On state autonomy: pressure groups and public policy in Britain and Spain in a comparative perspective, 1830s-1930s

Juan Carlos Rojo Cagigal

Abstract

The paper looks into the relationship between industrial pressure groups and the state, comparing the experiences of Britain and Spain during the 19th and the first third of the 20th century. By analysing the decision-making processes, the collective action of economic groups and the adoption of public policy, I argue that they shared a common pattern: both states were basically autonomous facing the pressure of organized economic interests. I explore some of the causes that could explain such a similar pattern in countries with a very different model of development and also examine the tensions provoked by the strong autonomy of the state, mainly in the Spanish case. From this work it follows that the role of the state should be re-considered and re-evaluated in explaining institutional change in western countries during the nineteenth and twentieth centuries.

Keywords: pressure groups, economic elites, public policy, big business and government, state, political economy, Britain, Spain
JEL Classification: N40, N43, N44.

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On State Autonomy: Pressure Groups and Public Policy in Britain and Spain in a Comparative Perspective (1830s-1930s)

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This paper looks into the relationship between industrial pressure groups and the state, comparing the experiences of Britain and Spain during the nineteenth and the first third of the twentieth centuries. The differences seem to be important at first sight. From an economic point of view, we would be comparing the experience of a first-comer with that of a late-comer. From a legal and institutional point of view, the experience of a common law country against that of a civil law country. From a political perspective, the British stability in sharp contrast to the Spanish instability: between 1830 and 1939 Spain underwent at least seven substantially different political regimes and several civil wars.

However, there were some noticeable common patterns. One of the most important is that both countries belonged to the same geographical and cultural area. Both were old states. Their state institutions were long durée constructions, characterized by a slow maturing over the course of several centuries. Moreover, the nation-state construction processes were experienced with lower intensity compared to other European countries, such as France or Italy. They were slow and unassertive, although for different reasons: in Great Britain because the adaptation of the political system to industrialism was carried out through gradual reform and institutional innovation; in Spain because the clash between the ancien régime and infant capitalism caused strong tensions between 1808 and 1875—revolutions and restorations, civil wars and coup d’états. This caused the process of nation-state construction to be essentially discontinuous. Both also shared a weaker effective centralization than other countries of Western Europe. In Britain due to the absence of a revolutionary path, the use of commitment strategies, and the state reluctance to intervene; in Spain the vocation for centralization was probably greater, but economic backwardness and the complicated orography contributed to an even poorer result. There were two additional coincidences which are important for our field of study. One is that both states scarcely intervened in

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industrialization. The second is that the most stable and lasting political regime in Spain (1875-1923) was constructed imitating the British.

I argue in this essay that Britain and Spain also shared a common pattern with regard to the relationship between the state and pressure groups. Both states were basically autonomous in facing the pressure of organised economic interest groups. I explore some of the causes that could explain such a similar pattern in countries with very different models of development, and also examine the tensions provoked by the strong autonomy of the state. Tensions grew in the first two decades of the twentieth century, when industrialists increasingly needed favourable public policies but lacked the appropriate institutional channels to influence decision-making. The result of the clash between economic groups and state actors was the main difference between both countries: in Britain the state autonomy was practically uncontested whereas in Spain the main industrialists fiercely attacked the liberal ruling class, managing to discredit it. This work has been divided into four parts. In the first a theoretical approach is used regarding the relations between groups of interest and the state is used; then, the strong state autonomy in Britain is analyzed; in the third section the Spanish case is tackled, introducing comparative elements with the British system; and finally the most relevant conclusions of the work are exposed.

1. Interest representation and public policy decision-making: some theoretical aspects

There exist several theoretical models concerning the relationship between pressure groups and the state. The first systematic approaches were those of the pluralist school, which maintained that interest groups had relatively open access to the state and that the final result of a decision-making process depended on the resources the involved groups were able to mobilize.\(^1\) M. Olson reacted against some of the pluralist principles, citing the rationality of the actors’ behaviour: they would contribute economically only if they expected the provision of an exclusive collective good.\(^2\) On the other hand, the Marxist school basically maintained its traditional principle: the function of the state and the ruling classes was the (re)production of the capitalist system. The Marxist theorist N.

\(^1\) Truman (1951) and Dahl (1957) are the most relevant works.
\(^2\) Olson (1965).
Poulantzas defended the existence of “power blocs”, made up of the economic interest groups, the political rulers and certain social classes.\(^3\) In the 1970s a new neo-corporatist school emerged. Led by P. Schmitter, the school adapted the old concept of corporatism to the analysis of advanced capitalist societies. The neo-corporatists pointed out the importance of the bargaining structures created to link interest groups and the state.\(^4\) Its main postulates had theoretical connections with the institutionalist and neo-institutionalist schools. During the 1980s and 1990s a statist school emerged attempting to vindicate the role of the state. It asserted that the final result of a decision-making process did not depend on the relative strength of the groups but on the interests of the state actors—ruling class and bureaucracy—, who pursued their own goals.\(^5\) Finally, a network theory has been developed since the 1990s. It emphasizes that there is not an unique intermediation arena, but that decision-making is a process carried out in subsystems or clusters in which governing bodies, bureaucrats and interest groups interact.\(^6\)

The premises of these theoretic schools are sometimes presented as essentially incompatible with each other, as if they were paradigms. Nonetheless, their elaboration is generally ahistorical. In researching energy politics in the United States, J.E. Chubb developed a theoretical framework in which he conceptualized the initiatives and strategies of the involved actors and carried out a model showing their basic interactions.\(^7\) The main advantage of his theoretical construction is its great flexibility, which allows the incorporation into the model of different situations that could have occurred historically. Chubb conceptualized relations in terms of two purposive dimensions: interest group initiatives and bureaucratic strategies. We can consider the second dimension as “state strategies”, which enable us to incorporate actors such as the ruling class, who is a basic participant in our case. Each of those dimensions summarizes the actions and intentions of the respective organizations towards each other.

The interest group initiatives have the purpose of securing public policy benefits for group supporters. The beneficiaries of a public policy would be in much the same position as buyers in a market place, which consume a good —public policy. If the

\(^3\) Poulantzas (1975).
\(^4\) The seminal article is that of Schmmiter (1979).
\(^7\) Chubb (1983).
buyers are few, exchanges become suboptimal for producers and a condition of market failure is said to exist. An extreme condition, when there is a lone buyer of public goods, could be labelled as monopsonistic. At the other end of the continuum a pattern of group initiatives similar to that of an economic monopoly can take place. The state actors, usually viewed as suppliers, can be viewed here as middlemen. The ultimate suppliers of public goods would be the cost-bearers, who incur direct costs if the interest group initiatives are successful. A monopolistic situation would take place if the cost-bearers are the lone participant or control the interest representation. When the occurrence of interest group initiatives is balanced among beneficiaries and cost-bearers, the situation can be labelled as competitive, and theoretically is conducive to the optimal production of public goods. An upper or lower position in the continuum would depend at least on three factors: i) the economic structure, i.e., a country with a strong heavy industry would tend to have a more corporatist interest representation in many initiatives; ii) the institutional and legal setting, which partially determines the organization of the interest groups; and iii) interaction with the state actors, given that a high degree of state autonomy could disincentive interest group formation, or a corporatist state strategy could encourage it. Contextual factors could also have an important weight in certain arenas.

The strategies of the state actors would be corporatist when the government or bureaucracy considers that they can properly reach their targets by means of a cooperative relationship with the beneficiaries. In a corporatist situation, these obtain a considerable control over policy implementation and the cost-bearing groups have no access or only pro-forma access to the decision-making process. The right third of the continuum would be characterized by an increasing deference towards cost-bearers. At an extreme point the state actors find the support of beneficiaries to be unprofitable. At a midpoint the state strategies are based on temporary coalitions of interests with beneficiaries as much as cost-bearers, depending on diverse circumstances. This situation is labelled as pluralist, prevailing upon the existence and flexibility of few stable bonds between organized groups. The strategies of the state actors depend at least on four factors: i) the liberal or authoritarian character of the politic system. A representative system tends to push the strategies of the ruling class towards resolutions favourable for the cost-bearers, given that these were the largest group and such outcomes enjoyed a greater legitimacy among public opinion. In a liberal setting decisions favourable to beneficiaries are easily implemented by rival political groups; ii)
the open or closed character of the decision-making process, that is, its public exposure; iii) the internal interactions of interest groups, that is, the relative strength of the groups, which tend to get the state actors to collaborate with those who are stronger; iv) other more abstract considerations including reasons of state or the common good, in the case of the ruling class, or the bureaucracy’s own interests in certain public policies.

Fig 1. A Typology of Relationships between Interest Groups and the State Actors

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<tr>
<th>INTEREST REPRESENTATION</th>
<th>STATE STRATEGIES</th>
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The intersection of the dimensions would describe the relationship between the interest groups and the state actors (see Figure 1). The relationships that are theoretically most likely to occur are those in the main diagonal (1,2,3). Corporatism denotes a cooperative relationship between the beneficiaries and the state; pluralism, a fluid but temporary relationship; and capture, a strategy in which the state actors collaborate with the cost-bearers. If we leave the diagonal, the relationships established among the other cells are theoretically less probable, and can generate tensions. For instance, cell 8 reflects an extreme situation in which the cost-bearers are strong but the state strategies are favourable to the beneficiaries. The situation represented by cell 9 is vice-versa. This framework, within conceptual limitations, allows us to theoretically locate the intersection between the main actors in a decision-making process. The model would even allow a quantification regarding the selection of initiatives in different areas and an analysis of the state actors’ strategies for each of these initiatives, although this
task is quite difficult given our current level of knowledge. This essay pursues a more modest objective, by comparing the experiences of two Western European countries in accordance with the existing literature. For this purpose the exposed theoretical framework is simple and flexible enough to allow us to visualize and compare situations that could have historically occurred in both cases.

2. Uncontested state autonomy in Britain

The formation of lobby organizations in Britain was a slow process which lasted from the 1830s to the second decade of the twentieth century. Chambers of commerce had first appeared in the late eighteenth century in leading markets and industrial towns, but their scope was basically local and many of them had to represent the heterogeneous and commonly divergent interests of merchants and manufacturers. It was beginning in the 1830s when British industrialists increasingly organised along functional lines or following concrete objectives, creating more homogeneous bodies to exert pressure on government agencies, parties and MPs. For example, the General Shipowner’s Society was founded in 1831, and the Anti-Corn Law League, probably the most legendary pressure group in economic history, started its activities in 1838. The creation of trade associations and employers’ associations on a larger scale hastened in the last quarter of the nineteenth century. Among these we can point out the foundation of the National Federation of Associated Employers of Labour (1875), the Engineering Employers’ Federation (1896) or the Employers’ Parliamentary Council (1898). But the final conformation of organized interest groups in Britain took place during World War I and the immediate post-war years. The Federation of British Industries (FBI), the British Commonwealth Union and the National Union of Manufacturers (NUM) were founded in 1916, and the National Confederation of Employers’ Organisations (NCEO) in 1919. The FBI became the most important trade association during the interwar period and the NCEO was the coordination instrument of different employers’ associations in negotiations with the government and the trade unions. In 1924 the British Commonwealth Union was refounded as the Imperial Industries Association (IIA), which became one of the most active pressure groups lobbying for a protectionist tariff.

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9 See Blank (1973): 11-12.
There exist different interpretations in literature regarding the relationship between interest groups and the state in Great Britain before World War II. A minority theory at present is one which considers the state as a mere reflection of the economic capitalist elites’ interests. Although the ruling class had a strong aristocratic component, this was explained by an alliance or commitment among the landed aristocracy and the industrialists and capitalist financiers. These groups formed, together with the ruling class, a “power bloc” which allowed the reproduction of the capitalist system. Marx himself wrote that the British ruling class at the midpoint of the nineteenth century was an “antiquated compromise” in which the aristocracy “ruled officially” but the bourgeoisie ruled “over all the various spheres of civil society in reality”. The Marxist interpretation was fashionable during the decade of 1970 but is nowadays supported by few scholars.

Another theory, with more support in literature, maintains that British public policy was strongly influenced by the City. The common argument is that City financiers exercised a dominant position in the determination of commercial and monetary policy, and this reflected the interest of financial capital in free trade and the international role of sterling. At the end of the nineteenth century this dominance would have been structurally exerted through the size of the City’s contribution to the British economy and more directly through the Bank of England and its relationship with the Treasury. The Bank was also inextricably linked with the London Stock Exchange. The financiers and the state actors would have common social —aristocratic— backgrounds, which helped to sustain a non-industrial culture and deny primacy to the interests of the industrialists in matters of public policy. In economic history literature S. Pollard is the best known defender of the strong influence the City exerted in public policy decision-making, which would have contributed to a deepening of the British climateric. The City bankers would have reached as prominent a position in Britain as that obtained by the Ruhr industrialists in Germany or the Parisien business elite in France. Nevertheless, the City thesis has several problems. It is doubtful that the Whitehall bureaucrats had that aristocratic component attributed to them. Moreover, the application of a liberal public policy cannot be considered simply as a benefit for

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11 The main works were those of Braverman (1974) and Burgess (1975, 1980).
financial capital at the expense of industrial capital. It is even a matter of opinion that commercial or monetary policy harmed British industry.\(^{13}\)

K. Middlemas opened a new interpretive line categorizing the British system of interest intermediation as having a “corporate bias” since the early twentieth century. According to this author, the main industrial interest groups such as the FBI or the NCEO closely collaborated with the government in designing public policies and engaging in continuous negotiations with the government and the trade unions. This model of interest intermediation, which would have strengthened during World War I and consolidated during the interwar years, enabled the reduction of social unrest and avoided the appearance of extremisms in the entrepreneurial class and in the working-class movement.\(^{14}\) Thus, the industrial interest groups and the trade unions would have achieved a growing access to the centres of decision-making in Whitehall from the second decade of the twentieth century onwards. The corporatist interpretation insists on the importance that World War I had in the consolidation of corporatist bodies. The war convinced the government of the necessity of obtaining trade-union cooperation in order to increase production and maintain industrial discipline. And since the end of the General Strike of 1926, successive governments looked for collaboration between trade-unions and employers in their efforts to carry out an industrial “rationalization” and keep the social order.\(^{15}\) The corporatization of interest representation had accelerated during the decade of 1930. To face the industrial crisis British governments developed new forms of communication and coordination between government and industry. A National Joint Advisory Council, representing the Trade Union Congress and the British Employers’ Confederation —successor of the former NCEO— was established to achieve their integration in the policy-making process.\(^{16}\) More recently A.J. McIvor has adopted a similar argumental line, highlighting the strategic role played by the employers’ organizations in the design of industrial policy in the 1920s and 1930s.\(^{17}\)

The corporatist theory has been widely criticized. Many authors have shown up the weak empiric evidence for the existence of corporatist coordination between the industrialists and the state actors in the first decades of the twentieth century.\(^{18}\) The Wilhelmine and Weimar proclivity to promote collaboration between interest groups

\(^{13}\) The “City-Bank-Treasury nexus” theories in Judge (1990): 16-20.
\(^{14}\) Middlemas (1979).
\(^{17}\) McIvor (1996).
and government or the construction of an Italian style state corporatism would have been phenomena practically unknown in Britain. Attempts to favour corporatist arrangements would have generally ended in failure. According to W. Grant, the state, although it was prepared to consult with economic interest groups, was only ready to delegate authority to them in a very special set of circumstances. In its most developed form corporatism amounted to a form of tripartism — industrialists, trade unions and state — in the 1930s. In fact, after World War I there was a substantial reduction of government control over the economy. Most of the coordinative joint industrial councils created during the war collapsed after 1918.

In fact, a majority of the literature maintains that the British state was basically autonomous in facing the pressure of economic groups. As J. Turner points out, business interests never captured the state apparatus and reasons of state took priority over private economic concerns. Consultation was something cosmetic, and the capacity of businessmen to influence the cabinet, Parliament or the Whitehall departments was minimal. Even during World War I direct consultation was confined to a few sectors such as the armament or shipbuilding industries, with which the government did establish a “special relationship”. Although Sir Raymond Streat, an industrialist who collaborated with the government for a long period of time, pointed out that “the first world war cut the first slit in this opaque curtain between industry and government”, it does not seem that the influence of economic interests reached the government centres of decision-making. In 1917 an association integrated into the Engineering Employers’ Federation passed a resolution expressing its “bitter disappointment at the total disregard paid by the Government to the employers’ point of view on every question affecting the industry”. An example of the pre-eminence of the state actors is the formation of the FBI, NCEO and the NUM, in which the government played a pivotal role. Its aim was not, however, the construction of organizations to integrate them into a corporatist apparatus, but rather to use them in contribution to the war effort and maintenance of the social order.

During the 1920s politicians often dallied with businessmen depending on fights between party factions, the evolution of public opinion or their electoral interests. The autonomy of the state actors was maintained in any case. In the early 1920s steel makers

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pressed for a general tariff protection, but it was successfully resisted by several cabinets. The return to the Gold Standard in 1925 was opposed by the FBI, but its voice was not heard by Sir Winston Churchill. In the decade of 1930 Britain passed a general protectionist tariff, which broke the free-trade tradition of almost a century. Capie has pointed out that the Imperial Industries Association and the steel manufacturers played a decisive role in the shift towards protectionism. Nevertheless, all indications are that it was an autonomous decision of the government. The tariff policy continued in the hands of cabinet members, especially in Neville Chamberlain’s hands. The tariff protection may have been unnecessary in view of the abandonment of the fixed rate in 1931. General protection was actually intended as balance of payments support, and industrial tariffs were subsequently employed to promote industrial restructuring. It seems that the tariff of 1932, state intervention in some sectors and industrial “rationalization”—an euphemism which alluded to the establishment of entry barriers, fix-pricing and output control in old sectors with capacity excess—were basically autonomous decisions of the state actors—cabinets and top bureaucracy—and not concessions to the lobbies.

The impotence of British industrialists has been traditionally explained by alluding to their disorganization, their diversity of interests and the internal divisions of pressure groups. They never succeeded in forming a “producers’ alliance” to put pressure on the cabinet or on Whitehall. The local chambers of commerce remained narrow-minded and divided during the greater part of the nineteenth century, and even the creation of an Association of British Chambers of Commerce in 1860, explicitly set up to lobby parliament and government departments, was unable to change things. The Association continued being a loose confederation of local business interests, with very little impact. When other trade and employers’ associations appeared on a greater scale, internal divisions were the dominant note. The Engineering Employers’ Federation was deeply divided by sectorial and regional cleavages as well as inter-firm rivalries. The steel-makers remained disorganized and divided during the major part of our period of study, in contrast with the capacity to influence of the German or Italian ones. The FBI was internally divided regarding tariff protection, which remained an untouchable subject until 1930. This Federation had to compete on many occasions against the

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association of chambers, the IIA or the NUM, with which it never held cordial relations. As well, the division between trade and employers’ associations was much stronger than in other countries, which reduced the possibility of a global representation of the industrial or sectorial interests by means of a single organization.26

But these kinds of explanations only take into account interest representation, that is, they bear in mind the vertical variable in the typology of Figure 1. The weakness of the buyers of public goods would have allowed the costs-bearers to reach a monopolistic situation, which would motivate the state to adopt favourable measures towards them. However, I support in this essay that the horizontal dimension—the state strategies—played a key role, determining the basic character of the intermediation system. The state is only theoretically a mediator in the market of collective goods. In fact it is the state which holds the decision-making capacity and which can fix the price to be paid by cost-bearers. It can do it because it holds inherent powers which allow it to translate its policy preferences into authoritative actions, even when those preferences diverge from the ones of the stronger interest groups, either buyers or sellers of a collective good. The rhythm which followed the organization of the economic interest groups is an evident sample of the pivotal and autonomous role played by the state in Britain. The creation of stronger groups or the amalgam of dispersed groups took place in moments in which the state structures expanded: between the 1830s and the 1840s; between the 1860s and the 1880s; and during World War I and the immediate postwar years. That is, the formation of interest groups had an eminently defensive character in order to face the growth of the state.27 Forced to place the British case in the typology, I suggest the 6th cell: the state strategies would have been mainly co-optive and the initiatives from the interest groups would have been more competitive than monopolist mainly due to the inherit economic structure of the British economy.

The role of the British state was fundamental in the design of the interest intermediation system. Even though the deep foundations of the state fortress probably date back centuries, the decades of 1830 and 1840 constituted the most relevant period regarding the relation of the state actors with the economic interest groups. In that period a gradual but deep reform of the legal apparatus took place. The Great Reform Act of 1832 meant a major reconstruction of state structures. The franchise extension

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27 For example, the Board of Trade staff grew from about 80 in 1855 to 600 in 1890. Grove (1962): 17 and 25.
and the subsequent incorporation of the urban middle classes fostered the formation of modern parties. In spite of the changes occurred or despite the apparent victory of the industrial economic elites after repeal of the Corn Laws, neither a revolutionary nor radical process of change took place. The government remained largely in the hands of the traditional landed men. In fact, many political scientists place in this period the appearance and consolidation of a state characterized by “club rule”, which would have lasted until the last decades of the twentieth century. This “club rule” would have been characterized by the pre-eminence of a class of professional politicians and top bureaucrats, a sort of mandarinate that achieved the crystallization of a particular ideology of business regulation based on “self-regulation”. This ideology was applied to the central bank or to other “clubs” including the stock exchanges. The government, the MPs and the top of the civil service became aristocratic “clubs” of gentlemen, a detached group of honest and disinterested “guardians” that ruled in the public interest.28

The professional mandarinate of Whitehall was able to survive for 150 years. It overcame successive extensions of the franchise and the rising of a mass society in the first two decades of the twentieth century. One of its main assets was the construction of a strong executive, which contributed to keeping the decision-making process opaque, distancing it from the public arena. The other was the construction of a coherent ideology of legitimation, which became a robust contention barrier. The previously mentioned honesty of the ruling class and the alleged existence of an uncorrupted and meritocratic civil service were some of the arguments of legitimation. Pride in an unbroken constitutional continuity, the exaltation of self-regulation virtues, scarce state intervention or the advantages of a free trade commercial policy were other common arguments. Regarding macroeconomic policy, a low and balanced budget and the gold standard as a pillar of the equilibrium of payments and price stability were untouchable principles until 1930. Each of these major ideological themes along which public policy was built served to protect the ruling class and the Whitehall bureaucracy, which could always present failures as consequences of a positive but sometimes uncontrollable laissez-faire. In the case of tariff policy, the free trade ideology—built in the 1840s and in force until the 1930s— was practically uncontested, to the point that it discouraged

the formation of groups to lobby for a tariff. The reason is that the free-trade ideology had been incorporated into a set of elements which legitimated club rule.

The result was a strong state autonomy with regard to economic interest groups. The state actors had shown their strong autonomy as soon as in the 1830s and 1840s. For instance, repeal of the Corn Laws (1846) was an autonomous decision in which the “powerful” Anti-Corn Law League had scarce influence. This lobby reached its aim—eight years after its foundation—because Parliament and the executive considered that it was the adequate moment, due to the Irish famine among other factors. In the decade of 1860 the state played a fundamental and innovative role in the creation of institutions such as joint-stock companies. In the 1890s several cabinets accelerated the introduction of social legislation. During the first third of the twentieth century, as we have previously mentioned, public policy was essentially independent of economic groups. The textile industry, for example, could not avoid the unstoppable rise of Indian tariffs during the interwar period. In the Indian case, the government made decisions based on reasons of state rather than the welfare of manufacturers or even of metropolitan textile industry workers. Thus, the British ruling class was until quite late in the twentieth century a professional class of talented orators and debaters with aristocratic and chivalrous manners who made their decisions in an autonomous way. It is rather well known their contempt for industrialists, who were seen as rough people, too frank and direct, and who pursued a purely chrematistic interest. The top civil service shared similar characteristics and prejudices. Still in the 1960s the relations between pressure groups and the civil service had to be, above all, gentlemanly. Finer, Professor of Government at the University of Manchester, referred to part of the unwritten code that governed their relations as stipulating that neither side should wantonly embarrass the other.

3. Spain: high autonomy but gradual de-legitimation

The Spanish model of economic growth—a southern European late-comer—partly explains the late organization of industrial interest groups. Given that it was the only

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region in which a considerable industry had developed, Catalanian manufacturers constituted at the middle of the nineteenth century the most important group pressuring in Madrid. They were a compact group predominated by textile industrialists. Its influence on decision-making was irregular, with varied results depending on the political setting. During the period between 1868 and 1875 the agrarian and industrial lobbies were swept away by an impelling liberal revolutionary force. Decision-making was, during those days, exclusively in the hands of the revolutionary ruling class. The restoration of the monarchy in 1875 and the construction of a British-style moderate constitutional system (1876-1923) —a two-party system with conservatives and liberals— provided the necessary stability to promote economic growth. Besides Catalonia, other regions such as the Basque Country or Asturias experienced an intense process of industrialization.

It was in the last two decades of the nineteenth century when the two biggest trade associations emerged. In 1889 Catalanian industrialists founded the National Production Encouragement (FTN); and in 1894 the Producers Biscayan League (LVP) came forth to lobby for the interests of Basque heavy industry. Later attempts to create a national scale trade association as the Producers’ National League (1897) did not succeed. In December of 1923, two months after the coup which established Primo de Rivera’s Dictatorship (1923-1930), several trade associations founded the National Industries Federation (FIN) with the idea of gathering the disperse groups. The thought was to imitate the model of the Federation of British Industries or Confédération Générale de la Production Française (1919). But the FIN ended up also being a loose federation of diverse interests, predominated by industrialists from the Basque Country and Madrid, and was even more ineffective than the British association. The impact caused by the crisis of the 1930s and especially the challenge set by the arrival of the II Republic (1931-1936) impelled a new national scale initiative: the Economic National Union (UNE), founded in 1931. But the result was disappointing as well, despite the necessity of facing economic depression and a working-class movement boom. In short, Spain distinguished itself by the actuation of multiple trade associations organized at a regional scale —as were the FTN and the LVP—or at a sectorial scale as was the powerful Spanish Maritime League (1903). The diverse attempts to create an effective national scale organization failed. Just as happened in

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Great Britain, the separation between trade and employers’ associations was very clearly maintained. However, in Spain there was no employers’ association comparable to the NCEO at all but rather a scarcely coordinated multiplicity of them.

From the decade of 1890 onwards the results of decision-making were in general very favourable to the industrialists. Successive cabinets adopted public policies which drastically reduced competition from foreign manufactures in the domestic market, channelling resources from consumers to the industrialists’ interests. After the tariffs of 1891 and 1906, Spain became one of the European countries with the highest nominal protection over manufactures.\(^{34}\) Although the true scope of the effective protection afforded by these policies continues being discussed, the last available data point to a generally highly effective protection, albeit smaller in capital-intensive industries than in labour-intensive industries. That is, higher effective protection for Catalanian industry than for Basque heavy industry.\(^{35}\) Together with tariff policy, the different governments of the period implemented policies directly encouraging production or extensive subsidies, tax exemptions and public purchases for the heavy industry.\(^{36}\)

The success of the industrial pressure groups has been traditionally explained by the weakness of the political class. The most extended argument in economic history literature is that an alliance among the Castilian wheat producers, the Catalanian textile industrialists and the Basque iron-and-steel makers was forged in the decade of 1890. The first wanted to eliminate competition from Russian and American wheat and the second to conquer the domestic market by means of restricting foreign competition. The adoption of protectionism would have been imposed by a weak ruling class for whom these policies had no cost given the clientelism and the absence of a real representative system. The protectionist alliance between Castilian landowners and peripheral industrialists would have been maintained in the following decades, and the influence of these groups would have grown during Primo de Rivera’s Dictatorship, although during the Second Republic a collapse of the economic elite’s influence on political power would have taken place. The hypothesis of ruling class weakness during the Restoration period and the relative strength of these economic interest groups is the most extended in literature. To a certain extent, it is logical taking into account the industrial and tariff policies developed from the decade of 1890 until the Spanish Civil War and afterwards.

\(^{34}\) Only Finland exceeded the Spanish levels of nominal protection, by a slight margin of 36.4% opposite 35.7%. Liepmann (1938): 415, table IVb.

\(^{35}\) Tena (2001).

\(^{36}\) See Fraile (1999): 234-238.
It also explains—among other factors—that Marxist interpretations were fashionable between the 1960s and the 1980s. The theories of Poulantzas’ “power bloc” were especially successful in Spain, much more than in Britain. M. Tuñón de Lara maintained the existence of an oligarchic group of big financiers, industrialists and landowners who controlled the state. Although he reckoned that during the liberal regime there was a political elite, he orthodoxy argued that this existed because the economic powers were not used to exercising political power directly: some bloc members “specialized” in this activity or were recruited from other classes.\(^{37}\)

Nevertheless, part of the literature has supported the independence of the political class opposite the economic interest groups of this period. J. Varela Ortega and J.J. Linz showed that the decision-making process answered to a peculiar logic. It depended on the political nature of the Restoration liberal regime, in which the clientele and patronage system supposed that the ruling class could be independent from big landowners and industrialists, since their election did not depend on the support of those but control of the constituency.\(^{38}\) The liberal regime’s politicians would constitute a ruling class independent from economic power, a breed of lawyers talented in oratory skills.\(^{39}\) Some of them were also landed men or members of the railway companies’ board of directors, or they had familiar relations with the big industrialists. However, these were individual, personal circumstances with scarce influence on political activity.\(^{40}\) The theory of the independence of the liberal state ruling class opposite other economic interest groups has been reinforced in recent years by a deeper analysis of business associations and, in general, the analysis of the collective action of Spanish entrepreneurs.\(^{41}\)

The state autonomy seems to be proven if we analyze with some detail how the industrial groups achieved their first successes. The first one, Cánovas’ tariff of 1891 which protected industrial output, arose by chance. It was basically a tariff designed to defend agriculture from imports of American wheat. The protection on manufactures was introduced to reinforce the Spanish position in negotiating a trade agreement with France, since it was intended that this country reduce its duties on wine. French

\(^{39}\) Cabrera (1998): 335.
\(^{41}\) See Rey (1992), Cabrera and Rey (2002).
resistance caused the high tariff on industrial products to be maintained. In most of the trade associations’ achievements are not attributable to their direct pressure but to decisions of the ruling class, itself motivated by the same political game rather than a desire to satisfy the economic groups’ aspirations. In other occasions the trade associations developed strong pressure campaigns with positive results, but, almost always after arduous and random negotiations. The tariff of 1906, very favourable to the industrialists’ interests, was an autonomous decision by the ruling class, convinced of the alleged positive benefits that Cánovas’ tariff had generated between 1891 and 1905.

Growing state intervention and the creation of policies to directly encourage production between 1907 and 1909 were autonomous decisions by the conservative government of Antonio Maura, who was in favour of having a strong heavy industry for prestige and defence reasons. His public policies were based on the idea of encouraging public intervention in the construction of infrastructures and in army reconstruction, in which Spanish companies should play a relevant role. Economic nationalism and reasons of state were the basis of his decisions. It is difficult to consider Maura as a character easily influenced by any lobby. Analysis of how the tariff of 1922 originated also reveals that industrial interest groups were outsiders in the process. Although wide protection was granted to the industry so that it could survive the postwar crisis, the cabinet and bureaucrats were very independent in making that decision, adopting measures which alarmed the industrialists such as a provisional and revisable protection for steel products. Neither the decisions on railway rates nor public spending on infrastructures satisfied the industrial pressure groups. The social legislation carried out by different Restoration governments also alarmed the economic interest groups on several occasions. The activities of the Social Reform Institute, founded in 1903 in order to improve working class living standards and diminish labour disputes, were commonly criticized by employers, who accused this public organism of always ruling in favour of workers. And following World War I the pressure groups had to face an increasingly independent and self-confident bureaucracy.

Primo de Rivera’s Dictatorship has usually been considered an excessively friendly period for big business. But also in this case there was a coincidence in

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preferences rather than a cession to the pressures of economic groups. Primo conceived his regime as a “regime of works” in which big industry had to play a relevant role. Therefore, he oriented public spending towards the construction of big public works. Nonetheless, the relations between the dictatorship and the economic groups were not always easy. The FIN for instance, opposed on many occasions the excessive state meddling in the affairs of private companies; the employers’ associations often complained about the resolutions of the joint committees —corporatist organisms for the collective bargaining—, which were sometimes in favour of worker demands; and there was strong opposition to the Finance Minister Calvo-Sotelo’s projects to introduce a progressive income tax, which he had to ultimately abandon.

During the II Republic a completely different ruling class took power with an extensive programme of democratic measures. The separation between this ruling class of intellectuals and economic interest groups can be defined as radical.

How can we characterize the relationship between interest groups and the state actors in Spain? Starting with interest representation, both beneficiaries and cost-bearers were represented in the “market” of public goods. There was a multiplicity of organized groups representing industrialists, traders, small landed men, big agrarian producers, oil producers, chambers of commerce, consumer leagues, middle-classes leagues and quite a lot of others. The representation was sectorial, regional or provincial, or usually a combination—for example, the canned food producers from the coastal provinces of the Galician region. As we have pointed out before, the big trade associations that emerged with the idea of coordinating efforts—the LNP, FIN or UNE— were ineffective organizations. The large number and variety of interest groups and the absence of big associations could be suggestive of a competitive situation in interest representation. Nevertheless, the fact that the industrial pressure groups were small and fragmented does not mean that they were weak, at least theoretically. Following the Olsonian model, the small groups could be more efficient in rent-seeking by eliminating the free-rider problem. Fraile has emphasized the advantage that industrial pressure groups had in Spain regarding their collective action, since they were small and geographically concentrated. They were very well funded and able to mobilize large resources in case of necessity. The two strongest were the Catalanian

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FTN and the Basque LVP. They had a notable finance capacity, controlled several mass media and had strong control over the local institutions of their own regions and even a compact parliamentary representation in Madrid. Catalonia’s industrialists could trust the Lliga, a Catalan regionalist and bourgeois party, to lobby in Madrid if it was necessary. The big Basque manufacturers always counted on the support of local MPs, whether they were conservative, liberal or even from other parties. Although both pressure groups competed in some occasions, they were able to form a united front in favour of their industrial interests. For these reasons, I suggest a pre-eminence of beneficiaries in the interest representation system regarding industry, prone to a monopsonistic situation.

If beneficiaries had a strong position in interest representation, it is logical that the strategy of the state actors tended to corporatism. Although there has not existed in literature an interpretation as explicit as Middlemas’ for Britain, it is quite common among scholars to refer to corporatism as an increasingly stronger trend since the first decade of the twentieth century. The economic historian J.L. García Delgado has supported the existence of a shift from mere tariff protection to corporatism, and political scientists such as J.J. Linz have described the Spanish experience during Primo de Rivera’s Dictatorship as a sort of social corporatism.\textsuperscript{49} Construction of corporatist organisms of intermediation would have begun during Maura’s government of 1907-1909 and would have accelerated during World War I and the postwar crisis, being fully realized during Primo’s dictatorship. Nevertheless, an analysis of decision-making processes through entrepreneurial sources or the documentation of the trade and employers’ associations reveals that corporatism was more formal than real. As we have seen before, the state actors were basically autonomous with regards to public policy determination. In formally corporatist organs for the design of tariff or industrial policies, bureaucratic or governmental points of view carried more weight than the negotiations which could have been carried out by beneficiaries and costs-bearers; or they carried more weight than the relative strength of each of these groups individually. The exception is perhaps the period between 1923 and 1927. Therefore it could be asserted that the state strategies were basically statist in relation to the industrial pressure groups, so that we could locate them in the ninth cell of our figure. Many public policies were in favour of the beneficiaries, but they were so because the state

\textsuperscript{49} García Delgado (1984), Linz (1981).
actors considered that this was the best option within a range of possibilities, for state reasons or for the concurrence of path dependence mechanisms, as in the case of tariff policy. But the result of decision-making was often favourable to the cost-bearers. Besides the independence of the government and bureaucracy, the transparency of the policy process was another of the reasons that suggest ruling out a corporative bias in the Spanish case. The regenerationist discourse after the War of Cuba (1898) had penetrated deep into public opinion—among the urban middle classes—and one of basis of that discourse was the existence of a “plutocracy” of powerful landowners and big industrialists and financiers which had captured the state. The big iron and steel industry, especially, had a very bad press. Given that the policy process was very open and transparent during the liberal regime, the ruling class always tried not to appear to be giving in to the pretensions of big pressure groups, besides which could have encouraged the regime’s rival groups of republicans and socialists.

It is easy to imagine that a typology of relations located in the ninth quadrant is hardly sustainable. Despite the general tariff policy, the main industrial pressure groups had to face frequent decisions in favour of the cost-bearers, a continuous uncertainty over the final results of decision making and a poor image in the public mindset, which was a burden in an eminently transparent policy process. Additionally, there were no necessary institutional channels to exert a real influence on policy making. The absence of these channels made access difficult, so that professional lobbyists were frequently employed.50 The big industrialists tried to be elected as MPs to cultivate personal relations with the ruling class in an attempt to have some influence on decision-making. Nevertheless, with the coming of a mass society, especially in the second decade of the twentieth century, it was increasingly more complicated to attain the position of Member of Parliament in the industrial districts. Even upon becoming an MP or establishing personal relations with prime ministers and ministers, the result was always unclear, particularly given the growing power of bureaucracy in certain complex aspects of policy-making. The bet of the big Basque industrialists, for instance, had been Maura’s liberal corporatism.51 Their failure and the lack of a substantial change in the mechanisms of intermediation drove the industrial entrepreneurs towards an increasingly anti-liberal corporatism. Since 1916 or 1917 they used their resources to

50 Jessop (1990) defines the no-existence of mechanisms of intermediation as a model of “parliamentarism”.
51 See Rey (1992) and González Hernández (1997).
de-legitimize the ruling class as a “parasite” class and, at the same time, delegitimize the liberal regime, an “oligarchic” regime which was not able to answer “modern” problems. The growing economic distress of the postwar period would accelerate this de-legitimization discourse, paving the way for the military dictatorship of 1923 and the subsequent removal of the ruling class that had governed the country from half a century.

4. Conclusion

Between the 1830s and the 1930s Britain and Spain shared an interest representation system in which the state actors enjoyed a high autonomy in the design of public policies related to industry. Pressure groups were generally outsiders in the decision-making process. The British system of intermediation was built between the 1830s and the 1840s and the Spanish one between the 1880s and the 1890s. Both systems allowed in some cases the formal involvement of interest groups, but both states retained an autonomous decision-making capacity. The interest representation system was not corporatist, even in the interwar period. The authoritarian period between 1923 and 1930 involved a certain corporatization of labour relations and even formal organizations of intermediation between economic groups and the state emerged in Spain, although these were basically ineffective. The intermediation system had some pluralist features in both countries, but statism was the dominant note.

The Spanish tariff policy, very favourable to industrial interests, seems to contradict that an elevated autonomy of the state actors could exist. However, I have suggested that the existence of path dependence mechanisms could explain this apparent contradiction. Britain chose the path of free-trade from 1846 onwards and Spain that of tariff protection beginning in 1891. Both decisions were adopted by the ruling classes, and casual factors had a significant influence. Diverse circumstances contributed to maintain the chosen path over time. Decades later the paths were already marked and would not be questioned. The British free-trade orientation was not seriously challenged until the approval of the tariff of 1932, which was also an autonomous cabinet decision. Protectionism would not be questioned in Spain until the 1960s. It is true that a free-

52 See Rojo Cagigal (2008).
trade policy was, to a certain extent, logical for a first-comer such as Britain, oriented towards the export of manufactures and import of foodstuffs and raw materials; and that a protectionist policy was also reasonable in a economically backward country such as Spain. But the British à outrance free-trade and Spanish à outrance protection were basically political decisions of the ruling classes, convinced that they were the best possible policies due to the positive results that had been obtained in the past. To some extent, both policies had become a sort of ideology. At any rate, the tariff policies were just part of the public policies that affected industry. The government and bureaucracy in Spain often adopted decisions unfavourable to industrial interest groups in other fields.

The division or heterogeneity of economic interest groups is one of the alleged causes advanced to explain the elevated state autonomy. The other is the minor role played in industrialization by the states of both countries, which would have hindered the formation of cooperative institutional instruments between industrialists and the state apparatus such as those developed in Italy or Germany in the last decades of the nineteenth century. Nevertheless, this paper suggests that two causal factors had a greater influence. On one hand, the existence of long-life state institutions in both countries could encourage the autonomy of their actors, i.e. they had been making decisions and trying to reinforce them for long periods of time. On the other hand, the British political system built from the 1830s onwards was characterized by the high autonomy of the ruling class, a regime which some political scientists have named “club rule”. Spain built a similar political class from the 1880s to a large extent because the Restorationist liberal regime was designed as an imitation of the British—reformism, moderation, integration, de-mobilization, two-party system.

In both countries the strong state autonomy evident in the interest intermediation system provoked tensions. But the difference is that, whereas in Britain “club rule” survived the great changes which occurred in the two first decades of the twentieth century, in Spain the liberal ruling class was strongly attacked and progressively lost autorictas and influence, which finally favoured its destruction. The cause of the British survival lay in the strength of the discourse that legitimatized the state actors, the opacity of the policy process and the existence of a strong executive. In Spain, the legitimation discourses were weak, the ruling class maintained the transparency of the policy process and the cabinets were fragile.
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