

In two separate engagements, at Cavite in the Philippines in May 1898 and Santiago de Cuba two months later, the United States navy inflicted a comprehensive military defeat on the heavily outnumbered Spanish fleet.¹ What had begun three years earlier as a war of liberation, led by Cuban planters, sections of the creole bourgeoisie, peasants, landless labourers and ex-slaves, ended up in the humiliating rout of Spain's forces by the Americans. On 10 December 1898, at the Paris peace conference, the vanquished Iberian nation was obliged to sign away the last vestiges of former empire in the New World, the Caribbean islands of Cuba and Puerto Rico together with the Philippine archipelago in the Pacific. In the aftermath of what became known as the 'disaster' of 1898 the once-great imperial power was transformed overnight into a second-ranking nation state.

At the turn of the century Spain was, by European standards, an impoverished nation. Its backward economy was dominated by an undynamic agricultural sector employing roughly two-thirds of the active labour force. In theory, Spanish agriculture enjoyed substantial comparative advantages in the production of export crops cultivated on

¹ A slightly different version of this paper appeared in <Anales del Caribe>, Centro de Estudios del Caribe, Casa de Las Americas, La Habana, Cuba, 16-18 (1996-1998), pp. 237-260

irrigated lands. Yet the majority of the nation's farmers continued to specialise in methods of dry farming involving the low-yielding Mediterranean trilogy of wheat, wine and olives. From the late 1880s, the problems of Spanish farming were further exacerbated by a deepening crisis brought on largely by imports of cheap wheat from North America and Russia. Confronted with miserably low levels of disposable income among the mass of rural consumers, Spanish businessmen were condemned to a lifetime of slow growth and miserable profits. There was little incentive for technological change. As a result, signs of modern capitalist development south of the Pyrenees were confined to a few geographical areas. These included the peripheral regions of Catalonia, with its established cotton textile sector, and the Basque province of Vizcaya, with its embryonic metallurgical and shipbuilding sectors.

Recent research indicates that the Spanish economy experienced modest rates of economic growth during the second half of the nineteenth century. Yet domestic expansion was not matched by any evidence of economic convergence. Far from catching up with its *fin-de-siècle* rivals, Spain continued to fall further and further behind. One indication of the country's backwardness was the near bankruptcy of the Exchequer. Such a factor greatly diminished the chances of the War Ministry of dispatching

an Army to the Antilles in 1895 sufficiently well equipped to put down a disciplined rebel force. Likewise, Spain's antiquated fleet of battleships posed no real threat to the military might of a burgeoning industrial nation such as the United States.

The Aftermath of the Disaster

The first serious challenge to the Spain's shaky Restoration regime after the colonial *débâcle* of 1898 came, not from the political opposition of Carlists and Republicans as was feared by the country's ruling elite, but from a more surprising source: the chambers of agriculture and commerce of the metropolis (Pan Montojo, 1998, 250-1). With the suspension of constitutional guarantees and the introduction of press censorship by the Liberal administration of Práxedes Mateo Sagasta, thereby firmly ruling out the chances of even the most rudimentary national debate, the rallying cry for the 'economic regeneration' of the fatherland came with the manifesto of the Cartagena Chamber of Commerce of 1 September 1898. The *fuerzas vivas* – or so-called live forces -- of the port city of Cartagena, called for a meeting of their sister organisations throughout the

Peninsula in the midst of what they saw as the monumental indifference to the 'catastrophe':

...not wishing through their silence to be an accomplice to the greatest misfortunes and consequent shame of our beloved country ... [the Chamber] raises its voice in protest against the egotistic and mortal indifference which reigns in the country, and invites its sister chambers of commerce who, after long study of such an interesting theme, have proposed solutions, so that our voice can be heard in an effective way in the necessary and indispensable change in the means of government ... which the health and honour of our country demand (cited in Morote, 1997, 162).

The Chamber's urgent appeal took the Sagasta government -- and indeed the entire country -- completely by surprise, as the republican writer Luis Morote recounts in his celebrated regenerationist tract *La moral de la derrota* (Morote, 1997, 161). Before long, the Chamber's grave concern had sparked off a series of animated and protracted debates in the course of three separate assemblies held in the provincial capitals of Saragossa and Valladolid between November 1898 and January 1900. These were times of high emotion which reflected the profound impact on the national psyche of the sinking of the Spanish fleet at Cavite and Santiago de Cuba by the United States Navy, soon followed by the

loss of the country's last vestiges of empire in the New World, not least the wealthy island of Cuba. The great majority of the middle-class rebels felt themselves excluded completely from Spanish political life. Many of them desired little more than to establish an effective and representative pressure group with which to lobby central government on their pressing agenda of political and economic reforms. However, others among the assembly members -- demonstrating scant esteem for the narrow political oligarchy in Madrid -- proclaimed their intention of taking power. Only by overthrowing the discredited politicians could a humiliated Spain achieve its true redemption. Sensing the significance of the dramatic events in the former colonies, delegates at the first assembly held in Saragossa in November 1898 compared their historical mission to that of the Paris Estates-General of 1789 (Tuñón de Lara, 1974, 186-206; Serrano, 1984, 128-42).

Something of the flavour of the first assembly can be gathered from the writings of the young journalist Ramiro de Maeztu, published in 1899 as part of his classic work, *Hacia otra España*:

Will anything come of the Saragossa assembly?
My reply is full of the optimism of the most enthusiastic of congress members. I believe that not just *something* but *much* will result from the mere fact of having celebrated the Assembly.

Those speaking are the only classes who have the right to speak, those who have realised how much it was their role to propel the nation along the current of modern life. In a country where the aristocracy tamely allows itself to be dissolved, without doing anything to restore the splendours of former times, where the people, who neither understand nor aspire to anything, fail to realise that only through socialist aspirations can there be improvement, where the majority of the middle class is consumed with the lowlife of politics and lacks any other long-term aspiration than to send its sons to the miserable destinies in which their individualism is absorbed by the state, where the intellectual class, gripped by dead traditionalism, can only sing of the sadness of lost legends, as if the beauty of straight roads, the factory, the machine, and the Stock Exchange were [inferior] to the twisting medieval streets, ... the only social strata which shows any evidence of efficient activity, of activity born more out of ambition than necessity, is meeting and agitating to remove the dead waters from the body of the nation (Maeztu, 1997, 173-4).

These noisy gatherings provided an important forum for a remarkable collection of future statesmen and business leaders. Among those who played an significant role in the proceedings were Santiago Alba, the young spokesman of the wheat growers of Old Castile, Basilio Paraíso, president of the Chamber of Commerce of Upper Aragon, Rafael Gasset, editor of Spain's most widely-read daily newspaper *El Imparcial*, and Pablo de Alzola, a respected engineer from Bilbao and commentator

on Cuban affairs (García Venero, 1963; García Lasasosa, 1984; Sánchez Illán, 1997; Alzola y Minondo, 1895, 1898). However, the foremost contributor to these debates was the Aragonese polymath Joaquín Costa. The son of poor peasants from the northern province of Huesca, Costa represented that rare phenomenon in nineteenth-century Spain, a self-made intellectual whose origins lay in the peasantry (Cheyne, 1971; Orti, 1984, 26). A brilliant orator and profoundly original thinker, Costa bestrode the Spanish political arena in 1898, a crippled genius whose moment in history had finally arrived. To the tumultuous acclaim of his passionate adherents, the ‘lion of Graus’ confidently announced the bankruptcy not only of Spain’s Restoration state but also of liberalism as a whole (Varela, 1997, 177-84).

For a few hectic months, the ill-fated assembly movement threatened to destroy the political system established by Antonio Cánovas in 1875. Yet, as quickly as it had emerged, the movement fell into abject disarray. The causes of this sudden collapse were many and various. Firstly, the organisation suffered from a distinct lack of co-ordination among its politically-inexperienced leadership. Above all, a wide rift developed between the impatient Costa and the more cautious Paraíso. Secondly, the rebels never recovered from the severe repression of the

taxpayers' strike which they launched in 1899 and 1900 in order to put pressure on the Silvela administration. Thirdly, the organisation's ill-defined political wing, the Unión Nacional, failed to break the stranglehold of the two main dynastic parties, Conservatives and Liberals. A fourth explanation was the refusal of this middle-class grouping, comprising elements which were essentially conservative in outlook, to expand its objectives from leading a political revolution to that of spearheading a thorough-going social revolution. In consequence, any attempt to broaden the movement's social base by embracing the demands of either agricultural labourers or the industrial proletariat was steadfastly ruled out by its timorous bourgeois leadership. Fifthly, in adopting the overtly centralist stance of its core supporters from Aragon and Castile, the movement soon lost the crucial backing of more dynamic elements from Catalonia who argued for a decentralising approach (Balfour, 1997, 64-91).

With the passage of time, the Hispanic world has generally shown enormous interest in the literary contributions of that extraordinarily talented group of writers and essayists -- Baroja, Azorín, Unamuno and others -- whom the philosopher José Ortega y Gasset dubbed the Generation of 1898 (Cerezo Galán, 1993, 137-8; Cacho Viu, 1998, 41).

Nevertheless, it was the representatives of Spain's farmers, shopkeepers and small businessmen whose strident and inflated rhetoric first captured the imagination of informed opinion south of the Pyrenees in the aftermath of the colonial Disaster. The chief targets for their anger were the motley assortment of 'parasites' who dominated Restoration society: corrupt politicians, sterile bureaucrats, pious bishops, pedantic academics and incompetent generals whom these vociferous social critics judged responsible for the nation's decline (Asamblea, 1899). In their economic 'message', aimed at raising Spain from its humiliating state of impending bankruptcy, the members of the assembly constantly reiterated the overriding necessity for a systematic reorganisation of the nation's inadequate finances, little altered since the liberal tax reforms of Alejandro Mon in 1845. At the second assembly in February 1899, organised by Joaquín Costa and his followers, the newly founded National Producers' League (Liga Nacional de Productores) clamoured for massive retrenchment in 'wasteful' public spending. Out of a total budgetary expenditure of 937 million pesetas for the fiscal year 1899-1900, they demanded reductions of 187 millions, the greater part of which should come from the allocations of the civil service, the Church, the universities and the military. These cutbacks in the financing of such bloated and

inefficient institutions were believed to be essential in order to divert an extra 100 million pesetas into a basic programme of infrastructural reforms (Harrison, 1976, 114).

The dissidents' emphasis on the regeneration of the backward Spanish countryside was to a large extent a reflection of the immense moral and intellectual influence which 'el gran Costa' exerted over his colleagues. Costa's own ideas on the modernisation of rural Spain were first propounded in two influential lectures which he delivered to agricultural congresses held in Madrid, 1880 and 1881 and later during his relentless campaigns on behalf of the Chamber of Commerce of Upper Aragon in the early 1890s, at the height of the widespread agricultural depression caused mainly by imports of cheap cereals. Costa's argument, repeated to the point of obsession, was that Spain, despite its capacity for agricultural change, continually languished due to the scarcity of rainfall. Despite its huge reserves of water in the mountainous zones of the North, he argued, the Iberian peninsula contained within its boundaries some of the most arid regions on the earth's surface. In his native Huesca, for example, four or even seven years might elapse without a single drop of rain falling. Costa's solution, and what he termed the fundamental basis for the social and agricultural development of Spain, was the adoption of a

hydraulic policy (*una política hidráulica*), resolutely pursued by the state. Faced with a lack of private initiative, it was the task of central government to secure the construction of a vast network of dams, reservoirs and irrigation canals (Costa Martínez, 1911; Nadal Reimat, 1981, 129-63). It was only by harnessing the nation's water supplies, Costa maintained, that new crops, among them citrus fruit and sugar beet, could be cultivated on a large scale. In turn, a flourishing agriculture meant rising living standards for peasant farmers and day labourers. His personal dream was of a green and fertile Aragon, with a few large towns, supporting a prosperous food-processing sector. Modern roads and newly-constructed railway lines would facilitate the rapid transfer of regional products to new markets in North Africa. To complete his utopian vision, in the thriving domestic market, cheaper foodstuffs and abundant employment opportunities on the land would ultimately lead to the return of exiled migrants (Fernández Clemente, 1989, 163-4; Velarde Fuertes, 1983).

Writing in *El Heraldo de Aragón* on the eve of the Saragossa assembly of November 1898, Costa made an interesting comparison between the enormous cost of the colonial wars and what was theoretically possible if this sum had been spent on his pet projects. In a

brilliantly succinct piece of counterfactual analysis, Costa offered his own estimate of the opportunity cost of the conflict.

After various sincere attempts at balancing the budget, the governing parties declared themselves to be powerless not only to cut expenditure but also to contain its increasing expansion. Cowardly in the face of the deficit and not brave enough to admit it, they devoted all their ingenuity to disguising it, trying to deceive both themselves and the country. In this unpatriotic task they were taken by surprise by the war which the nation more than 4,000 million pesetas over the last four years, representing the sum of the following objectives: all the dams and irrigation canals that are possible in Spain, with a million and a half hectares of irrigated land added to the one and a half million that already exist, the improvement of 252,000 kilometers of old roads and the construction of 10,000 kilometres of highways, a resettlement of the interior [with] a thousand new towns and an increase of 4-5 million inhabitants, the acquisition of territory in Africa for our industry, navy and emigration on a surface double that of the peninsula (*El Heraldo de Aragón*, 21 September 1898, cited in García Lasoasa, 1984, 57-8).

The deliberations of the *Costistas* attracted a great deal of sympathetic newspaper coverage, both in the national and the provincial press. Before long, the political elites had little option but to incorporate key parts of the programme of the assembly members into what Manuel

Tuñón de Lara dubbed their ‘pseudo-regenerationist’ politics (Tuñón de Lara, 1974, 73-9; Cerezo Galán, 1993, 139). Francisco Silvela’s self-styled ‘Government of National Regeneration’, which assumed office in March 1899, was later to include two of the movement’s leaders. The indefatigable Rafael Gasset took over the Agriculture portfolio, while Pablo de Alzola accepted the post of Director General of Public Works. Both men switched camps in the mistaken belief that Costa’s programme was best defended from within the Restoration system through the policy of opening up the political system (*aperturismo*) (Tuñón de Lara, 1974, 76-7; Balfour, 1997, 78-9). For his part, Gasset went on to serve as either Minister of Agriculture or Fomento on nine separate occasions (Sánchez Illán, 1997, 323). During his first term in government in 1900, this steadfast campaigner reorganised Spain’s Hydraulic Service into seven separate divisions charging them with the elaboration of a national plan of public works. Finally approved by royal decree in April 1902, the Gasset Plan aimed at the ultimate transformation of 1.47 million hectares into irrigated land, approximately six per cent of Spain’s land surface.

A debilitating famine, caused by a lengthy drought which persisted from the spring of 1904 until summer 1906, bringing hunger and suffering to the South temporarily raised the expectations of agrarian reformers that

the uncaring authorities in Madrid would finally vote additional funds for the South, if only to mitigate some of the worst aspects of the crisis. However, the response of a number of short-lived administrations to the spread of the rural famine was slow and largely ineffective. For example, in the depths of the crisis during the spring of 1905, the Villaverde government refused even to open the Cortes and ruled by decree. Instead of displaying resolute action, the politicians were accused of attempting to buy time in the forlorn hope that the problem would disappear at the first sign of rain. Their main achievement was to authorise a series of reports, many of them from the recently-founded Institute of Social Reforms, whose valuable recommendations were seldom implemented (Instituto de Reformas Sociales, 1904; Informe, 1905; Harrison, 1973, 300-7). Thus, to use the expression of Javier Varela, the place of Joaquín Costa in the history of *fin-de-siècle* Spain was that of ‘a failed prophet, a messiah without a people’ (Varela, 1997,184). His main role was to win universal acceptance for the ‘principle’ of implementing infrastructural reforms as a means of revitalising the Spanish countryside. Throughout the final years of Costa’s sad and tormented life, his political champions were sadly unable to conjure up the necessary funds from an impoverished and unwilling Spanish state in order to implement his regenerationist goals

(Tedde de Lorca, 1996, 18-19). Fortunately for the Spanish peasantry, his cherished ideals survived to inspire other eminent visionaries such as Lorenzo Pardo, architect of the Confederation of the Ebro who, a generation later, began to realise Costa's ambitious project.

Even so, Joaquín Costa's particular variety of reform, aimed at achieving social harmony by raising the productivity of the soil, was not to the taste of everyone. Nor was his hydraulic regenerationism the only 'urgent' scheme put forward at this time of national crisis to confront the crucial question of how to overcome national 'decadence'. Despite the personal admiration of Costa shown by many individuals and organisations, the arcadian fantasies of lion of Graus appeared somewhat introspective and backward-looking. Such was the position amongst capitalist circles in the burgeoning industrial cities of Bilbao and Barcelona whose own models of future development frequently lay outside the Peninsula, not in some mythical past, but in the bustling industrial societies of late-Victorian Britain and Wilhelmine Germany.

This essay now considers three alternative sets of regenerationist proposals, widely debated over the next decade. All three approaches to the economic modernisation of Spain aroused no less sincere and deeply-held sentiments among 'patriotic' reformers. These proposals were:

1. The legislative programme of Raimundo Fernández Villaverde, Finance Minister in Francisco Silvela's Conservative administration (March 1899-October 1900), to reconstruct Spain's battered finances after the three-year campaign.
2. The wide-ranging proposals of the Catalan business community aimed at securing the industrial recovery of the Principality following the loss of its lucrative colonial markets.
3. Plans to rebuild Spain's navy in a changing world order.

The first of these three cases was a more or less successful attempt by the Spanish Exchequer to enact a detailed programme of 'regenerationist' measures from above. The other two examples illustrate the attempts of influential pressure groups to gain a broad popular acceptance for their specific demands. As we shall see, these proposals met with varying degrees of success.

The Stabilisation Programme of Raimundo Fernández Villaverde

Resolute action to remedy Spain's perennial budgetary deficit was certainly considerably overdue. The decrepit state of the Spanish

Exchequer had long constituted a permanent scandal in the eyes of both domestic and foreign investors. Following the disastrous events in Cuba and the Philippines, however, the high level of public antipathy directed towards the political establishment in Madrid at last provided the right conditions for a dose of strong medicine to be administered. The outcome of these favourable circumstances was Raimundo Fernández Villaverde's contentious package of stabilisation measures which, in the opinion of Gabriel Tortella, constituted 'the only national regeneration which followed the drama of 1898.' (Tortella Casares, 1970, 295). Yet, as Gabriel Sole Villalonga tells us in his classic work on the Villaverde reforms of 1899-1900, the minister did not wish to be remembered as some kind of 'fiscal regenerationist'. In a speech to the Spanish parliament on 19 February 1900 Villaverde declared: 'I never presented my modest work as a work of regeneration. I always presented it as merely a work for the reconstruction of the Exchequer' (Sole Villalonga, 1967, 47).

Even before the Cuban War, one-half of Spain's budgetary revenue was swallowed up by interest payments on the escalating national debt. When Villaverde entered office in 1899, the nation was to all intents and purposes on the verge of bankruptcy. The minister's most notable

achievements -- obtained at no small cost to his health -- were a reduction in the total volume of debt along with the establishment of a balanced budget. In his valiant endeavours to achieve budgetary equilibrium, Villaverde's chosen tactic was the introduction of a small number of new taxes as well as the modification of various existing taxes. Despite persistent pressure from the *fuerzas vivas* for extensive cutbacks in public expenditure, the harassed minister managed to secure only a modest level of retrenchment. This was not surprising given the heterogeneous composition of Silvela's administration. From the start, Villaverde found himself at odds with powerful cabinet colleagues. War Minister, General Camilo García Polavieja, who subsequently resigned in protest at his inability to influence Villaverde, urged upon him an increase in the Army estimates from 144 million pesetas to 174 millions. Polavieja's request for further resources was predicated on the Army's calculations that Spain's regular forces should be augmented by 28,000 men. This increase was deemed indispensable so as to guarantee a state of military preparedness in case either Republican or Carlist forces attempted to benefit from Spain's political vacuum by launching an uprising against the Bourbon monarchy. Navy Minister, Admiral José Gómez Imaz, mindful of Spain's responsibilities to protect the Balears and the Canary Islands in an era of

changing military alliances, requested a modest increase in his ministry's budget from 25 to 28 million pesetas (Harrison, 1980, 336; Tallada Pauli, 1946, 154-166; Comín, 1988, 2, 689-92).

In contrast to this disappointing failure on the expenditure side of the budget, Villaverde was surprisingly successful in raising additional revenue which, to general amazement, permitted the besieged minister to balance the budget of 1899-1900. Although vilified in polite society at the time, Villaverde is today widely praised by economic historians, especially for his introduction of a tax on both personal incomes and the profits of industrial companies (*ley de utilidades*) (Comín, 1988, 1, 692). The law, which was approved by the Cortes without much opposition, proved extremely unpopular among middle-class taxpayers who saw it as an attempt to introduce a version of the hated British income tax. Yet, in a very short time, revenue from the new tax insured a notable improvement in the nation's finances. Indeed, during the first eight years of its application the *ley de utilidades* raised between one-tenth and one-eighth of total budgetary revenue (Sole Villalonga, 1967, 169).

In the medium term, Villaverde's splendid achievements weighed too heavily on his successors. His legacy was to prepare the way for an unbroken series of budgetary surpluses over the period 1900-8. This

unprecedented sequence, accumulated by Villaverde's successors, owed more to a curb on expenditure than to rising receipts. As to Villaverde, we are reminded by his leading supporter that he originally intended the measures of 1899-1900 as merely the first phase in a three-stage programme for the financial and economic reconstruction of Spain. Writing shortly after Villaverde's early death, Antonio García Alix asserted:

[Sr. Villaverde's plan] of 1899-1900 can be divided into three parts: the first consists of balancing and liquidating the budget: the second, that of reconstruction, or the improvement of services: and the third, consequent upon a state of normality and the growth of production and wealth, the reduction of a number of taxes so as to reduce the burden on the taxpayer.

Without the severity of the liquidation budget which restored credit and put revenues in order, the reconstruction of services could not and should not be tackled. But from the moment that a balanced budget is assured for three or four financial years ... then the second part should be held back no longer because only through the reconstruction of services by the state can national goals and the increase of public wealth be achieved (García Alix, 1907, 16-17).

As we shall see below, budgetary expenditure resumed its upward trend in 1908, due first of all to the commitment of the Maura administration for the reconstruction of the depleted Spanish fleet and secondly to the mounting cost of Spain's military adventure in its Moroccan protectorate. Meanwhile, 'the holy fear of the deficit', a phrase coined by the veteran finance minister José Echegaray to describe the unplanned deflationary consequences of Villaverde's stabilisation policy, ruined the chances of most of the regenerationist schemes of the *Costistas* (Ceballos Teresi, 1932, 173; Harrison, 1976, 116).

The Regenerationist Ideas of the Catalan Business Community

During the last two decades of the nineteenth century, the textile producers of Catalonia, unable to sell their goods in world markets, treated the Spanish possession of Cuba as a guaranteed outlet for the region's manufactures. A Law of Commercial Relations with the Antilles of 1882 defined the 'overseas provinces' as part of the metropolis for customs purposes. This Act initiated a phased reduction in customs duties paid by Spanish exporters. In 1891, the Conservative government

of Antonio Cánovas, elected on a protectionist ticket, provided further guarantees to the hard-nosed Catalan business community by erecting substantial barriers against goods entering the markets of the Antilles from outside the Peninsula. As Carles Sudrià shows, the period 1890-8 brought a wave of prosperity to the Catalan textile sector. At the outbreak of the War of 1898, Cuba and Puerto Rico accounted for as much as one-fifth of the entire output of the Catalan cotton industry, the leading sector of the Principality (Sudrià, 1983, 373-4). Three years before, in a document sent to the Overseas Ministry, Juan Puig, president of the Catalan employers' organisation the Fomento del Trabajo Nacional, commented:

The cabotage trade with the Antilles has given a decisive impulse to the manufacturing industries of the peninsula. Exports of cotton goods to the Antilles via the Barcelona customs went up to more than thirty million pesetas in 1894. It is no exaggeration to calculate that 1,500,000 pieces of cloth were exported to the colonies, an enormous quantity enough to keep eight thousand spindles and 1,500 looms in operation. If to this considerable amount of cotton production we add the other textiles, we would be shocked at the idea of the number of Spanish workers who would be thrown into unemployment if the markets of the Antilles were shut down. Every branch of the production of the fatherland ... [depends upon] trade with our provinces in America and Oceania

(Fomento, 1895, 15).

It is hardly surprising therefore that with the irretrievable loss of these lucrative markets in the Paris peace treaty of December 1898, an atmosphere of intense pessimism permeated the whole of Catalan industry, not least the vulnerable cotton textile sector. After a short-lived post-war boom lasting about eighteen months, the region was hit by a sharpening industrial crisis (Harrison, 1998, 82-7).

In common with other middle-class critics elsewhere in the Peninsula, the *fuerzas vivas* of Catalonia rallied behind the regenerationist clamours of the chambers' movement. The principal business organisations of the Principality sent delegates to the Saragossa assembly of November 1898. Albert Rusiñol, the future president of the Fomento del Trabajo Nacional, was voted one of the meeting's secretaries. Yet joint activity with the supporters of Joaquín Costa was only one of the channels open to Catalan business at a political level. Throughout the summer of 1898, spokesmen of the Fomento conducted talks with General Polavieja, who was then posing as a potential saviour of the fatherland; a regenerator who, without seizing power, would undertake key reforms from above (*desde arriba*). However, once in office as Silvela's

War Minister, the 'christian general' showed himself to be wholly incapable of bringing to fruition his pledges of administrative decentralisation together with the Catalan's request of a *concierto económico*. The latter device was intended to be similar to the economic agreement between Madrid and the Basque Country in operation since 1878, whereby each Catalan province would assume responsibility for the collection of its taxes and distribute the revenue according to local needs. In turn, the failure of *Polaviejismo* as a strategy for political and economic change, combined with the Silvela government's brutal repression of a taxpayers' strike -- *el tancament de caixes* -- against Villaverde's fiscal measures, finally pushed the Catalan business community in the direction of regionalist politics. The Lliga Regionalista, created in 1901 with the backing of the Catalan business elite, was to pursue a pro-autonomist line with limited success over the next two decades (Romero Maura, 1974, 9-41; Riquer, 1977, 103-225; Harrison, 1990, 45-70).

In the wake of the loss of the Antilles, the Catalan business community elaborated a variety of far-sighted schemes and practical suggestions for the economic revival of the Principality, soon incorporated into a general programme of commercial and industrial modernisation. Yet in the prevailing mood of rampant catalanophobia,

stirred up by sections of the Madrid press against ‘separatist’ tendencies in the region, Catalan proposals for the economic regeneration of the Spanish nation were invariably rejected as special pleading.

On 14 November 1899, the Fomento and other Barcelona organisations were granted an audience with the Queen Regent to whom they outlined their grievances. Their widely-publicised demands were essentially fourfold: a free port or neutral zone for Barcelona, a more devolved taxation system, technical education and mechanisms for exploiting alternative markets. Later, as the full extent of the economic downturn in the cotton textile sector became evident, the Provincial Deputation of Barcelona sponsored a detailed study of the exact nature of the post-colonial depression which contained a series of clearly defined long-term proposals to tackle the deteriorating situation. This remarkable document suggested three lines of attack: an increase in exports, an increase in national consumption and an amelioration in the production process resulting in lower prices. In concise language, the Deputation called for commercial agreements with Spain’s former colonies, the opening up of steamship lines to these countries, trade links with the Middle East and export banks. Hamburg, Genoa and Copenhagen were presented as examples of free ports to be imitated by Spain. In

regenerationist language somewhat less effusive than the florid and passionate style of Joaquín Costa, adapted to the mundane world of Catalan business, the Diputación declared:

The construction of canals and artificial lakes to irrigate the land, as well as a network of narrow-gauge railways, the exemption of custom duties on raw materials used in the preparation of artificial fertilisers, the establishment of agricultural credit to put an end to usury, the exploitation of coalmines, iron and other metals which abound in Spain, especially coal, in a word, whatever measures favour the exploration of the soil, will obviously increase national consumption ... to which manufacturing industry can respond (Diputación, 1901, 23).

Another section urged upon manufacturers the replacement of antiquated machinery, the provision of worker education and the formation of a modern business culture modelled on that of Great Britain. In retrospect, however, this document can be seen as little more than a ‘wish list’. Above all, where was the finance to come from in order to pay for these grandiose objectives in a country gripped by ‘the holy fear of the deficit’?

Yet, despite early setbacks, the spirit of economic regenerationism in Catalonia refused to be extinguished. The period 1898-1914 saw a number of initiatives from the Catalan business community aimed at alleviating problems created or exacerbated by the loss of the Cuban market. Discussions about the concession of a free port Barcelona continued unabated until the First World War. In 1903, two Catalan deputies, Rahola and Zulueta, led a 'commercial embassy' to Buenos Aires and Montevideo aimed at cementing trade relations. Along with their Basque allies, the textile manufacturers again lobbied for higher customs duties. They were rewarded with the 'ultraprotectionist' Salvador tariff of 1906. The following year, in an attempt to eradicate stockpiles of cotton goods accumulating in recent years, the region's cotton manufacturers established the short-lived Mutua de Fabricantes de Tejidos de Algodón to promote the export of articles which they could not sell in the domestic market. In 1908, the Societat d'Estudis Econòmics of Barcelona published a series of studies on the need to create a banking system to serve the needs of the Principality. The list of modernising initiatives during these years is impressive by any standard (Rahola, 1905; Odell, 1911, 33-4; Graell, 1911, 377-404).

In spite of incessant pressure from the Catalan business community, the great majority of their post-colonial schemes to safeguard the region's industrial interests attracted little immediate response from the authorities in Madrid. In 1905, on the eve of the long-delayed negotiations for a new protective tariff, Guillermo Graell, secretary of the Fomento del Trabajo Nacional, fulminated: 'the political parties are still removed from the needs of the world of economics, and the mentality of intellectuals and even journalists continues to ignore material interests' (Graell, 1905, 2-3; Harrison, 1974, 431-41).

Without doubt, the most effective means open to Catalan business to put pressure on the politicians in Madrid to obtain either favourable legislation or adequate funding for new or existing measures was joint action with other powerful economic lobbies. Since 1891, their favoured approach was the creation of a common front with the wheat growers of rural Castile and the steelmasters of Vizcaya as part of a Barcelona-Valladolid-Bilbao triangle. The desired objectives of all the participants in this defensive and fundamentally short-sighted strategy were twofold: enhanced tariff protection for their uncompetitive products and the consolidation of an official policy of economic nationalism aimed at reserving the Spanish market for domestic producers (García Delgado,

1984, 3-171). For its part, the newly emergent Catalanist movement soon adopted a more combative approach in its dealings with Madrid. Entrenched attitudes of subservience to the central authorities, in the hope of securing some minor concession, were slowly abandoned, although deference to the oligarchy and old fashioned *espanyolismo* later reappeared in moments of labour conflict and economic crisis. As Sebastian Balfour points out, the ‘disaster’ of 1898 served to heighten the sense of alienation felt by many sections of Catalan opinion towards the ruling elites. At the same time, it also exposed the widening gap between a culturally innovative periphery and a backward and inward-looking centre. Under the influence of the Lliga Regionalista’s leading thinker Enric Prat de la Riba, a buoyant Catalan nationalism conceived of its mission as that of regenerating Spain from a politically resurgent Catalonia (Balfour, 1997, 132-63).

Plans to Reconstruct the Spanish Navy

After Spain’s ignominious defeat by the United States in 1898, the country lost not only its colonies but also its navy. The defeated power, with its extensive coastlines, was now almost completely undefended against attack by a foreign aggressor. Following the sinking of two of

Spain's three naval squadrons at Cavite and Santiago de Cuba, the only ships which remained in active service to defend the metropolis and adjacent islands were one antiquated battleship, three armoured cruisers which were still in the dockyards and two other cruisers so slow as to be totally useless in battle. Meanwhile, the dissident middle classes who gathered at Saragossa soon after the Disaster adopted a series of resolutions defiantly pacifist in tone. The manifesto of Costa's National Producers' League which, as we have seen, called for extensive cuts in military expenditure in order to finance infrastructural developments, demanded the suppression of the Navy Ministry. Later, after a meeting between the directory of the League and Spain's political leaders, this suggestion was modified. The assembly then altered its position to: 'to restrict naval forces to the level that is strictly necessary to maintain communications with the islands and with Spain's possessions in Africa' (Revista Nacional, 9 July 1899, cited in Viaña Remis, 1992, 1, 306-7).

If the manifest weaknesses in Spain's naval defences were to be rectified and its sunken fleet replaced, the first task of the proponents of the reconstruction of the fleet was to counteract the all pervasive influence of the *Costistas* -- and later that of Villaverde. The complex procedure of altering official attitudes on the troubled question of economic

infrastructure (dams) versus naval power (battleships) in an age of financial austerity was initiated by the influential Conservative politician Joaquín Sánchez de Toca. The latter was possibly the first Spaniard to undertake a detailed investigation of the American military strategist Captain Alfred Thayer Mahan whose seminal work, *The Influence of Sea Power on History, 1660-1783*, had been published 1890. Mahan's stress on the strategic and commercial importance of building a strong navy was taken up by Sánchez de Toca who adapted it to the Spanish case in a work of 1898 entitled *Del poder naval en España y su política económica para la nacionalidad iberoamericana*, which was later revised to include a chapter on the lessons of the military *débâcle* (Sánchez de Toca, 1898). In 1899, Sánchez de Toca was joined in his crusade for the reconstruction of the Navy by lieutenant Adolfo Navarrete who led the call for the formation of a Spanish Maritime League (*Liga Marítima Española*) to act as a front against Costa and his supporters. Established in May 1900, this prestigious organisation boasted a leadership which included such influential figures as Antonio Maura --a former disciple of Costa -- as its president and Sánchez de Toca as vice president. Navarrete became its secretary. The campaign of the Liga Marítima Española for the construction in Spanish dockyards of a fleet of

battleships counted on the participation of a number of senior naval officers. It also had the crucial support of an important group of shipbuilders, armourers and iron and steel manufacturers. Prominent among this lobby was the former assembly member Pablo de Alzola, now president of the leading Bilbao steel company Altos Hornos de Vizcaya and head of the Basque heavy industry association the Liga Vizcaína de Productores. In a climate of economic nationalism, Antonio Maura was convinced of the need for a strenuous policy of state intervention in the naval sector with the primary goal of stimulating Spain's embryonic coal, steel and shipbuilding industries. Moreover, such was the political impact of this group that in 1902 Joaquín Sánchez de Toca was chosen as Navy Minister in a short-lived government led by Silvela while, in the following year Antonio Maura formed his own administration. Maura's Navy Minister, Cobián, presented a bill in November 1903 which proposed the construction of as many as eight battleships. However, in the continual turnover of Restoration governments at this time, the bill was never approved (Viaña Remis, 1992, 1, 308 -12).

With the arrival in power of Antonio Maura's long government (1907-9), the campaign of the Spanish Maritime League was finally rewarded. Amidst popular protests from Republican forces, in April 1908

the Navy Ministry advertised a weaponry contract for £6 million and invited tenders from Europe's leading manufacturers. In line with the Spanish government's policy of import substitution, the successful companies were to be based in the peninsula. Manufacturing would take place in the dockyards of El Ferrol and Cartagena which were to be reconditioned and expanded. The winners of the contract were charged with the provision of warships and construction facilities of the highest standards. They would also supply Spanish manufacturers with the most current designs and patents for ships and weaponry. Against competition from France and Germany, the contract was awarded to the British consortium of Vickers, Armstrong and Brown. The Spanish side of the contract was to be undertaken by a newly-formed organisation, the Sociedad Española de Construcción Naval, comprising 24 companies, many of which supported the Liga Marítima Española. The Navy obtained three battleships only together with a fleet of smaller vessels (Trebilcock, 1973, 260-2; Harrison, 1976, 120).

The 1908 Naval Programme has recently attracted conflicting views among Spanish economic historians. In a scathing attack on Antonio Maura's naval policy, with its mistaken emphasis on heavy battleships, Enrique Viaña calls the final expenditure of 169 million pesetas over a

period of seven years ‘a real extravagance; an expense as useless for defence as it was for Maura’s imperialist policy’ (Viaña Remis, 1992, 315-6). In contrast, Antonio Cubel, more interested in the overall value of the project to Spanish industry, including the transfer of advanced technology, the encouragement of scientific research, the provision of new labour skills, and reductions in the costs of production, offers a more optimistic interpretation (Cubel, 1994, 93-118). Both arguments contain more than an element of the truth. In military terms, what use to the defence of the Spanish realm were three battleships in an era of heightening international tensions? When the First World War was declared in 1914, Spain’s political leaders had little option but to choose a policy of non-belligerence. Even so, as a late-comer to the difficult process of constructing a modern industrial base, a backward Spain had to find some way of acquiring the most up-to-date technology. In the case of the 1908 Naval Programme, it would appear that the latest techniques were only available on less than optimum terms and at considerable cost to the taxpayer. While Villaverde’s stabilisation measures, much lauded in retrospect, no doubt constituted the nation’s finest economic achievements in the aftermath of the Disaster, a decade later the time had certainly come to abandon financial orthodoxy. As to the carefully

prepared schemes of the Catalan business community, they have much to commend them. Above all, they offered Spaniards a clear picture of economic progress in the shape of a developing capitalist society modelled on the country's most enterprising region. Outside the Principality, however, the allure of the Catalans' modernising vision was less evident, for mainly political reasons. This brings us back finally to the flawed ideas of that lost genius, Joaquín Costa. For all his faults, the 'lion of Graus' furnished Spain's policy makers with a unique and genuine opportunity to increase the productivity of agriculture, to raise rural living standards and to increase aggregate demand for the products of domestic industry.

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