the arrival of the Republic and following the enactment of the Decrees approved by the Provisional Government in 1931,[28] introducing substantial changes in the labour and property relations in the Spanish agriculture, the expectations of the peasants increased beyond the ability of the Spanish economy to satisfy them. The first draft of the Agrarian Reform Law prepared by a Technical Commission, was a moderate and economically viable initiative that restricted the reform to the provinces with large estates, proposed temporary occupation of properties with a rent being paid to the owner; its estimated annual cost of 200-250 million pesetas allocated to settle from 60,000 to 75,000 peasant families per year, was to be partly financed by a progressive tax on the income of large estates.[29] After several proposals, where ideology counted more than technical criteria, on 15 September 1932, the Parliament approved a more radical law, affecting all the Spanish territory, where properties were to be expropriated, with a negative discrimination for the grandee estates, and

[26] J. Carmona, J. Rosés, J. Simpson, "The question of land access and the Spanish land reform of 1932", in *Economic History Review*, no. 00, 0, 1-22, 2018, pp. 2-3 and 12-15.
[27] J.R. Rosés, "Spanish Land Reform in the 1930s: Economic Necessity or Political Opportunism?", in *Economic History Working Papers*, no. 225/2015, pp. 14-15.
[28] E. Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, pp. 166-171.
[29] R. Robledo, "La Reforma Agraria de la Segunda República Española: ideas y hechos", in *XV Encuentro de Economía Pública: políticas públicas y migración*, Universidad de Salamanca, 2008, pp. 21-25.

with inclusion of properties close to the villages or systematically rented. The left-republicans that headed the Spanish Government and the Ministry of Agriculture did not push the reform with the adequate speed and effectiveness. Many peasants were deceived, as at the end of 1933 the *Instituto de Reforma Agraria* (IRA) had settled only between 6,000 and 7,000 peasants in 44,136 hectares, a result very far from the proclaimed objectives.[30] IRA received a total of 158.3 million pesetas (1.11 per cent of the added budgets of those years) from the State budgets of 1933-1936 and spent only 63.3 million pesetas (0.46 per cent of the State expenditure in those years), a figure notoriously inadequate for the proclaimed objectives of peasant settlement.[31] The Decree of Tilling Intensification, approved on October 1932 had better results to solve the problem of the *yunteros* (landless peasants who only owned the animals used to plough the land). They were granted the right to occupy uncultivated lands on large estates for a duration of two years. As a result, 40,108 individuals were settled on 123,305 hectares across 1,593 properties.

After the general elections of November 1933, the centre-right coalition governments did not suppress the agrarian reform, although they introduced some changes in the laws of the previous biennium. In fact, in the first nine months of 1934, with Cirilo del Río as Minister of Agriculture, more peasants were settled on the land than in the sixteen months from September 1932 to December 1933.[32] After October 1934, CEDA's Minister of Agriculture, Giménez Fernández – a believer in the social function of agrarian property – renewed for twelve months the yunteros land occupations for tilling, but his draft bill for agrarian leases went through substantial

[30] E. Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, pp. 280-281.
[31] L. Peral, *Política económica de la Segunda República. España en la Gran Depresión internacional*, Madrid, 2022, p. 198, Table 27. Data from Instituto de Reforma Agraria, *Boletín del Instituto de Reforma Agraria*, Madrid, 1932-1936. October 1934, pp. 852-861; January 1934, pp. 16-48.; July 1935, pp. 18-46 and January 1936, pp. 5-28.
[32] E. Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, pp. 280-281, 327-328 and 346.

changes in Parliament, where the most conservative legislators opposed his initial project. Some transitory provisions of the Lease Law produced abuses from some landowners, claiming the leased lands to be tilled by themselves or by their families.[33]

After February 1936, the Popular Front government fully restored the agrarian reform law of 1932, adopting more radical measures regarding compensations and settlements.[34] The efficiency of IRA improved, extensively resorting to the possibility to expropriate land for social utility reasons (introduced by the centre-right in the reform of the agrarian law in August 1935). From March to July 1936, 114,343 peasants were settled in 573,190 hectares.[35] New government measures increased the cost of labour in agriculture.

While the agrarian reform was debated, Indalecio Prieto, the socialist Minister of Public Works, started an hydraulic and irrigation policy envisaging public-private cooperation schemes,[36] that was not only a continuation of the same programmes adopted during Primo de Rivera dictatorship but became a precedent for the colonization and water transfer policies of the following decades, under the Franco regime. In 1931 and 1932, the Republic invested a yearly average of 80 million pesetas in irrigation that went up to 158 million in 1933, a substantial increase over the 40 million per year of the last three years of Primo de Rivera governments.[37]

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[33] P. Martín-Aceña, P., "La economía española de los años treinta", in S. Juliá (coord.), *República y Guerra Civil*, Vol. XL of Historia de España Menéndez Pidal, Madrid, 2004, p. 370.

[34] P. Martín-Aceña, P., "La economía española de los años treinta", in S. Juliá (coord.), *República y Guerra Civil*, Vol. XL of Historia de España Menéndez Pidal, Madrid, 2004, p. 370.

[35] Instituto de Reforma Agraria, *Boletín del Instituto de Reforma Agraria*, Madrid, 1932-1936), March-July 1936. Cited by Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, p. 378).

[36] J. Velarde, "La gestión económica de Indalecio Prieto en el Ministerio de Obras Públicas", in *Anales de la Real Academia de Ciencias Morales y Políticas*, no. 61, 1984, pp. 255-261.

[37] Instituto Nacional de Estadística (INE), *Anuario Estadístico de España*, 1934, Fondo Documental INEbasehistoria. http://www.ine.es/inebaseweb/71807.do?language=0, pp. 344 and 478, cited by Malefakis, *Agrarian Reform and Peasant Revolution in Spain*, New Haven, Connecticut, 1970, p. 234.

Pablo Martín-Aceña wrote that, despite the uncertainties that the agrarian reform brought to landowners and tenants, the evolution of the Spanish agriculture started at the beginning of the twentieth century continued without interruption (Table 1).[38]

III

The monetary and fiscal policies of all the Second Republic governments could be described as fairly orthodox.[39] In fact, there was a continuity in the Spanish monetary and fiscal policies from 1920 to 1935, notwithstanding the changes of political regime.[40] But financial orthodoxy could not solve the structural problems of the Spanish economy. There was no banking crisis in Spain. In the early months of the Republic, many Spaniards influential in the economy lacked confidence in the new regime. Business expectations, which had started to deteriorate before the change of the regime, plunged.[41] Bank deposits plummeted by more than 15 per cent between April and June 1931 and there were illegal exports of capitals, but no bank panic. The Bank of Spain, unlike other central banks in those years, was very active as a "lender of last resort."[42] During all those years, Spain maintained a very good international reputation as a debtor and never failed to fulfil its debt obligations.[43] The peseta being in a

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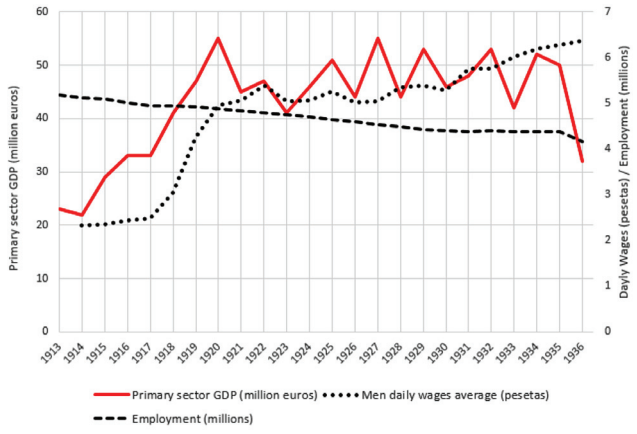
[38] P. Martín-Aceña, P., "La economía española de los años treinta", in S. Juliá (coord.), *República y Guerra Civil*, Vol. XL of Historia de España Menéndez Pidal, Madrid, 2004, pp. 371-372.
[39] J. Harrison, "The inter-war depression and the Spanish economy", in *Journal of European Economic History*, no. 12, 1983. pp. 298 and 313-317.
[40] F. Comín, P. Martín-Aceña, "La Política Monetaria y Fiscal durante la Dictadura y la Segunda República", in *Papeles de Economía Española*, no. 20, 1984, pp. 240-242.
[41] J. Palafox in P. Martín-Aceña (ed.), J. Palafox et al., *Pasado y presente. De la Gran Depresión del siglo XX a la Gran Recesión del siglo XXI*, Bilbao, 2011, pp. 98-99.
[42] C.H. Feinstein, P. Temin, G. Toniolo, *The World Economy between the World Wars*, New York, 2008, p. 104.
[43] J. Chapaprieta, *La paz fue posible. Memorias de un político*, Esplugues de Llobregat, Barcelona, 1971, p. 168; R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, pp. 1.159, 1.173 and 1.177.

Table 1
Agriculture

Year	Primary sector GDP (million euros)	Men daily wages average (pesetas)	Employment (thousands)
1913	23	–	5,190
1914	22	2.33	5,126
1915	29	2.36	5,092
1916	33	2.44	5,010
1917	33	2.48	4,942
1918	41	3.04	4,954
1919	47	4.26	4,931
1920	55	4.95	4,887
1921	45	5.06	4,844
1922	47	5.39	4,799
1923	41	5.04	4,753
1924	46	5.07	4,702
1925	51	5.25	4,651
1926	44	5.02	4,598
1927	55	5.04	4,543
1928	44	5.34	4,482
1929	53	5.38	4,429
1930	46	5.28	4,394
1931	48	5.76	4,376
1932	53	5.76	4,410
1933	42	6.02	4,381
1934	52	6.20	4,391
1935	50	6.29	4,373
1936	32	6.37	4,167



Sources: GDP (includes Forestry and Fishing): L. Prados de la Escosura, *Spanish Economic Growth, 1850-2015*, Palgrave Studies in Economic History, Palgrave Macmillan, London, 2017, Table S12. Wages: J. Maluquer y Montserrat Llonch, "Trabajo y relaciones laborales", in A. Carreras, J. Tafunell (eds.), *Estadísticas históricas de España, siglos XIX-XX*, Fundación BBVA, Bilbao, 2005, Table 15.19. Employment: J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016, Table II.11)

floating exchange rate, its depreciation helped Spain to reduce the first impact of the Great Depression, as Keynes noted when he visited Spain in June 1930.[44] As Peter Temin wrote, "Spain […] avoided the worst excesses of the Great Depression by staying off the gold standard."[45]

Unlike other countries, Spain did not adopt expansionary monetary policies, competitive devaluations, and sensible reductions of the interest rates.[46] The interest rates went down quite slowly. After the autumn of 1933 Spain tied *de facto* the peseta to the French franc and reinforced exchange controls. The currency advantage disappeared as many countries left the gold standard and devalued their currencies.[47] Francisco Comín considers that the strength of the peseta in those years negatively affected the exports and retarded the recovery of Spanish economy.[48]

Regarding fiscal policy, all the governments of the Second Republic, whatever their ideology, were theoretical defenders of fiscal orthodoxy and, when proposing their budgets, they always mentioned their wish to have no deficits, though they never fully achieved it. After the arrival of the Second Republic, fiscal revenues maintained their chronic insufficiency to finance all public expenditure, with a resulting constant growth of public debt, which was to reach 45.56 per cent of GDP in 1933. The budget deficit in relation to GDP increased during the Second Republic, attaining 1.13 per cent in 1934, before descending to 0.60 per cent in 1935. The budgetary management was not favoured by the fact that, from April 1931 to

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[44] J.M. Keynes, "Interview in El Sol 10-6-1930", in *Papeles de Economía Española*, no. 17, 1983, E. pp. 328-332.
[45] P. Temin, "Transmission of the Great Depression", in *The Journal of Economic Perspectives*, Vol. 7, 2, 1993, pp. 92 and 97.
[46] F. Comín, "Política y Economía: Los Factores Determinantes de la Crisis Económica durante la Segunda República (1931-1936)", in *Historia y Política*, no. 26, 2011, pp. 66-70.
[47] D.H. Aldcroft, *Europe's Third World: The European Periphery in the Interwar Years*, Aldershot-Burlington, 2006, p. 134.
[48] F. Comín, "Política y Economía: Los Factores Determinantes de la Crisis Económica durante la Segunda República (1931-1936)", in *Historia y Política*, no. 26, 2011, p. 701.

July 1936, Spain had ten Ministers of Finance, some of them with a very short term in office.[49] A special mention is deserved by Jaume Carner (Minister of Finance of the Azaña's centre-left government from December 1931 to June 1933) and Joaquín Chapaprieta (Minister of Finance of the centre-right government from May to December 1935). Both ministers tried to balance the budget, introduce moderate tax reforms and control public expenditure, while affirming that the issuance of public debt should not damage the financing possibilities of Spanish enterprises (Table 2).

The governments of the Spanish Republic, regardless of their political colour, were conservative in their taxation policy.[50] The only substantial changes in the tax system were the creation of a modest supplementary income tax and the revision of the assessed values in some taxes.[51] Fiscal pressure rose in 1932 and 1933 (centre-left biennium) and decreased in 1934 and 1935 (centre-right biennium) (Table 3).

Between 1931 and 1935, the expenditure of the Spanish State grew at an annual average rate of 4.17 per cent. The ratio of State expenditure to Gross Domestic Product (GDP), that had decreased during the Primo de Rivera dictatorship, rose with the arrival of the Republic, and decreased again after 1934, accounting for 8.78 per cent of GDP in 1935. We must take into consideration that GDP rose at an annual average between 3.052 and 3.653 per cent in the period 1923-1930, while the annual increase in the period 1931-1935 averaged 2 per cent (Table 4).[54]

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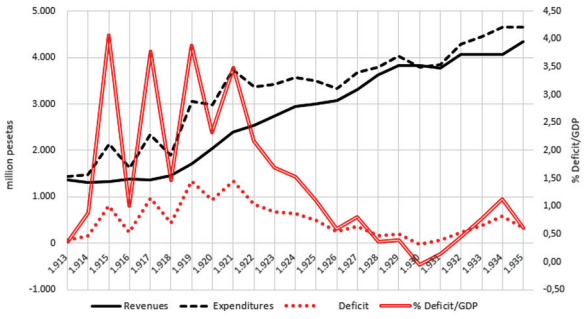
[49] R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, p. 252.
[50] C. Albiñana, *Esbozo de una teoría de las reformas tributarias españolas*, Seminario Ibérico sobre Reformas Fiscales, La Rábida, 1978. Cited by R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, p. 540.
[51] C. Albiñana, "Evolución histórica del sistema fiscal español y líneas idóneas de su reforma", in *Boletín de Estudios Económicos*, no. 99, 1976, pp. 727-728. Cited by R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, p. 552.
[52] L. Prados de la Escosura, *Spanish Economic Growth, 1850-2015*, London, 2017, Table S3.
[53] J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Madrid, 2016, Table III.9.
[54] L. Prados de la Escosura, *Spanish Economic Growth, 1850-2015*, London, 2017, Table S3; J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Madrid, 2016, Table III.9.

Table 2
State Revenues, Expenditures and Deficit (Million Pesetas)

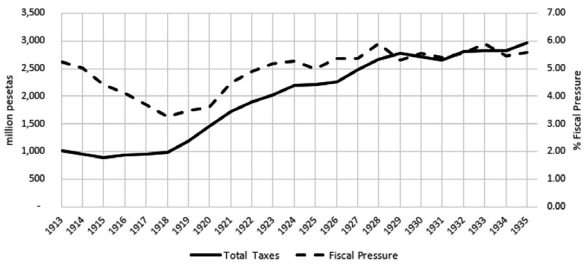
Year	Revenues	Expenditures	Deficit	GDP	% Deficit/GDP
1913	1,372	1,442	70	19,321	0.36
1914	1,302	1,468	166	18,812	0.88
1915	1,331	2,142	811	19,996	4.06
1916	1,390	1,616	226	22,606	1.00
1917	1,366	2,332	966	25,588	3.78
1918	1,462	1,906	444	30,150	1.47
1919	1,720	3,053	1,333	34,352	3.88
1920	2,046	2,984	938	40,370	2.32
1921	2,390	3,728	1,338	38,396	3.48
1922	2,532	3,372	840	38,742	2.17
1923	2,747	3,414	667	39,217	1.70
1924	2,943	3,577	634	41,649	1.52
1925	3,000	3,492	492	44,585	1.10
1926	3,075	3,323	248	42,107	0.59
1927	3,308	3,676	368	46,163	0.80
1928	3,628	3,792	164	45,360	0.36
1929	3,836	4,038	202	52,404	0.39
1930	3,824	3,795	-29	48,850	-0.06
1931	3,780	3,853	73	49,147	0.15
1932	4,061	4,287	226	50,354	0.45
1933	4,074	4,448	374	47,921	0.78
1934	4,068	4,654	586	51,930	1.13
1935	4,336	4,655	319	53,001	0.60



Sources: F. Comín, *Fuentes cuantitativas para el estudio del Sector Público en España, 1801-1980*, Instituto de Estudios Fiscales, Madrid, Monograph no. 40, 1985), pp. 63 and 83. J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016, Table III.9.

TABLE 3
Taxes and Fiscal Pressure (Million Pesetas)

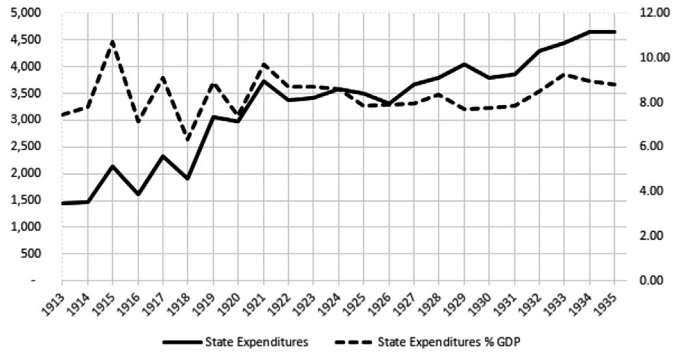
Year	GDP	Direct Taxes	Indirect Taxes	Total Taxes	Fiscal Pressure
1913	19,321	516	494	1,010	5.23
1914	18,812	505	441	946	5.03
1915	19,996	512	374	886	4.43
1916	22,606	537	392	929	4.11
1917	25,588	560	387	947	3.70
1918	30,150	588	391	979	3.25
1919	34,352	657	535	1,192	3.47
1920	40,370	746	702	1,448	3.59
1921	38,396	839	877	1,716	4.47
1922	38,742	911	979	1,890	4.88
1923	39,217	1,011	1,014	2,025	5.16
1924	41,649	1,085	1,114	2,199	5.28
1925	44,585	1,082	1,134	2,216	4.97
1926	42,107	1,131	1,122	2,253	5.35
1927	46,163	1,269	1,213	2,482	5.38
1928	45,360	1,325	1,346	2,671	5.89
1929	52,404	1,332	1,438	2,770	5.29
1930	48,850	1,388	1,330	2,718	5.56
1931	49,147	1,405	1,240	2,645	5.38
1932	50,354	1,434	1,367	2,801	5.56
1933	47,921	1,561	1,260	2,821	5.89
1934	51,930	1,568	1,262	2,830	5.45
1935	53,001	1,658	1,305	2,963	5.59



Sources: J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016, Table III.9. F. Comín, *Fuentes cuantitativas para el estudio del Sector Público en España, 1801-1980*, Instituto de Estudios Fiscales, Madrid, Monografía no. 40, 1985), p. 63. F. Comín, D. Díaz, "Sector público administrativo y estado del bienestar", in A. Carreras , J. Tafunell (eds.), *Estadísticas históricas de España, siglos XIX-XX*, Fundación BBVA, Bilbao, 2005, Table 12.9.

Table 4
State Expenditures (Million Pesetas)

Year	GDP	State Expenditures	% GDP
1913	19,321	1,442	7.46
1914	18,812	1,468	7.80
1915	19,996	2,142	10.71
1916	22,606	1,616	7.15
1917	25,588	2,332	9.11
1918	30,150	1,906	6.32
1919	34,352	3,053	8.89
1920	40,370	2,984	7.39
1921	38,396	3,728	9.71
1922	38,742	3,372	8.70
1923	39,217	3,414	8.71
1924	41,649	3,577	8.59
1925	44,585	3,492	7.83
1926	42,107	3,323	7.89
1927	46,163	3,676	7.96
1928	45,360	3,792	8.36
1929	52,404	4,038	7.71
1930	48,850	3,795	7.77
1931	49,147	3,853	7.84
1932	50,354	4,287	8.51
1933	47,921	4,448	9.28
1934	51,930	4,654	8.96
1935	53,001	4,655	8.78



Sources: J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016, Table III.9. F. Comín, *Fuentes cuantitativas para el estudio del Sector Público en España, 1801-1980*, Instituto de Estudios Fiscales, Madrid, Monografía no. 40, 1985, 83. F. Comín, D. Díaz, "Sector público administrativo y estado del bienestar", in A. Carreras, J. Tafunell (eds.), *Estadísticas históricas de España, siglos XIX-XX*, Fundación BBVA, Bilbao, 2005, Table 12.18.

Republican governments tried to make the levelling of the budget compatible with the measures needed to counter the economic and social depression. There was a resolute budget policy of investments in infrastructure and housing and more funds were allocated to stimulate the economy. In any case, the possibilities of a discretional action by the governments were limited, because of the reduced size of the public sector and the inadequacy of the tax system[55] to meet the anticyclical and redistributive objectives.[56] Political instability deteriorated business expectations and reduced private investments, becoming the main internal factor of depression.

IV

Macroeconomic data confirm that in Spain the impact of the Great Depression was considerably lower than in the main European economies and that in 1935 Spain was in a path of recovery that was to be frustrated for political circumstances that will be described in the following section. Derek H. Aldcroft wrote that "Spain fared better than many of the main economies, with only a modest decline in total output, because of good harvests and the buoyancy of the service sector."[57] For Francisco Comín, protectionism did not shield the economy from the exterior. The crisis had a special impact on agriculture, reducing prices and exports, as well as on the merchant navy, reducing the freight charges. Foreign investment decreased and many migrants went back to Spain. Trade deficit grew from 1931 to 1935, as Spain suffered the policies of "beggar thy neighbour" from other countries.[58]

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[55] G. Tortella, C.E. Núñez, *El Desarrollo de la España Contemporánea. Historia Económica de los Siglos XIX y XX*, Madrid, 2014, pp. 514-516.
[56] F. Comín, P. Martín-Aceña, "La Política Monetaria y Fiscal durante la Dictadura y la Segunda República", in *Papeles de Economía Española*, no. 20, 1984, p. 249.
[57] D.H. Aldcroft, *Europe's Third World: The European Periphery in the Interwar Years*, Aldershot-Burlington, 2006, p. 134.
[58] F. Comín, "Política y Economía: Los Factores Determinantes de la Crisis Económica durante la Segunda República (1931-1936)", in *Historia y Política*, no. 26, 2011, pp. 54-57 and 75.

Joseph Harrison held that "[t]he recession, less pronounced than in most advanced economies […] hit Spain at a later date" and "the agricultural exporting sector was only affected after 1932."[59] Harrison also wrote that the level of unemployment in Spain during the Great Depression, that reached 12.8 per cent at the end of 1933, was much lower than in more advanced economies.[60]

Long-term macroeconomic data reinforce the impression that the recession was relatively mild. The series of Maluquer show a moderate fall of Gross Domestic Product (GDP) in Spain, at market prices, in the first years of the 1930s and a clear positive evolution in 1934 and 1935, when the level of 1929 was surpassed. Employment data shows a certain degree of stabilisation since 1930 (Table 5).[61]

Private consumption per capita, in real terms, remained quite stable from 1929 to 1935 and prices maintained the stability that had characterized them since 1922 (Table 6).

Several tables and figures permit a comparative analysis with other European countries like the United Kingdom, France, and Germany. I have also included – as Southern European countries not so different from Spain – Italy, Portugal, and Greece.

The United Kingdom, after leaving the gold standard in September 1931, started a clear recovery that would last to almost the end of the decade. Germany, after a big fall (17 per cent) between 1929 and 1932, from 1933 experienced a very substantial growth, with annual rates between 5.3 and 8.5 per cent. France followed a similar path until 1933, but in the following years its real GDP per capita suffered a reduction, until in the autumn of 1936 the French franc abandoned the gold standard and was devalued.

The evolution of the Spanish economy in the first half of the 1930s was more stable than the economy of the United Kingdom, France and Germany, with lesser fluctuations in real GDP per capita.

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[59] J. Harrison, "The inter-war depression and the Spanish economy", in *Journal of European Economic History*, no. 12, 1983, pp. 301 and 304.
[60] J. Harrison, *An Economic History of Modern Spain*, Manchester, 1978, pp. 127-128.
[61] J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Madrid, 2016, Tables II.11 and III.9.

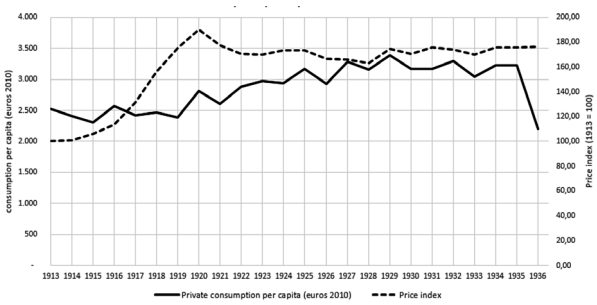
Table 5
Gross Domestic Product and Employment

Year	GDP (million euros)	Employment (thousands)
1913	116.1	8,084.1
1914	113.1	8,111.1
1915	120.2	8,138.2
1916	135.9	8,165.3
1917	153.8	8,192.6
1918	181.2	8,219.9
1919	206.5	8,246.2
1920	242.6	8,274.9
1921	230.8	8,356.9
1922	232.8	8,439.8
1923	235.7	8,523.4
1924	250.3	8,608.3
1925	268.0	8,693.3
1926	253.1	8,779.4
1927	277.4	8,866.5
1928	272.6	8,954.4
1929	315.0	9,043.1
1930	293.6	9,132.8
1931	295.4	9,106.5
1932	302.6	9,083.8
1933	288.0	9,064.9
1934	312.1	9,049.8
1935	318.5	9,038.3
1936	263.0	9,177.3

Source: J. Maluquer, *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016), Tables II.11 and III.9.

Table 6
Consumption per capita and Price index

Year	Private consumption per capita (euros 2010)	Price index
1913	2.519	100,00
1914	2.412	101,06
1915	2.302	106,10
1916	2.570	113,39
1917	2.418	131,35
1918	2.461	156,08
1919	2.383	175,30
1920	2.813	189,88
1921	2.606	177,36
1922	2.883	170,45
1923	2.974	169,93
1924	2.942	173,22
1925	3.163	173,45
1926	2.925	166,63
1927	3.282	165,77
1928	3.161	162,84
1929	3.382	174,45
1930	3.170	170,36
1931	3.173	175,63
1932	3.301	173,85
1933	3.044	169,94
1934	3.224	175,43
1935	3.221	175,43
1936	2.201	176,42



Sources: Private consumption per capita: J., *España en la economía mundial. Series largas para la economía española (1859-2015)*, Instituto de Estudios Económicos, Madrid, 2016), Table IV.6. Price index: J. Maluquer, "Consumo y precios", in A. Carreras, J. Tafunell (eds.), *Estadísticas históricas de España, siglos XIX-XX*, Fundación BBVA, Bilbao, 2005), Table 16.19.

In 1931 and 1932, the international crisis had a lower impact in Spain than in those countries and, after 1933, Spain experienced a moderate recovery.

Spain and Italy followed a quite similar path from 1929 to 1935, while Greece grew from 1931 to 1937 and Portugal had a positive evolution from 1930 to 1934, with a fall in 1935-1936, followed by a recovery in 1937 and stagnation afterwards. Of course, the catastrophe of the Civil War made Spain lose more than 30 per cent of its GDP per capita in three years (Table 7).

If we consider Foreign Trade evolution since 1929, Spain was also less affected in its exports and imports than the USA, United Kingdom, France and Germany even though Spanish exports, which had increased by 32 per cent in 1929-1931, suffered a great fall afterwards (41.6 per cent from 1931 to 1935) (Table 8).

Finally, the series of Consumer Prices show that there was no deflation in Spain, nor in the United Kingdom, during the depression years. Something different from what happened in France, Germany, and Italy. Greece prices increased every year after 1931, as did Portuguese ones after 1933, at a lower rate (Table 9).

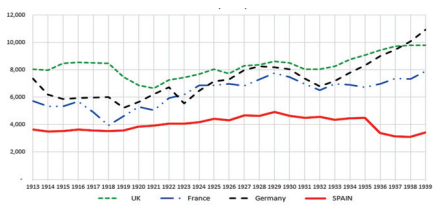
V

After the elections of November 1933, the Spanish Republic had several centre-right governments, mostly presided by members of the Radical Party, with its historical republican leader Alejandro Lerroux, and supported by a substantial parliamentary majority, elected for a term that would finish on November 1937, that included CEDA (*Confederación Española de Derechas Autónomas*), the Agrarian Party, the Liberal Democrats and the *Lliga Catalana*. A coalition, not unanimous in every issue, but with a firm determination to rectify some of the excesses of the former biennium, promote economic growth and employment and introduce reforms they deemed necessary for the improvement of the Republic and the general advance of Spain.

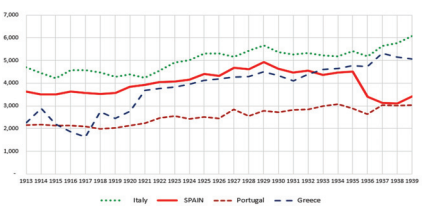
Table 7
Real Gross Domestic Product per capita (2011 US $)

Year	UK	France	Germany	Italy	SPAIN	Portugal	Greece
1913	8,052	5,733	7,369	4,698	3,629	2,164	2,264
1914	7,973	5,324	6,180	4,442	3,504	2,176	2,890
1915	8,471	5,343	5,856	4,219	3,517	2,125	2,199
1916	8,532	5,698	5,928	4,566	3,640	2,135	1,870
1917	8,496	4,901	5,963	4,581	3,566	2,098	1,632
1918	8,462	3,941	6,026	4,465	3,525	1,989	2,751
1919	7,456	4,625	5,225	4,286	3,579	2,030	2,451
1920	6,881	5,309	5,647	4,388	3,837	2,127	2,756
1921	6,660	5,058	6,217	4,239	3,930	2,232	3,690
1922	7,247	5,939	6,729	4,548	4,055	2,474	3,777
1923	7,439	6,175	5,554	4,920	4,062	2,550	3,824
1924	7,691	6,876	6,462	5,008	4,163	2,425	3,957
1925	8,041	6,854	7,134	5,305	4,407	2,502	4,116
1926	7,715	6,991	7,282	5,300	4,319	2,456	4,193
1927	8,307	6,834	7,961	5,159	4,684	2,851	4,271
1928	8,373	7,290	8,262	5,435	4,622	2,544	4,298
1929	8,601	7,748	8,184	5,663	4,938	2,786	4,505
1930	8,504	7,455	8,027	5,363	4,642	2,718	4,344
1931	8,031	6,967	7,376	5,257	4,480	2,823	4,106
1932	8,047	6,513	6,791	5,331	4,562	2,842	4,403
1933	8,248	6,974	7,183	5,229	4,366	2,997	4,607
1934	8,764	6,896	7,794	5,174	4,475	3,087	4,652
1935	9,064	6,722	8,322	5,410	4,504	2,888	4,771
1936	9,433	6,982	8,991	5,178	3,402	2,635	4,723
1937	9,718	7,381	9,464	5,651	3,139	3,041	5,327
1938	9,794	7,347	10,088	5,769	3,119	3,024	5,150
1939	9,788	7,885	10,921	6,076	3,413	3,027	5,074

Spain, UK, France and Germany



Spain, Italy, Portugal and Greece

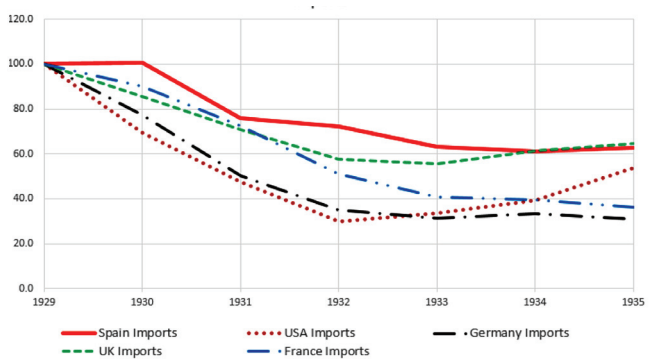


Source: J. Bolt, R. Inklaar, H. de Jong, J. Luiten van Zanden, *Maddison Project Database*, version 2018, Maddison Project Working Paper, nr. 10, www.ggdc.net/maddison, (last visited 1 October 2019).

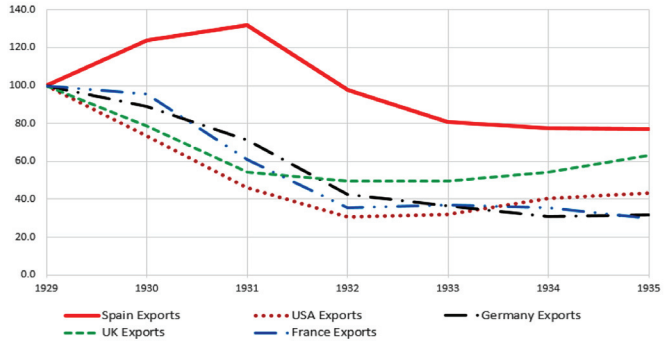
TABLE 8
Foreign Trade. Evolution since 1929 (Base: 1929 = 100)

Year	Spain		USA		Germany		UK		France	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
1929	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1930	100.4	124.0	69.5	73.1	77.2	89.2	85.5	78.5	90.2	95.7
1931	76.1	132.0	47.4	46.0	50.2	71.1	70.7	54.3	72.5	60.6
1932	72.2	97.9	30.0	30.5	34.9	42.6	57.6	49.7	51.2	35.3
1933	63.3	81.0	33.8	31.8	31.4	36.3	55.7	49.7	40.9	36.8
1934	61.3	77.3	39.3	40.3	33.4	30.9	61.3	54.2	39.7	35.5
1935	62.8	77.0	53.8	43.2	30.8	31.7	64.8	63.2	36.1	30.0

Imports. Evolution since 1929



Exports. Evolution since 1929

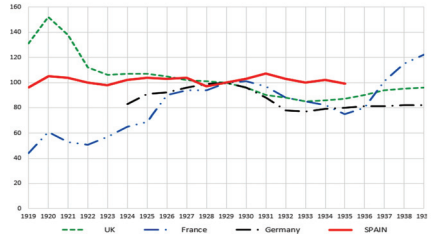


Sources: Spain: J. Palafox, "La gran depresión en los años treinta y la crisis industrial española", in *Investigaciones Económicas*, 11 (1980), 17 and Note 1. Other countries: United Nations, Statistical Yearbook, 1948.

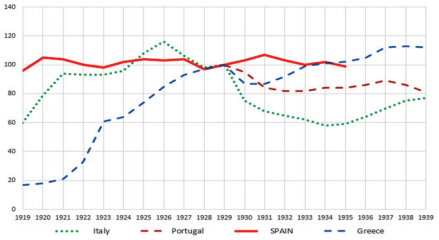
TABLE 9
Consumer Prices (Base: 1929 = 100)

Year	UK	France	Germany	Italy	Portugal	SPAIN	Greece
1919	131	44	–	60	–	96	17
1920	152	61	–	79	–	105	18
1921	138	53	–	93	–	104	21
1922	112	51	–	93	–	100	33
1923	106	57	–	93	–	98	61
1924	107	65	83	96	–	102	64
1925	107	69	91	108	–	104	74
1926	105	90	92	116	–	103	85
1927	102	94	96	106	–	104	93
1928	101	94	99	98	–	97	97
1929	100	100	100	100	100	100	100
1930	96	101	96	75	95	103	87
1931	90	97	88	68	84	107	87
1932	88	88	78	65	82	103	92
1933	85	85	77	62	82	100	99
1934	86	82	79	58	84	102	101
1935	87	75	80	59	84	99	102
1936	90	80	81	64	86	–	105
1937	94	101	81	70	89	–	112
1938	95	115	82	75	86	–	113
1939	96	122	82	77	81	–	112

Spain, UK, France and Germany



Spain, Italy, Portugal and Greece



Source: B.R. Mitchell, *International Historical Statistics. Europe, 1750-2000*, Palgrave MacMillan, London, 2003, pp. 865-866.

During the year 1935, the centre-right coalition undertook some very important social and economic projects.[62] In June 1935, Federico Salmón, Minister of Labour, Health and Social Security, launched a 200 million pesetas plan to fight unemployment through public works, a cheap housing programme and the promotion of industrial and agrarian exports, with subsidies and incentives to private investment. In November 1935, the Minister of Public Works Luis Lucia presented a five-year plan to the Parliament, with a State investment of 1,720 million pesetas, to modernise rural life with roads, communications, rail service, sanitation, water supply and irrigation, while maintaining the dam construction programme.[63]

The reform of the electoral law was one of the compromises of the centre-right coalition, to avoid the great parliamentary swerves that the existing law produced. CEDA was in favour of proportional representation, while the Radicals and other republican parties proposed to divide the large electoral districts.[64]

After 9 December 1935, it was possible to modify the 1931 Constitution with the absolute majority of the votes in Parliament, unlike the four previous years when a two thirds majority was necessary. The Government presented a bill proposing to revise 44 of the 125 articles of the Constitution, including articles 26 and 27 (that Catholics considered discriminatory), those that dealt with regional autonomy (to safeguard State competence in public order and the unity of Spain), no exceptions for the need to compensate every expropriation, the creation of a Senate, and more prerogatives for the President of the Republic to dissolve Parliament but less powers to interfere in the ordinary work of the Government.[65] As it happened

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[62] S.G. Payne, *The collapse of the Spanish Republic, 1933-1936*, New Haven and London, 2006, pp. 234 and 244; R.A.H. Robinson, *The Origins of Franco's Spain: the Right, the Republic and Revolution, 1931-1936*, Newton Abbot, 1970, p. 235.
[63] L. Peral, P*olítica económica de la Segunda República. España en la Gran Depresión internacional*, Madrid, 2022, pp. 346-351.
[64] S.G. Payne, *Spain's First Democracy. The Second Republic, 1931-1936*, Madison, Wisconsin, 1993, pp. 240-241.
[65] S.G. Payne, *Spain's First Democracy. The Second Republic, 1931-1936*, Madison, Wisconsin, 1993, pp. 240-241.

with the electoral reform, the modification of the Constitution was halted after the dissolution of the Parliament in January 1936.

In May 1935, the Minister of Finance, Joaquín Chapaprieta – who would also be President of the Council of Ministers from September of the same year – presented an ambitious plan of budget austerity and tax reforms, with the objective to substantively reduce state deficit in 1935 and reach budget equilibrium in 1937.[66] Bureaucratic expenditures were to be reduced through the so-called *Ley de Restricciones* (Restrictions Law), approved on 1 August 1935 and developed later by several Decrees. The Law provided for a transitory 10 per cent reduction in the salaries and other remunerations of public employees over 1,500 pesetas and supressed several Ministries and lower departments, as well as several public agencies. The proposal was supported by the leader of CEDA, Gil Robles, who considered that the government, while putting an end to unacceptable abuses and improving the situation of modest public servants, was ready to spend 5,000 million pesetas in public investments in three years to improve Spain's economic potential and drastically reduce unemployment.[67]

On 15 October 1935, Chapaprieta defended his proposal for the 1936 budget and twenty-four complementary laws[68] in the Parliament. The budget included a reduction in expenses of 413 million pesetas, including 108 from the implementation of the *Ley de Restricciones*. On the other side, 400 million were devoted to public works and 250 to national defence. With an estimated revenues of 4,421 million pesetas (500 million more than in 1934, due to improvements in tax collection and some fiscal modifications), the Minister hoped to end the year 1936 without deficit (though it was calculated at 148 million in the budget) and did not plan to issue public debt, leaving national savings available to finance the private sector and develop the economy. It was a reasonable reform from the points of view of

[66] R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, pp. 107-121.
[67] J. M. Gil Robles, No fue posible la paz, Barcelona, 2006, pp. 280-282).
[68] R. Calle, *La Hacienda en la II República Española*, Madrid, 1981, pp. 122-141.

social equity, economic development, and efficiency in tax collection.[69] The proposed budget for the year 1936 was not approved. The draft found passive resistance, as the absence of the requested quorum in the Parliament's Budget Committee made impossible the voting of partial amendments.[70] Only the modification of the Income Tax was approved on 14 November 1935. The other proposed tax reforms did not find the unanimous support from CEDA, which did not want to limit its social and employment programmes. Gil Robles recalls that Chapaprieta should have been more flexible in the negotiation of the amendments presented by several members of the Parliament belonging to the coalition. He tried in vain to convince some deputies from CEDA that, if their party was to represent something in the Spanish life, it should consider taxation as a mandatory instrument of social justice and that there should be no discussion that certain sacrifices ought to be demanded to the higher classes, when it was necessary to level the budget, reduce unemployment, reconstruct the country and meet the needs of national defence.[71] Chapaprieta wrote that "the well-off classes of Spain committed a sin of selfishness that they were to pay dearly later."[72]

At the same time, the Radical Party was having reputational problems with the Straperlo and Tayá corruption cases, that caused an outcry in Spain, where, as Payne wrote, "governmental officials were generally honest and above-board in financial dealings."[73] All these circumstances weakened the internal cohesion of the centre-right coalition and led to a governmental crisis on 9 December 1935.

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[69] F. Comín, *Hacienda y Economía en la España Contemporánea (1800-1936)*, Madrid, 1988, pp. 973-977.
[70] J. Chapaprieta, *La paz fue posible. Memorias de un político*, Esplugues de Llobregat, Barcelona, 1971, pp. 293-298.
[71] J. M. Gil Robles, *No fue posible la paz*, Barcelona, 2006, pp. 342-349.
[72] J. Chapaprieta, *La paz fue posible. Memorias de un político*, Esplugues de Llobregat, Barcelona, 1971, pp. 302-303.
[73] S.G. Payne, *Spain's First Democracy. The Second Republic, 1931-1936*, Madison, Wisconsin, 1993, p. 250.

On the political scene, there was a growing radicalisation. Since its electoral defeat of 1933, the socialist party, PSOE, had entered an extreme leftist spiral, with the prevalence of the most radical leaders of the party, like Largo Caballero, and the declared determination to accede to power through the elections or by force,[74] as it was shown in the October 1934 revolution against the legitimate government of the Spanish Republic. Meanwhile the republican left was moving away from former more moderate lines, a process that culminated in the incorporation of the bourgeois parties *Izquierda Republicana* and *Unión Republicana* to the *Frente Popular*.

But the end of the centre-right coalition would not have arrived if – after the fall of the Chapaprieta government – the President of the Republic, Niceto Alcalá-Zamora, had not refused to ask Gil Robles, the leader of CEDA that was the group with the highest number of seats in the Parliament, to form a new government.[75] Instead, he named Manuel Portela Valladares to lead the new Cabinet, with the inviable objective of creating in a very short time a centre party that would take part in the new elections, that were to follow the dissolution of the Parliament decided by Alcalá-Zamora. As Richard A.H. Robinson recalled, Alcalá-Zamora considered CEDA not sufficiently republican, a paradoxical opinion when the four main positions in the Republic (including the Presidency) were held, at the end of 1935, by former Liberal Ministers of the last King, Alfonso XIII.[76]

While the political scenario was becoming more radicalized throughout the year 1935, the Spanish economy was improving, as shown by the macroeconomic data mentioned in section IV confirming a positive evolution of GDP per capita in 1935 (Table 7), GDP and employment (Table 5), as well as State revenues and budget deficit (Table 2).

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[74] R.A.H. Robinson, *The Origins of Franco's Spain: the Right, the Republic and Revolution, 1931-1936*, Newton Abbot, 1970, p. 246.
[75] J. Simpson, J. Carmona, *Why Democracy Failed. The Agrarian Origins of the Spanish Civil War*, Cambridge, UK, 2020, p.2.
[76] R.A.H. Robinson, *The Origins of Franco's Spain: the Right, the Republic and Revolution, 1931-1936*, Newton Abbot, 1970, pp. 235-236.

The abovementioned data confirms the opinion expressed by several Spanish economic historians. Gabriel Tortella wrote that the reports of the Bank of Spain emphasise that the depression effects due to internal causes were diminishing in 1934 and that 1935 showed a clear improvement in several economic sectors.[77] Jordi Palafox recalled that from the beginning of 1934 to February 1936 a recovery seemed to be confirmed.[78] Francisco Comín affirmed that in 1935 Spain reached the GDP level it had before the crisis, thanks to the good performance of agriculture and the improvement in industry and construction sectors. And he added that, from a technical point of view, the conjunctural crisis had finished in 1935.[79]

Conclusion

What happened after the end of 1935 is well known. Political forces went to the elections of February 1936 divided into two irreconcilable blocs. Following the elections that took place in an atmosphere of great tension and were marred by substantial irregularities, the Popular Front demanded power with urgency. Portela Valladares, with notorious irresponsibility, abandoned the Presidency of the Cabinet and Azaña formed a government of left republicans, supported by the rest of the Popular Front. In the following months, political radicalisation, sectarian violence, social conflicts, and the loss of legal certainty put an end to Spanish political and economic normality. Public order and social coexistence became extremely deteriorated, a process that culminated in the outbreak of the Civil War. Many Spaniards were to lose their lives in the battlefield and in the rearguard repressions, which also took the life of 69 parliamentarians, from all parties.

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[77] G. Tortella, "Los problemas económicos de la II República", in *Revista de Estudios Políticos*, no. 31-32, 1983, p. 134.
[78] J. Palafox in P. Martín-Aceña (ed.), J. Palafox et al., *Pasado y presente. De la Gran Depresión del siglo XX a la Gran Recesión del siglo XXI*, Bilbao, 2011, p. 100.
[79] F. Comín, "La Gran Depresión y la Segunda República", in *El País*, suplemento Negocios, 29-1-2012, pp. 24-25.

This tragedy could have been avoided. Spain was experiencing an important economic recovery at the end of 1935. The centre-right government held a large majority in the Parliament with a term that was supposed to last until November 1937. Important social and economic projects were being developed to fight unemployment, expand the economy and rationalise fiscal policy. The Constitution and the electoral law were to be reformed to correct some excesses the reality had shown. As it appears in Table 7, graph on left, the main European countries were going to grow in 1936. In fact, recovery had started when their currencies left the gold standard and dropped what Barry Eichengreen called its "golden fetters."[80] This was to happen too in France on October 1, 1936. The Gold Bloc, with whom Spain was de facto linked, disappeared as Holland, Italy and Switzerland followed France in the devaluation of their currencies (Belgium had done the same in April 1935). It is very reasonable to say that in October 1936, in normal circumstances, Spain would have also devalued the peseta. Alfred Sauvy recalls that for France the consequences of leaving gold and devaluing the franc between 25 and 34 per cent were very positive: a fast recovery and a great decrease of unemployment.[81] It is not risky, in my opinion, to consider that the same would have happened in Spain, with a considerable surge in its exports to other expanding economies, brought by a more rational exchange rate.[82]

But all this was not to happen. Ideological sectarianism, the selfish defence of their private interest by wealthy members of the society, petty internal differences inside the centre and the right and the unbelievable irresponsibility of some political leaders cancelled all those expectations and Spain lost a great opportunity of a better future.

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[80] B. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*, New York, 1995, p. xi.
[81] A. Sauvy, *Histoire Économique de la France entre les deux guerres*, Paris, 1984, pp. 272-273.
[82] L. Peral, *Política económica de la Segunda República. España en la Gran Depresión internacional*, Madrid, 2022, p. 386.

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