

# The Spanish miracle and the American FDI: a new interpretation

## El “milagro” español y la IED norteamericana: una nueva interpretación

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### Abstract

In the paper, we reconstructed the path followed in Spain by foreign economic players through the period 1936-1959. The former one was of Muñoz, Roldán and Serrano in 1978. Today are several other studies, because the topic is crucial for any country. We analyze the new legal “arrangement” and the final leadership of U.S.

U.S. data shows good evidence and therefore a very good proof of the great impact of FDI in the Spanish economy during this period. We challenge the conventional wisdom on the scarcity of foreign investment in Spain between

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European capital movements (FDI) 1958-2018 dataset, EUI Research Data, 2020, Robert Schuman Centre for Advanced Studies. Retrieved from Cadmus, European University Institute Research Repository, at: <https://hdl.handle.net/1814/68416>

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1936 to 1959. That was so because two main reasons, the necessity and on the other, the network of investments before 1936 that made it possible.

**Keywords:** Franco 1936-1959, Foreign Investment, Economy, Spain, Autarky. N14, N24, N84.

## Resumen

En el trabajo reconstruimos la trayectoria seguida en España por los agentes económicos extranjeros a lo largo del periodo 1936-1959. El primer estudio fue de Muñoz, Roldán y Serrano en 1978. En nuestros días hay más aportaciones, pues el tema es crucial para cualquier país. Analizamos los problemas con los nuevos "arreglos" legales y el liderazgo final de los Estados Unidos.

Los datos de EE.UU. muestran una buena evidencia y por tanto una muy buena prueba del gran impacto de la inversión directa extranjera en España durante este periodo. Por otro lado, cuestionamos la percepción convencional sobre la escasez de inversión extranjera en el país entre 1936 y 1959. Eso fue debido a dos aspectos claves, uno la necesidad y por el otro lado, la red de inversiones antes de 1936 que lo hicieron posible.

**Palabras-clave:** Franco 1936-1959, Inversión Extranjera, Economía, España, Autarquía. N14, N24, N84.

## 1. Introduction

What is the importance of foreign investment for global economy? The world's GDP grew, during the period 1986 to 1999, at 2.5 percent per year; while exports grew at 5.6 percent per year and world's foreign direct investment (FDI) inflows grew at a rate of 17.7 percent<sup>3</sup> that is about 10 percent of world GDP<sup>4</sup>. This allows capital movements to be characterize as an economic activity comparable to the tourism industry, whose weight on world GDP also reaches figures around 10 percent, no sector manages so much at a global level. For this reason, the importance that foreign capital flows have had and still have within a capitalist system, from the nineteenth century to the current twenty-first century, remains beyond doubt. However, the effects of international flows are discussed with controversy from the nineteenth century to the present day. Above all, there is debate about foreign domination or control within another

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<sup>3</sup> Durlauf, Steven N. and Blume, Lawrence E., *New Palgrave Dictionary of Economic*. London, MacMillan, 2008, p. 459.

<sup>4</sup> UNCTAD in 2002 calculated that there was 850.000 branches of 65.000 multinationals. A third of world exports and 10 % of world GDP.

country. Additional is the discussion about the colonial dependence of a country with respect to a metropolis, or even the discourse of the induction of “internal colonialism” that Celso Furtado pointed out. In short, it is the hackneyed argument of the loss of sovereignty based on foreign interference.

The story about foreign investment in Spain was study by Ramón Tamames that concluded: “... until 1936 foreign investment did not find any kind of obstacles in Spain. The foreign capitalist enjoyed complete freedom to invest, to transfer his profits and to carry out divestments”<sup>5</sup>. However new research shows some doubts about this asseveration. For example, American and British insurance companies left Spain because they had no freedom to move their capital out of Spain since 1908. What seems clear the diminishing of financial freedom under Franco regime, because the maximum of foreign capital was 25 % in the social capital in any company<sup>6</sup>. Nevertheless, American FDI was in the country as Oscar Calvo explains even under autarky<sup>7</sup>. Franco follow autarky policy but it did no work and they need foreign investment even badly in the 40s and 50s. Many authors assure that this DFI play a small role before 1959 and only with the IMF aid started the FDI coming in a great percentage to Spain with the Stabilization Plan<sup>8</sup>. However, foreign sources and the Archive of the Bank of Spain show a significant role of Foreign Direct Investment before 1959<sup>9</sup> even with strict legal rules impose by the dictatorship’s economic policy. Muñoz, Roldan and Serrano (1978) argue in the same way. Nevertheless, we add far more data about this issue to reinforce this fact<sup>10</sup>. For example, already the Suisse invested in Spanish mines during the period 1936 to 1947<sup>11</sup>. Furthermore, the Americans or British in tungsten from Spain during

<sup>5</sup> Ramón Tamames (1968), *Introducción a la economía española*. Madrid, Alianza, p. 349.

<sup>6</sup> Juan Ramón Cuadrado Roura, *Las inversiones extranjeras en España: una reconsideración*, Málaga, Universidad de Málaga, 1976. Manuel Jesús González González, *Economía política del franquismo*, Madrid, Tecnos, 1979.

<sup>7</sup> Oscar Calvo-González, “La liberalización de las inversiones extranjeras durante el franquismo”, en Julio Tascón Fernández (ed.): *La inversión extranjera en España*, Madrid, Minerva, 2008. The most general opinion is just the opposite. See how Farré/Ruckstuhl in the conclusions of his article hint at the latent idea that external pressure helps the “economic integration of Spain...”, supporting the Spanish integration in the OEEC and the Plan of stabilization of 1959”. Within the article it is expressly defined its way of understanding that international pressure when they state: “In the summer of 1959, ..., the Franco regime finally accepted the conditions of the IMF and the OEEC”.

<sup>8</sup> José María Álvarez de Eulate, “Política de financiación exterior,” en *Política Económica de España*. Madrid, Guadiana de Ediciones, 1972, pp. 55-74; p. 61. As for the reference manuals, i.e., Ramón Tamames, *Estructura Económica de España*, t. 2, Madrid, Alianza Editorial, 1982, p. 1106.

<sup>9</sup> Joseba de la Torre y María del Mar Rubio-Varas, “La financiación exterior del desarrollo industrial español a través del IEME (1950-1982)”, *Estudios de Historia Económica*, 69, Madrid, Banco de España, 2015, 168 pp. Adoración Álvaro Moya, “La inversión directa estadounidense en España. Un estudio desde la perspectiva empresarial (c. 1900-1975)”. *Estudios de Historia Económica*, 60. Banco de España.

<sup>10</sup> Juan Muñoz, Santiago Roldan and Ángel Serrano. *La internacionalización del capital en España*. Madrid, Edicusa, 1978.

<sup>11</sup> Julio Tascón and Albert Carreras, “Investissements étrangers et intérêts suisses en Espagne (1936-1946)”, en *La Suisse et l’Espagne. De la République à Franco. Relations officielles, solidarités*

the Second World War at an incredible amount. One thing is the official speech and another the financial situation of the country. This proves the existence of foreign capital in Spain far before the economic “liberation”. We use foreign statistics carried out by the Bank of England, of the Foreign Office and or the Office of Business Economics of the Department of the Commerce of the United States of America<sup>12</sup>. We attempt to reconstruct the path followed in Spain by foreign economic players, whose decisive influence turned out to be crucial to the country’s definitive industrialization or “take off”. We argue that it started ten years earlier in 1950.

In this paper we analyze a long period that starts in 1936 up to 1959<sup>13</sup>. It concludes with 1959, which also marks the beginning of what is known as the Franco regime’s second era (1959-1973), considered also as the period of the Spanish economic miracle. As this paper will show, the miracle was neither so divine nor so innocuous<sup>14</sup>. In the following sections, we first consider the role of foreign capital, second foreign capital in Spain during the first two decades of the Franco regime, drawn mainly with foreign sources. Third direct U.S. investment in Spain.

After verifying the inconsistency of the Spanish figures for the period 1939-1959 provided by different sources -unpublished, documentary or bibliographical-, we turn to the foreign sources that seem the most reliable regarding FDI. The most significant one of the North American sources, these are of a fiscal nature (Census) so they provide that consistency in general and in any case the criticism is that they undervalue US assets abroad.

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*de gauche, rapports économiques*, Lausanne, Editions Antipodes, 2001, pp. 463-481.

<sup>12</sup> The sources come from the reports from Overseas and Foreign Department of the Bank of England and Foreign Office documents. The “Draft Memorandum regarding the nature and extent of foreign interest in Spanish finance, commerce and industry” (BEA, OV61/2, fol. 8c) and the “Informe sobre la situación financiera, comercial, agrícola e industrial de la España republicana durante 1936-1938”, made by Joaquín Juliá, member of the British Embassy in Barcelona. On the other hand, of the United States Treasury Department, Office of the Secretary, Census of American-Owned Assets in Foreign Countries, United States Government Printing Office, Washington, 1945 and 1947. U.S. Department of Commerce/Office of Business Economics, Direct Private Foreign Investments of the United States. Census of 1950, United States Government Printing Office, Washington, 1953. U.S. Department of Commerce/Office of Business Economics, U.S. investments in Foreign Countries, A supplement to the Survey of Current Business, by Samuel Pizer & Frederick Cutler, Washington, United States Government Printing Office, 1960.

<sup>13</sup> The period 1939-1959 has been called “autarchy”. For instance, “The Stabilization Plan of 1959 marked the abandonment of autarchy in favor of development strategy that sought to integrate Spain into World markets...” See Sofia A. Pérez, *Banking on privilege. The politics of Spanish financial reform*, Cornell University Press, Ithaca, 1997, p. 65.

<sup>14</sup> The period 1939-1959 has generally been called “autarky” in the Anglo-Saxon literature. For instance, “The Stabilization Plan of 1959 marked the abandonment of autarky in favor of development strategy that sought to integrate Spain into World markets...” See Sofia A. Pérez, *Banking on privilege. The politics of Spanish financial reform*, Ithaca, Cornell University Press, 1997, p. 65.

The method used is the reconstruction of those macro magnitudes (long-term foreign capital) that until 1959, as Valentín Andrés pointed out, did not exist or were not reliable in Spain, due to the lack of National Accounting. The trustworthiness of the US sources is based on the US control over the foreign businesses of its citizens or companies, which from 1929 onwards requires the declaration of existing assets outside the country. This reconstruction will allow a better evaluation of the role of FDI that did exist since the last quarter of the 19th century and even before. But also, during the civil war it continued in Spain, especially since the business and social network was already established in Spanish territory.

The path followed to show the existence, as well as calculated the contribution to wealth creation of the US FDI during the period leading up to the “miracle” is with foreign data. We want to verify that the thesis of Cubel and Palafox (1997) on the formation and accumulation of the net capital stock in the Fifties has the support of the progress of foreign investment within the country. Without having had a Marshall plan, Spain would indeed benefit from the existing atmosphere in the business world favorable to a country located within a European area that did receive US aid.

On a conceptual level, we are able to document and show that foreign direct investment was essential for Spanish economic growth already in the 1950s. The task was not easy due to the lack of reliable official figures, foreign sources will help to verify this hypothesis.

## **2. How important is foreign investment for a country?**

Until the 1970s, many authors argued as Lenin did previously in his work: “Imperialism, superior phase of capitalism”, discussed about the “loss of national sovereignty” caused by the interference of foreign investment. From the Marxist perspective, other critical visions would be added, such as “foreign dependence and/or colonial dependence”, the so-called “internal colonialism”, etc. Among the most prominent who used the Marxist methodology were name Paul María Swezy, Maurice Dobb, Hosea Haffe, Pierre Philippe Rey... Currently, the vision of foreign investment as an aid to economic growth is widely accepted.

It is not easy to answer this question, because the economists have different thoughts related to economic growth and FDI. John Hicks argue that it played a critical role igniting industrialization in England by facilitating the mobilization of capital<sup>15</sup>. In addition, Joseph Schumpeter assure that efficient banks can spread technological innovation in a country with foreign

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<sup>15</sup> John Hicks, *A theory of economic history*. Oxford, Clarendon Press, 1969.

investment<sup>16</sup>. On the other side is Joan Robinson gave more relevance to the entrepreneur. If there is financial growth, the foreign investment comes to that country<sup>17</sup>. Also, Robert Lucas considers exaggerated the value of FDI in economic growth<sup>18</sup>. Directly, Nicholas Stern's in his research about economic development does not mention economic aid<sup>19</sup>. Probably that is the reason why Anand Chandavarkar, simply say is because they ignore how important it is FDI<sup>20</sup>. The empirical studies show that the level of financial development is a good indicator about future possibilities about economic growth and technological revolution. Moreover, data of several countries show in long periods the clear relation between FDI and economic development. Finally, Economic Theory explains that financial instruments, markets and institutions benefit the economy and diminish transactions costs<sup>21</sup>. Summing up, although conclusions must be stated cautiously, a great number of theoretical and empirical evidence, suggest a positive relationship between foreign investment and economic growth.

### 3. Foreign investment in Spain 1936-1959

Not many studies are about the specific theme of foreign investment on the period of the Spanish Civil War. Still the main ones are of Ángel Viñas and of Gerald Howson<sup>22</sup>. For the rebels or “nationalist”, the war debt was over \$500 million<sup>23</sup>. The Republican government paid with silver and gold from the reserves of the Bank of Spain<sup>24</sup>. Fascist Italy and Nazi Germany finance Franco war, and lets important but was done easy payments given by American

<sup>16</sup> Joseph A. Schumpeter, *Theorie der Wirtschaftlichen Entwicklung* [The theory of economic development]. Leipzig: Dunker & Hum- blot, 1912; translated by REDVERS OPIE. Cambridge, MA: Harvard U. Press, 1934.

<sup>17</sup> Joan Robinson. “The Generalization of the General Theory,” in *The rate of interest, and other essays*, London: Macmillan, 1952, pp. 67- 142.

<sup>18</sup> Robert Lucas, JR. “On the Mechanics of Economic Development,” *Journal of Monetary Economics*, July 1988, 22(1), pp.3-42.

<sup>19</sup> Nicholas Stern, “The Economics of Development: A Survey,” *Economic Journal*, Sept. 1989, 99(397), pp. 597-685.

<sup>20</sup> Anand Chandavarkar, “Of Finance and Development: Neglected and Unsettled Questions,” *World Devel.*, Jan. 1992, 20(1), pp. 133-42.

<sup>21</sup> John Hicks, *A theory of economic history*. Oxford: Clarendon Press, 1969, pp.143-45.

<sup>22</sup> The Soviet Union kept the wedding rings and humble jewelry that the Republicans had put at the disposition of the Republic when it desperately called for a final effort. See Gerald Howson, *Arms for Spain. The untold story of the Spanish Civil War*, London, John Murray, 1998.

<sup>23</sup> The issue of figures related to financing the war has been the main object of controversy of researchers' studying the period. Robert Wealey estimated that, between 1936 and 1939, Franco received approximately \$570 million from the Axis countries. Cit. Jordi Catalán, *La economía española y la segunda guerra mundial*, Barcelona, Ariel Historia, 1995, p. 209.

<sup>24</sup> The Soviet Union kept the wedding rings and humble jewelry that the Republicans had put at the disposition of the Republic when it desperately called for a final effort. See Gerald Howson, *Arms for Spain. The untold story of the Spanish Civil War*, John Murray, London, 1998.

companies for example: Texaco, Standard Oil, General Motors and the British company Río Tinto<sup>25</sup>. Lastly loans by other nations<sup>26</sup> (See table I).

Table I. Credits awarded and acknowledged by law in 1939

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

Sources: Manuel Tuñón de Lara/M.<sup>a</sup> Carmen García Nieto, “La guerra civil,” 3<sup>o</sup> part, in *La crisis del Estado: Dictadura, República, Guerra (1923-1939)*, Barcelona, Labor, 1981, pp. 241-545, p. 441.

Between 1936 to 1939 the Republican government collectivized companies by decree, also foreign companies. The rebels or nationalist develop restrictions to foreign investment with the *Ley de Ordenación y Defensa de la Industria Nacional* (November 24, 1939) and imposed clear discrimination. Section A, Article 5, said: the maximum share of the social capital of any

<sup>25</sup> The sequence starts with financing the war and continues with the External National Debt and the limits and stimulus to foreign investment. Julio Tascón and Albert Carreras, “*Investissements étrangers et intérêts suisses en Espagne (1936-1946)*”, en *La Suisse et l’Espagne. De la République à Franco. Relations officielles, solidarités de gauche, rapports économiques*, Lausanne, Editions Antipodes, 2001, pp. 463-481.

<sup>26</sup> The president of Texas Oil Company, Thorkild Rieber, was condecorated with the Gran Cruz of Isabel la Católica in 1954 (April 1st). The company had supplied 1,886,000 tons of fuel on credit. See Manuel Tuñón de Lara/M.<sup>a</sup> Carmen García-Nieto, “La guerra civil,” 1981, p. 440. Fernando Eguidazu and Angel Viñas’s assessment of the foreign credit received by the Franquist put it at between \$694 and \$716 million. Cit. by Jordi Catalán, *La economía española y la segunda guerra mundial*, Barcelona, Ariel Historia, 1995, p. 209.

Spanish company was 25 percent for the foreigners.<sup>27</sup> However, the law also stipulated that the State could authorize up to 45 percent. And authorize further foreign acquisitions: tooling machinery, patents. The law aim was to create “a great and prosperous Spanish economy, free of foreign dependence that will give new value to national prime materials”<sup>28</sup>.

### 3.1. Foreign Investment and foreign firms in 1936

The documents that explain this information comes from two sources, one is from the Archives of the Bank of England: “Draft Memorandum regarding the nature and extent of foreign interest in Spanish finance, commerce and industry”<sup>29</sup>. And a Survey of the Swiss Association of Bankers and the Swiss Union of Commerce and Industry<sup>30</sup>. With this information que can conclude that France by far was the most important country investing in Spain, follow by British, Americans and Belgium. The Germans investment was not much and the Italians investment practically nothing if we compare to the other countries (see table II).

**Table II. Estimation of Foreign investments in Spain 1936**

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

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

<sup>27</sup> Jordi Catalán, *La economía española y la segunda guerra mundial*, Barcelona, Ariel, 1995, op. cit.

<sup>28</sup> “crear una economía industrial española, grande y próspera, liberada de la dependencia extranjera, que revalorice las primeras materias nacionales”. [www.boe.es/datos/pdfs/BOE//1939/239/A04697-04700.pdf](http://www.boe.es/datos/pdfs/BOE//1939/239/A04697-04700.pdf). Juan Ramón Cuadrado Roura, *Las inversiones extranjeras en España: una reconsideración*, Málaga, Universidad de Málaga, 1976, pp. 14-15. Manuel Jesús González González, *La economía política del franquismo (1940-1970). Dirigismo, mercado y planificación*, Madrid, Editorial Tecnos, 1979, p. 217-218. [A07034-07040.pdf \(boe.es\)](http://www.boe.es/datos/pdfs/BOE//1979/07034-07040.pdf).

<sup>29</sup> BEA, OV61/2, p.8c.

<sup>30</sup> Annex of the Comité España of the Swiss Association of Bankers to the Director of Department I of the Banque Nationale, Mr. Swab. See, E2001 @ 4/167.

What is missing in this information is the imports exports companies, that in this specific case they were mostly Germans and Scandinavians companies. Also, the Belgium company “Canadiense” is not in Table 6. And CHADE of Switzerland neither. Another important investment of foreign countries was done in major Spanish companies that in the British reports was considered substantial. The following table III is of companies based in Spain<sup>31</sup>.

**Table III. Enterprises based in Spain (not British)**

<i>With German interests</i>
Union Naval de Levante
Soc. española de construcción naval
Mieres Mines
Electra Quenicade
Stolzenberg
Fabricación nacional colorantes y explosivos
Los Guindos
Deutsch-Atlantische Telegraphen Ges
Siemens
General Eléctrica Española
Bosh
Banco Alemán (Deutsche überseeische Bank)
Banco Germanico
Cia Metallurgica
A.E.G.
Trasmediterranea
<i>With French interests</i>
Cia. Minera y Metalúrgica de Pennaroya
Michelin
L'air liquide
Societe Generale de Banque pour l'etranger et les colonies
Credit Lyonnais
Soc. Nobel Française
General Eléctrica Española S.A.

<sup>31</sup> Belgian companies are not in the table.

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

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

<i>With Czechoslovakian interests</i>
Skoda

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

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

After WW I, all foreign capital in Spain had strong control by the Spanish administration. Because the country needed to capitalize more and not only to develop business that other countries benefit of them. This decision of the Spanish government had as a result: “there have not been any foreign capital investments of any great amount in Cataluña” for quite a while as the British Consul General to Barcelona’s said in 1935. The main reason was the repatriation of foreign capital in Spain was difficult. For example, Pirelli invested all its profits in Spain. Also, they had problems with the workers, even if the know-how of the foreign experts contributes foreign companies. They had the problem that the Spanish government didn’t want them in Spain because they considered that that they take jobs to Spanish workers and also these workers didn’t want to work in Spain because the hostility to them of other workers.

The British Memorandum is prudent and assume that maybe some foreign not British companies are not in the list as we can assure. Referring to German companies, they considered that *La Unión Naval de Levante* is a shipbuilding enterprise control by Spanish entrepreneurs even if Krupp had a small share. And the company *Sociedad Española de la Construcción Naval* neither was German. In fact, it was created by these British firms: John Brown, Vickers

and Armstrong. The technicians also are British. Siemens had offices in Spain and Krupps maybe had a small share in *Compañía Transmediterranea*. The most important French companies were: *La Sociedad Minera y Metalúrgica de Peñarroya*, Michelin, Air Liquide, *Compañía Andaluza de Minas*, Solvay and *Piritas de Huelva*. And the American company most import was the U.S. Harvester Company with a machinery assembly in Madrid. In the report is missing Ford Ibérica with a factory in Barcelona<sup>32</sup>. The next table is of the main foreign companies in Spain in 1936.

**Table IV. Foreign companies in Spain in 1936**

	Number of Firms	Banks <sup>a</sup>	Telegraph and Electricity	Chemicals	Automobiles	Machines	Explosives	Ship-building	Mines
French	10	2		2	1 <sup>b</sup>	1	1		3
USA	7		2	1	1	2			
Swiss	1		1						
German	15	2	5	1			2	3 <sup>c</sup>	3
Italian	2		1		1				
Czechoslovakia	1					1			

Source: BEA, OV61/2, fol. 8/b

a) Including also franchises.

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

c) Also shipowners

Swiss companies in Spain were not only Brown Boveri S.A. as the British Memorandum puts operating in Spain. The following table attempt to show, as far as we have been able to ascertain, Swiss business presence as well as Swiss participation in companies based in Spain<sup>33</sup>.

<sup>32</sup> BEA, OV61/2, fol. 10/1.

<sup>33</sup> BEA, OV61/2, fol. 8/c.

**Table V. Swiss business in Spain, 1936-1946**

<i>Business Sectors</i>	<i>Firms name</i>	<i>Constitutional Date</i>	<i>Copartnerhips</i>
Food	Nestlé	Barcelona, 1920	
Food	Hero España, S.A.	1922	
Textile	I.G. Farben Industrie		A share from the Swiss in 1938
Textile	Cotonificio de Badalona, S.A.	Badalona	A share from the Swiss in 1938
Textile	Edmundo Belbié, S.A.	Gerona	A share from the Swiss in 1938
Bank	Banco Hispano-Suizo para la industria eléctrica	Madrid, 1920	Crédit Suisse de Zurich/ Banque pour l'Entreprises Électriques
Bank	Union des Banques Suisses	(prior to the Civil War)	
Financial	Valeurs de Métaux		A share from the Swiss / 1938
Insurance	Assurances Nationales Suisses		
Insurance	Fédérale, La		
Insurance	Suisse (La) d'Assurances Générales		
Insurance	Vita		
Insurance	Grupo Winterthur	1910	
Insurance	Zürich Seguros		
Electricity	Compañía Sevillana de Electricidad	Sevilla, 1894	Entreprises Electriques de Zurich y Credit Suisse de Zurich both in the board of the company
Electricity	Energía Eléctrica de Cataluña	1911, Barcelona	Compañía General de Electricidad/Société Suisse pour l'Industrie Électrique/ Compagnie Générale d'Électricité/ Alta Italia
Electricity	CHADE		A share from the Swiss /1938

Electricity	Sofina		A share from the Swiss/1938
Electricity	Sidro		A share from the Swiss /1938
Chemical	Instituto Berna de España, S.A.	1903	
Chemical	Grupo Novartis, S.A.	1924	
Chemical	Productos Roche, S.A.	1930	
Chemical	I.G.Chimie		A share from the Swiss / 1938
Automobile	Hispano-Suiza, Fábrica de Automóviles	1904, Barcelona	Collectivized in 1937/ Absorbida in 1947
Machinery	A.E.G.		A share from the Swiss / 1938
Machinery	Sociedad Española de Electricidad Brown Boveri	1914, Madrid	
Machinery	Sulzer España, S.A.	1896	

Sources: E. Bougotüin, *La finance internationale et la guerra d'Espagne*, Paris, 1938. Manuel Campillo, *Las inversiones extranjeras en España (1850-1950)*, Madrid, 1963. María Teresa Tortella, *Una guía de fuentes sobre las inversiones extranjeras en España entre 1780 y 1914*. Ambassade de Suisse en Espagne, En-cuesta sobre el establecimiento de empresas suizas en España, 1997. FO, 371, 22670, fol. 172.

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

The total was 27 companies that had shares control by the Swiss. Nestlé is very well known as *Hispano Suiza Fábrica de Automóviles*, half Spanish, half Swiss. In addition, in insurance and chemistry the Swiss were also superstars, although the importance that these companies had for the Spanish economy during the 1936-1959 period is more difficult to assess. The situation during the Civil War in Catalonia was very difficult and the few foreign companies not collectivize had to pay bribes. On the Franco side we use the importance of growth of capital stock.

**Table VI. Foreign investment in Spain, 1936 and 1939  
(in million dollars of 1939)**

	1936	1939	1939-1936 Diferencia (en %)	
<b>Nacionalidad</b>	A	B	$[(B-A)/A] \times 100$	Ranking en 1939
Francesa	170,90	135	-21,01	1
Británica	51,14	42,1	-17,67	3
USA *	81,34	73,4	-9,76	2
Belga	33,87	26,8	-20,88	4
Alemana	9,62	7,6	-21,02	5
Italiana	0,54	0,4	-25,77	6
<b>Total</b>	<b>347,41</b>	<b>285,3</b>	<b>-17,88</b>	

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

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

\*See US Department of Commerce (1938, 9). USA data is of 1940. Deflated 1936 with 1940 (\$ 1,01)

Sources: Samuel H. Williamson, "Five Ways to Compute the Relative Value of a U.S. Dollar Amount, 1790 - 2006," MeasuringWorth.Com, 2007. Tascón/Carreras, 2000. Cleona Lewis, 1948, pág.315.

In 1936 1 dólar USA = 12,99 pesetas. Federal Reserve Bulletin, cit. in American Direct Investments abroad (1940, 42). In 1939, \$1.00 from 1936 is worth: \$1.00 using the GDP deflator.

For the USA (Census) it is \$80,53 millions. And for 1940 also is direct investment.

In the case of the Americans was \$73.4 million direct investment, in the others it also includes portfolio investments<sup>34</sup>. Lewis used the data from the American Direct Investments in Foreign Countries of the U.S. Department of Commerce's. For the other countries, is used the Foreign Section of the Moody's Governments and Municipals, 1939<sup>35</sup>. Lewis adds the information from the balance of payments series of the League of Nations and of the series of reports of the Department of Overseas Trade of the United Kingdom, published under the generic title, "Economic and Commercial Conditions". With this information we assure that the relevance of American investment in Spain is also at the beginning of the victory of the "nacionales". It will be push even more since the period 1958-1963, becoming Spain one of the countries more pro-American and more western<sup>36</sup>. However, the path to this change, was slow, started in many ways in 1939. With a drastic change in June 1940, Franco became more pro-Axis, with terrible economic consequences that we name the dark period, that lasted till the 1950s. The next decade, the 1950s, is an essential decade to understand why did happen the so call Spanish economic miracle.

We aim to understand better what is the impact of foreign investment for the economic growth in the 50s, so it is required to identify its relevance. We cannot establish a ratio that demonstrates the weight of foreign investment flow on gross creation of fixed capital. Nevertheless, we can calculate its impact related to the capital stock, including the economy's durable, tangible and re-producible goods located on Spanish soil, independently of the owner's nationality. We use Cubel and Palafox estimate of national capital stock. As they state in their article, private and public stock are based on the ownership of goods. By definition, their concept does not include non-reproducible assets, such as patents. Inventories or durable consumer goods are excluded from the estimate<sup>37</sup>.

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<sup>34</sup> Lewis takes the definition of direct investments from the U.S. Department of Commerce. See Cleona Lewis, *The United States and Foreign Investment Problems*, Washington, The Brookings Institution, 1948, p. 285.

<sup>35</sup> *Ibid.*, p. 287.

<sup>36</sup> Emile Témime, Albert Broder, Gérard Chastagnaret, *Historia de la España Contemporánea. De 1808 hasta nuestros días*, Barcelona, Ariel, 1982, p. 319.

<sup>37</sup> Jordi Palafox y Antonio Cubel Montesinos, «El stock de capital de la economía española, 1900-1958», *Revista de Historia Industrial*, 1997, n.º 12, pp. 113-146, p. 120. The authors state that in National Accounting terms, the concept is identified with the expression of gross fixed capital creation. Nonetheless, there must be some kind of typographical error in the paragraph, because that is not the case. See the definition of gross fixed capital creation in SEC 95. Francisco Comín has drawn up a series of gross fixed capital creation that are use along with the ones by Cubel and Palafox of national capital stock (public and private), and it is clear that the first is a flux variable and the second one is a stock variable. See Francisco Comín, *Estadísticas Históricas de España. Siglos XIX y XX*, 1989.

#### 4. Direct U.S. Investments

In this section we analyze U.S. direct investment. As Kindleberger suggest the motivation for this type of investment is: “foreign direct investment may take the form of purchases of securities in a foreign corporation, existing or formed for the purpose, but its essence is control”. And follows: “Control is sought for the purpose of squeezing all the rent, in a Ricardian sense, out of a given advantage, often one in technology, sometimes in the capacity of a vertically integrated company, stretching across national boundaries, to coordinate separate stages of production and distribution more effectively than the atomistic competitive market can”<sup>38</sup>. We have to be careful and not do as Albert Broder confuse the founding of foreign firms in Spain as the same as foreign capital in the country, because sometimes it is the same but another not exactly. Statistics on the FDI, of the official U.S. Census, does not have this mistake. They include both, U.S. capital of the American companies in Spain and American investment in other companies, Spanish or of other countries under control of American people or US holdings<sup>39</sup>.

To understand better the relevance of the American investment in Spain we include some calculations. We add the value in constants pesetas of 1959 and it shows that up to 1946 it increases savings into Spain. After it did diminish to half more or less the investment of the 1950s. We can add that the investment total for the year 1943 related to 1946 it may have some differences in method of calculation of the statistics so we must be cautious. In the economic information of 1943, it is limited the data to owners over \$ 10.000 investing in several countries and in the case of one country it is \$1,000<sup>40</sup>. Nevertheless, the clerks of the Census assure that they did include smaller funds if they did receive that information. That is why the consistency of the information reaches at minimum 95 percent. They do estimate that 2 percent maybe is not in the official statistics. Moving to 1950 the Census expert assured “the coverage is believed to be virtually complete, at least as major investors are concerned”. Missing information only is about small business firms and the expert refers to Canada and Mexico, not to Spain. However, as said by the expert, it does not change in a substantial way the total. In addition, there is a technical issue that they can’t solve because individuals investing up to \$25,000 or less do not declare that information. That means they can’t trace it<sup>41</sup>.

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<sup>38</sup> Charles P. Kindleberger, *Economic Laws and Economic History*, Cambridge, Cambridge University Press, 1989, p. 23.

<sup>39</sup> Table 8 includes the amount and value of U.S. investments in Spain in millions of dollars.

<sup>40</sup> United States Treasury Department, Office of the Secretary, *Census of American-owned Assets in Foreign Countries*, Washington, Government Printing Office, 1947, pp. 6-7.

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

Another problem is the different about the \$ 10,000 in 1943 is not equal to \$25,000 in 1950, related to small business not included, many of them can same up a big figure greater that the 2 percent calculated at first. The information about the sudden jump from 1943 to 1959 is so small, however they had some impact. What is clear from the change is the decisions guided capital all along another pathway. The sudden fall in 1946 is greater and with no \$25,000 declaration limit<sup>42</sup>. In the volume, *Private Investments Abroad*, when they refer to growth of American FDI compare to the 1950 Census (that is the year that they did a more complete information similar to the one done in 1943), Carroll explains the diminishing of U.S. direct investments in all Europe of \$300 million comparing with 1943, so the specific case of Spain was not so different. In the calculation of this author was 15 percent of the total -\$1.7 billion. Another important aspect is the general trend of the American FDI increase substantially in 1950. In fact, was \$5 billion in the post-war period<sup>43</sup>. In the specific case of Spain as has been explain the law put obstacles and difficulties at least since 1938 to 1946. After, as Spain was rejected in United Nations the are other reasons more political that of the development of the American business in Spain. That will change with the military agreement in 1953. In Table VII we enumerate the “normal” problems that foreign companies had in Spain during this period.

**Table VII. Frequency of problems in Spain**

	Total	Investments Currently Active	Other*
Multiple exchange rates	8	7	1
Control of capital movements	9	6	3
Limitation on remittance of profits	14	11	3
Export or import quotas	13	10	3
Lack of trained native personnel	1	1	
Burden of social security legislation	3	3	

Printing Office, 1953, pp. 41-42.

<sup>42</sup> The 1950 Census explains how, since 1929, the Department of Commerce has maintained a record of direct investments abroad that is constantly updated. See U.S. Department of Commerce/Office of Business Economics, *Direct Private Foreign Investments of the United States, 1950 Census*, p. 36.

<sup>43</sup> See U.S. Department of Commerce/Office of Business Economics, *U.S. Investments in Foreign Countries*, A supplement to the Survey of Current Business, by Samuel Pizer & Frederick Cutler, Washington, United States Government Printing Office, 1960, p. 2.

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

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

What we can say, even if they had all these difficulties, they were American investment in Spain that makes it probably more relevant. For that reason, we use the American data of the U.S. Department of Commerce's exchange rate and we calculate in pesetas using Cubel and Palafox's national capital stock and we show in table VIII.

**Table VIII. US Direct Investment in Spain, 1936-1959 (pesetas of 1990)**

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

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

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

Even with the restrictions since 1939, foreign investment was in Spain, it did not leave the country, clearly with more difficulties in the 1940s. It is more or less the same up to 1946 when happen something terrible the French government close the Pyrenees border that had an impact on the investment coming from other countries and there is a drop. The diplomatic condemnation of United Nation was more political and trade follows with Spanish Franco regimen in a substantial way by the British or the Americans. And came in the Spanish press the help of the Argentinians with the rule of Juan Domingo Perón. The international situation did change a year later, 1947, with the start of the Cold War, the Marshall Plan and the defense of the capitalist system in danger by the Soviet Union. Undeniably Franco was anticommunist and the new situation change the perception of the Spanish government under Franco. It was bad,

Franco that had war crimes by thousands but other issues were more important for the security of West Europe. If Franco didn't leave the government they had to talk with him. They follow the classical American policy with the dollar, offering money for putting American troops in Spanish territory after a very long delay in the new policy with Spain, because it was done 1953. Nevertheless, the better understanding with Spain started before, already in 1949, the Chase Bank offer a \$25 million loan for vital goods and the American government offer more credits to Spain in 1950<sup>44</sup>. Clearly with the big change at the end of the 1950s. The decree of July 27 of 1959, open the legal possibilities for foreign capital in an environment not so hostile. Since that moment they could invest in Spain, not only with the peseta, but other currencies and the Spanish currency follow the criteria of the IMF and the World Bank. They had less restrictions foreign patents, licenses, and technical assistance or equipment by the Spanish administration<sup>45</sup>. The foreign companies could control the firms in Spain more easily, because it was change from 25 percent to 50 percent the share of foreign capital. However not in all business but a good number: iron, steel and non-iron metals; cement and pre-fabricated building materials, textiles, food products, leather and footwear, printing, mechanical instruments, chemical and electrical equipment, agricultural machinery, etc.<sup>46</sup>. The other enormous change of limiting the movement of capital, that had started before Franco, since the beginning of the XX century, the prohibition or great problems to take out of Spain capital, was abolish, the companies, can move freely capital abroad, even the profits produce in Spain can move out of the country. And free use of currencies. It is necessary to point out that it was easy to invest in Spain since the 1960s, nevertheless, they was substantial investment since 1936 up to 1943. That was a start for transferring more American techniques to the industry and the know-how, leaving less European techniques that lost its relevance, not only in Spain, but in all West Europe. Undeniably in 1946 they was a big drop, as undeniably Spain was a Fascist government see table IX.

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<sup>44</sup> Témine et al., op. cit., p. 309.

<sup>45</sup> Transferable pesetas are those that originate in foreign capital invested in Spain and in the profits said investments generate. They can be freely transferred outside Spain. Convertible pesetas cover the salaries earned in pesetas by foreign workers and are accepted for purchasing foreign currency in the Spanish market. See Banco Urquijo, *International investment in Spain*, Barcelona, Servicio de Estudios de Barcelona, 1971, p. 56.

<sup>46</sup> Banco Urquijo, op.cit., pp. 56-57.

**Table IX. U.S. Programs of Technical and Economic Aid for Spain, 1951-1959 (overall figures)**

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

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

It was more relevant in the 1950s the technical assistance that was \$1.104.8 million, while U.S. FDI was only \$22 million. Nevertheless, it all adds up to increase economic growth in 1950s in a substantial way that will be the moment of the start of the take-off of the 1960s. In general, the capital stock increase more in the 1950s not of American FDI, but is part of the FDI. Cubel and Palafox explain that was the 1920s and 1950s the moment of more increase in capital stock. And obviously is essential for the Spanish Industrial revolution. The American presence, in capital and know how move in Spain in the 1950s to achieve this success. Many said from the *espadrille* to the *Seat 600*. And finally, we conclude that the American “aid” thus appears as a more determining factor than direct investments coming from the U.S. in their contribution to Spain’s economic growth during the decade<sup>47</sup>.

<sup>47</sup> In this sense, it would support the idea of Oscar Calvo’s paper on “American aid.”

Kindleberger already explain that FDI comes from the rich countries to develop poor countries and in the industries that those investment are done pull the economy to another level. This is a fine example, Spain. Table X shows the investment achieve in 1943 a crucial moment with a great FDI in the country.

**Table X. Value of America-Owned Foreign Assets, by Country and by Property Class, May 31, 1943. (In millions of dollars)**

Country	Property class						Total
	Interests in controlled firms	Securities	Billion currency and deposits	Real Property	Interest in estates and trusts	Miscellaneous	
Spain	124,3	35,7	4,5	5,4	0,6	6,2	176,7
Switzerland	45,1	19,2	5,2	9,6	4,6	15,0	98,7
Portugal	14,1	1,8	0,5	0,6	0,2	2,2	19,4
Sweden	32,9	6,6	1,7	1,7	0,5	2,6	46,0
France	171,2	40,8	8,3	74,5	14,2	88,0	397,0
Germany	513,6	125,4	56,6	189,4	50,7	144,0	1.079,8
UK	520,2	312,4	54,5	17,8	33,6	88,9	1.027,6
Italy	30,0	51,4	34,3	71,1	3,6	22,2	272,7
Czecho-slovakia	67,1	11,7	13,7	28,4	6,2	20,9	148,0

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

It has been neglected or not understood sufficiently the relevance of this FDI in the 1940s, plus the American aid in the 1950s to explain better the Spanish miracle of the 1960s.

## Conclusions

The Autarky period or fascist period 1939 to 1950 was a dictatorship that mainly said officially all was Spanish development; however, that is part of the story the truth is more complex, they had also in this period a substantial and important foreign know how coming in to the country, the foreign financial investment and the American Aid in the 1950s. This part has been neglected or mistreated by many scholars, lets name as scholars pro Franco or not evaluated in its full dimension. Angel Viñas one the historians that had done more research of this time assure that in fact they was absence of Spanish foreign

policy during the years 1936-1959, or the foreign policy was exclusively by Franco to developed policies to stay in power. In this article we explain the role of the U.S. that is crucial in this part of the story of Europe during the Second World War and after 1940s and 1950s and Spain is not an exception. First the main aim was to protect the American firms in Spain. Because already the U.S. had important investment in Spain in 1936, for example in Telefonica or oil industry, two industry that was expanding fast. This important presence will increase the next 20 years, so it was even more important in 1959 as other European countries, Germany, UK, Italy or France. 1943 was a special year with U.S. direct investment reached \$124 million. This is even more staggering because the Franco regimes officially was aiming “autarky.” That year, the “colonization” or economic “dependency” of the “imperialistic” countries was greater. Even if there was a drop in the U.S. investment 1936-1946 (66.92 percent less in the last year that in 1936 and it increase 6.54 percent from 1950 to 1958), it was important in quantity, 12.46 of the totals (see Graphic 1) and quality. We must insist the knowledge and top industries under American investment, the technological leader during this period.

Even if since the 1920s the investment was important, they were none political dependency between both government<sup>48</sup>. As Kindleberger’s theory explain, direct investment goes more with economic perspective that investors assume. If during the fifties the volume of direct U.S. investment fell to half of that of the forties, is because the business men had better opportunities in other countries and profits was diminishing in Spain. As always said the comparative advantages exploited in Spain by U.S. was less than in other European countries in the 1950s<sup>49</sup>. Nevertheless, the investment flow to Spanish fixed capital formation –at 12.46 percent for the decade– is very significant.

Kindleberger’s theory suggests that the tide of foreign investment into Spain flow away in the moment that had better possibilities in America or another country<sup>50</sup>. In 1943 with the Second World War spread in great part of Europe, the few European countries to invest was neutral Spain, so that was one of the reasons to increase so much that year. In addition, Spain needed dramatically capital goods and U.S. was the best chance, Europe had been

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<sup>48</sup> We have already said that the volume of direct investments even in 1943 was worthy of note. This shows how right Kindleberger’s theory is in this respect. Direct investments are not generally ruled by differences in profit rates between countries, but by existing differences in return rates obtained by other firms in the same branch. Kindleberger offers the example of the increase of U.S. investments in Europe motivated by the 1957 Treaty of Rome that established the Common Market. However, this investment response, according to Kindleberger, is not due to the fact that it called attention to already existing opportunities but allowed the American businessmen to become aware of lost opportunities. Charles P. Kindleberger, *Economic Laws and Economic History*, Cambridge, Cambridge University Press, 1989, p. 86.

<sup>49</sup> Kindleberger, *International capital movements*. Based on the Marshall Lectures given at the University of Cambridge 1985, Cambridge University Press, 1987, pp. 24-25.

<sup>50</sup> Kindleberger, *op. cit.*, p. 28.

destroyed by Hitler. Manuel Jesús González explains in his work other possible details why it did change in that direction in 1950s (table XI)<sup>51</sup>.

**Table XI. Net U.S. Capital Flow to Spain, 1946-1959 (in millions current pesetas)**

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

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

\*Fixed Capital Formation (Spanish) = Formación Bruta de Capital Fijo. For Spain Francisco Comín. Seriesused, 1989.

During the moment that 16 countries did receive the Marshall Plan, Spain also did receive American investment from the American firms<sup>52</sup>. To introduce a clearly understanding of this important benefit for Spain we find this information in the documents in the Archives of the Bank of England and of the Foreign Offices in the National Archives in Kew. Only to stress the main trends. Here we have very good proof of the impact of foreign direct investment on Spanish economic activity during this period. Business and politics did not follow the same paths. Even if the Spanish government was explaining to the Spanish population that they want an autarky policy, in fact that was impossible and they need desperately foreign investment to modernize the Spanish industry and they achieved it even if the diplomatic relations was so bad (table XII).

<sup>51</sup> Manuel Jesús González, *La economía política del franquismo...*, 1979, p. 117.

<sup>52</sup> We suggest there was another "Marshall Plan" for Spain, different from the U.S. Marshall Plan, and it was running by the U.S. direct investments abroad. This sort of plan was due to the Spanish legal framework; special conditions regarding Spanish reality.

**Table XII. US flow/ Spanish FCF**

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

Sources: U.S. Census and Francisco Comín series, 1989.

With the information of the documents shows that it was more than in the 1960s. We point out this to emphasis how important was the 1950s (table XIII). And from the historian point of view how important is to go to the Archives. Clearly before the economic historians follow what the official documents said in Spain with the political goal to defend the Autarky policy and with that information you can say that they were no foreign investment before 1960 as Ramon Tamames said. And in this article, we show the full story.

**Table XIII. Foreign direct investment/ Spanish National Income (%)**

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

Source SNI serie by Alcaide; and Eulate, 1972.

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

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

Many scholars only refer to the 1960s and forget what was achieved before. We sustain that it is also very important for the understanding of the Spanish miracle. The Americans business people searching for their economic benefit and they benefit the Spanish economy. The classical idea of win-win relation that did happen during this period. And of course, with a dark part in the story, the Spanish workers with no social rights and low wages that are at the end the people with the manager that achieve the Spanish catching up with the other parts of West of Europe that did achieve being develop countries before Spain.

All this allows us to better understand the course of Spanish industrialization in the 1960s and the role of the United States in Spanish development. The Spanish catching-up process was achieved in the 1960s, but we have seen that foreign investment, mainly by the U.S., was already contributing to this in the two previous decades, and even during the Spanish Civil War. Accounts of Spanish economic development must be corrected for this: there was foreign investment in Spain despite very strict legal restrictions and despite the Franco regime's policy of autarky, surely because a network enabling these investments existed before 1936. Doubtless the US FDI grew up in Spain among other foreign investment. This remains quite clear throughout the 50's and 60's, since they were in the 1936's ranking second place. We perceive the strongest supremacy of the United States as an economic leader, having a quick look to the next table, owes to the foreign investment path they had followed among the principal powers (See the table XIV). During the period 1936-1972 their FDI raised 66,55 per cent on average.

**Table XIV. Estimation of foreign investments in Spain, 1936; 1960/72**

Nationality	1936	1960-1972	FDI growth in %
French	7.655,17	1174,85	-84,65
British	2.290,66	875,33	-61,79
USA	3.135,52	5222,27	66,55
Belgium	1.517,24	273,36	-81,98
Swiss	572,41	3928,36	586,28
German	431,03	1960,39	354,81
Italian	24,14	561,93	2.227,99

Sources: Roldán, Muñoz, Serrano (1978, 130), Prados (2022) and own elaboration. GDP deflator (1936) = 0,29; GDP deflator/mean (1960-1972) = 4,36

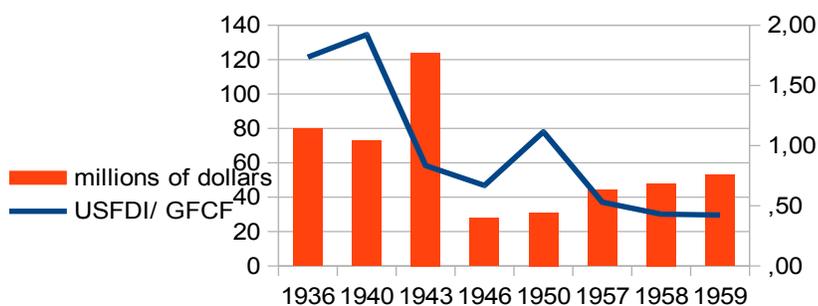
The monetary units in which the previous table is expressed leave enough evidence on US foreign direct investment its predominance during the period 1936-1972, both in absolute and relative terms. It would happen with an increase of 66.55% from a stock of 3,135.52 million pesetas to 5,222.27 million pesetas, both amounts deflated to make the scope intelligible. The words of Gabriel Tortella (2008), can be extended to the period of the civil war and the Spanish post-war: “capital and foreign capitalists made a very significant contribution to the formation of Spanish capitalism.”

It should be noted, nevertheless, that during the period from 1936 to 1973 the preponderant foreign capital was American. We are aware of the accuracy of this idea since we have elaborated it since 1936 with the North American data (US census, Department of Commerce, Survey of current business), so that the problems of what Carreras, Prados and Rosés explain what they call the pre-statistical period (until 1958) are solve.

It should be considered that GDP growth at factor cost shows figures (according to Prados, see table 17.1., p. 1303) for the decade of the Fifties of 5.43 as an average annual percentage rate<sup>48</sup>. The referred table coincides with the line calculated by Cubel and Palafox (1998) on the Stock of National Capital, which differentiated within the period 1850-1958, the Twenties and Fifties of the 20th century as those with the greatest capital accumulation of that series. Therefore, if income and wealth go in the same positive direction for what García Delgado called the “hinge decade”, the reduction in the weight of FDI towards the end of those years is better understood<sup>49</sup>. Especially when, since 1954, more precision is available with the National Accounts series.<sup>53</sup>

The true miracle after the sale of the ITT Corporation is inherent in the growing trend from 1946 onwards to incorporate more North American foreign investment, despite the legal framework, and which was based on that labor factor which, due to its perceived salaries, was considered an attractive comparative advantage, despite its low qualification.

**Graphic 1. US Direct Investments in Spain & its share in Gross Fixed Capital Formations, 1936-1959**



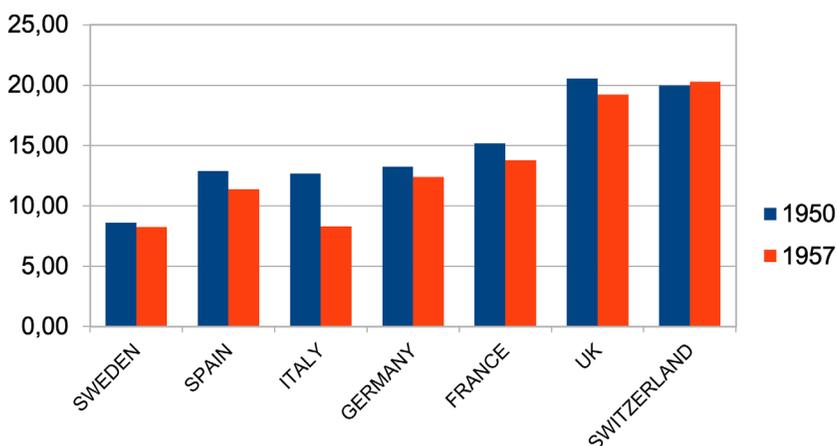
Sources: US Census, Dept. of Commerce. Comín. Series (1989)  
 Note: deflated with Prados (2022)

<sup>53</sup> At market prices, the figures of these estimates are higher. Albert Carreras, Leandro Prados and Joan Rosés, “Renta y riqueza”, Albert Carreras y Xavier Tafunell Coords., *Estadísticas Históricas de España, siglos XIX y XX*, Vol. III, Bilbao, Fundación BBVA, 2005, pp.1299-1376, p. 1306.

All this partially corroborates the thesis of Leandro Prados de la Escosura, when he affirms “the long-term evolution of the Spanish economy, allows us to point out the existence of 3 major phases: 1850-1950, 1950-1974 and 1974-2000”<sup>54</sup>.

Specifically, the miracle of the 1950s would precede the “miracle” of the years of “el desarrollismo” the 60s, in such a way that it appears as crucial. The contributions of Calvo and García Delgado complement each other and the latter reinforces the main working hypothesis of the former: “The key factor in the liberalization of the regulatory regime for foreign investment was not external but domestic”<sup>55</sup>.

**Graphic 2. US FDI’s Return on assets in Europe, 1950-1957**



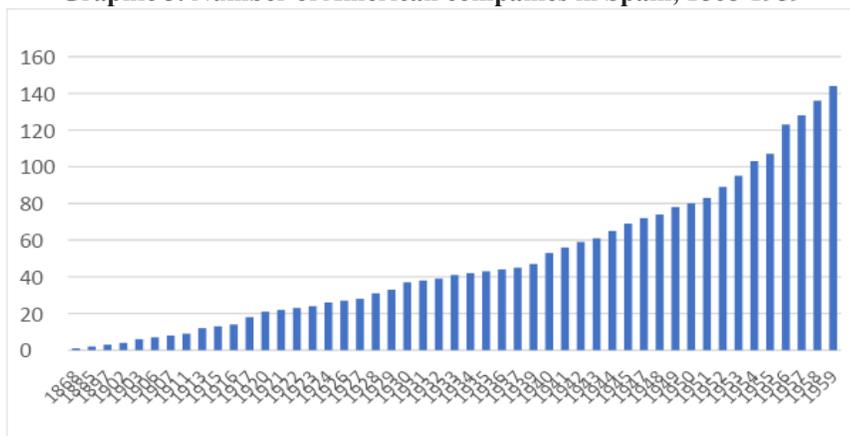
Source: US Business investments in foreign countries, US department of Commerce, 1960.

The level of the average returns on assets of the North American direct investment for the Fifties (see graph 2), in a comparative vision, corroborates the correct decision of the US FDI to continue in Spain.

Finally, it would also be important to identify the networks provided by the so-called U.S. Spanish lobby and the degree of real support given to the regime by networks of foreign investors (Graphic 3).

<sup>54</sup> Leandro Prados de la Escosura, *El progreso económico de España (1850-2000)*, Bilbao, Fundación BBVA, 2003.

<sup>55</sup> Calvo-González, *Unexpected Prosperity. How Spain Escaped the Middle Income Trap*, Oxford, Oxford University Press, 2021.

**Graphic 3. Number of American companies in Spain, 1868-1959**

Source: Foley, 2001 and own elaboration.

It is clearly a challenge to explain in a more successful way the importance of the American FDI. This will make a better understanding the path to the Spanish industrial Revolution or the Spanish modernization. With this purpose we present our work. We add more evidence in this paper before the liberalization process that started in 1959 and with excellent results in the 1960s. We assure that American FDI and their economic aid made possible the “economic miracle” of the 1960.

As Charles Kindleberger explain if the world had perfect competition, foreign direct investment does not have any justification. However, the world is clearly an imperfect market. And in the Spanish story it will be a fine example of success and probably one of the main reasons of the “take off” of its economy in the 50s.

Everything indicates that the 1950s were the period that led to the so-called “Spanish miracle”. The late motif of this study is to prove that there were capital movements within Spain that supported the existence of a capitalist economic system within the country in that decade and before. To illustrate this, nothing better than American direct investments.

The use of foreign sources makes it possible to corroborate how, despite the legal restrictions of the time, there were movements of capital from the most powerful network of commercial interests of United States. Among other factors, when during the forties the Franco regime did not allow foreign capital to repatriate profits, the need for foreign currency was pressing, and US exports from Spain solve it. The verification of the American interests corroborates that

the first position of American FDI as foreign investors, after what some called the stabilization model (Tortella, etc.) does not constitute a *Deus ex machina* fallen from the sky from 1959 onwards.

Our contribution fully supports, despite the differences derived from the dictatorial system in force during the 50's, the inclusion of Spain within the economic trends of the "European postwar WWII movement"<sup>56</sup>. In other words, it is positively contrasted that "Spain is not different".

Since 1936 the volume of investment that pursues the control of the companies to achieve the highest profits reveals how the US leadership in the foreign investment of the Sixties until the first oil crisis is explained by its presence and previous consolidation. American FDI has in this study the best quantitative proof, documented with its own sources (US Census), of its evolution during the 50's, in spite of the very strict legal restrictions of Franco's autarchy, most certainly because its network allowed it since before 1936.

The quantitative reconstruction allows to obtain the support of the behavior followed by the North American FDI in Spain that follows the pattern drawn for Europe by Kenwood and Lougheed<sup>57</sup>. At the qualitative level, we obtain here the clarity of the conceptual change that justifies the role played by foreign investment as an "aid to economic growth" and not as "the cause of growth" in the Spanish case.

The crisis of the autarkic model since 1956 allowed Muñoz, Roldán and Serrano (1978, 17) to describe the Spanish economy as a "hothouse" and to state that it should abandon the chimerical objective of "reserving the national market for a production that was all national". Carreras and Tafunell (2004, 331) would specify that the Stabilization Plan laid the foundations for a new model of economic growth". And Leandro Prados (2003, 231) in the phases of evolution of the Spanish economy will call the period 1950-1974 the Golden Age, when GDP per capita grew seven times faster than in the previous century (1850-1950) and twice as fast as in the last quarter of the century (1974-2000)<sup>58</sup>. Although the analysis of Muñoz, Serrano and Roldán (1978) had a Marxist methodological inspiration, it did not succeed in banishing the intuitive identification of the role of foreign investment as the "engine of growth" that the figures presented here reject.

The term popularized by José Luis García Delgado for the 1950s as the

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<sup>56</sup> Graph 1.3. GDP per capita of Spain in relation to the European Union, in Albert Carreras and Xavier Tafunell, *Entre el Imperio y la Globalización. Historia económica de la España contemporánea*, Barcelona, Ed. Crítica, 2018, p. 35. Also graphs IX-1 and IX-2, Gabriel Tortella Casares and Clara Eugenia Núñez, *El desarrollo económico de España. Siglos XIX y XX*, Alianza Editorial, Madrid, 2011, pp. 198-199.

<sup>57</sup> A.G. Kenwood and A.L. Lougheed, *The growth of the international economy, 1820-1990*. An introductory text, Routledge, London & New York, 1998.

<sup>58</sup> This idea has been justified since the end of the 20th century by John Dunning, Obstfeld and Taylor, Jeff Williamson and Michael Clemens, among other authors.

“hinge” to identify the years involving the Spanish sacrifice to bring about the “miracle” needs a more appropriate and convenient expression. This expression should identify with greater precision that the miracle of the 1950s, happened prior to the so-called “miracle” of the 60s<sup>59</sup>.

The editorial of *Información Comercial Española* in 1963 stated: “A complete study of the behavior of foreign investment in Spain is lacking”. The same can be said today, in spite of the progress of knowledge in this field<sup>60</sup>. Our work attempts to complete, in part, this lack and finds the main clues that call for another interpretation of the Spanish “miracle”. Clearly it started before the so call miracle and the US FDI data confirm so.

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<sup>59</sup> In Spanish the 60s are name the period of the “*Desarrollismo*” that officially started in 1959 and end at the death of Franco 1975.

<sup>60</sup> “La inversión extranjera en España: problemas actuales”, *Información Comercial Española*, magazine of the Servicio de Estudios del Ministerio de Comercio, no. 357. May 1963, p. 25.

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