



Speculation and Collusion in the North of Castile. 1820–1880

Rafael Barquín

5.1 INTRODUCTION¹

In the mid-nineteenth century, the former region of *Castilla la Vieja* was enjoying unusual economic prosperity. As a result of the outbreak of the Crimean War, since the winter of 1853 the Russian cereal supply to Western Europe had stopped, a problem that worsened with the bad harvests in 1854. Like other neutral countries, Spain came to fill that gap. In 1854 and 1855 exports grew, and the income of Castilian farmers and merchants boomed. This unexpected situation is the origin of a Spanish saying that remained for a long time: wealth in Castile relied on three things, “Agua, sol, y guerra en Sebastopol” (water, sun, and war in Sevastopol).

But not everyone celebrated the war. During those years, bread in Castile became more expensive; what was a blessing for farmers became

¹ A larger version in Barquín (2019).

R. Barquín (✉)
UNED, Madrid, Spain
e-mail: rbarquin@cee.uned.es

ruinous for workers. On June 22 and 23, 1856, several uprisings took place in Valladolid, Palencia and Medina de Rioseco. Despite being quickly suppressed, the riots revealed profound discomfort within a part of the urban population. Taking advantage of the restlessness, and with the timely collaboration of the Queen, General O'Donnell became the new Prime Minister, bringing an end to the Progressivist Biennium.

Such a contradictory situation leads to the question of whether the welfare of peasants implied the suffering of the urban working classes. Strictly speaking, price levels should not say anything about the people's welfare. In the long term, the relation between prices and wages is stable. The cost of acquiring bread accounted for about 20% of the income for the urban working classes, both in Spain and in Europe. It is a high percentage, but it remains enough for other food and consumer goods. In fact, the wealthiest nations in Europe were also those with the most expensive bread, as in England, where farmers and urban workers probably enjoyed the best living conditions in Europe in the middle of the nineteenth century.

The true challenge for the well-being of the urban people occurred during the agrarian crises because the increase in the prices of commodities was not followed by a proportional increase in wages. Even less so in Spain, where the price fluctuations were higher than in other European countries. This differential performance can be explained by the reduced supply of substitute foods (corn, potatoes, legumes, etc.), and by difficulties in accessing the international market.² However, the moral responsibility of the authorities has also been pointed out. According to Blas Lopez Morales (a genuine representative of the Valladolid bourgeoisie), the mutineers of 1856 blamed flour manufacturers and grain speculators for the rising cost of bread. In his view, they would have been seduced by “perfidious suggestions” into believing that the greed of these merchants was the cause of the high prices. They would think the rich were building their “colossal fortunes on the hunger of the poor people” (López Morales 1856, pp. 7–8).

Of course, López Morales did not believe such allegations. From his point of view, the real problem only appeared when, after the bad harvest, the Town Hall of Valladolid raised the *impuesto de puertas*, a tax paid on the entry of cities (López Morales 1856, pp. 16–17). But the

² Barquín 2001, pp. 123–124. Spanish wheat prices at www.iisg.nl/hpw/data.php#spain, and from my homesite www.uned.es/cee/rbarquin.

interpretation of mutineers, which came from a long tradition, remained for a long time. The 1856 “especuladores” would have been the precursors of other speculators and oligopolists: the “estraperlistas” of the 1940s, the real estate speculators of the 1960s and so on. Behind each shortage, there will always be a greedy businessman. This chapter addresses that issue. Were there collusive structures? Was there speculation, hoarding and cartels? And if there were, were they the cause of the hunger and riots that followed?

5.2 SPECULATION: THE INDIVIDUAL’S PERSPECTIVE

First we will provide a brief description of those economic activities. In the middle of the nineteenth century, wheat from the North of Castile was turned into flour in many mills and “wheat factories” scattered along the route that led to the port of Santander, known as the “Reinosa route”. In a part of that route, the Canal of Castile, transport was by barge. But after 1857 barges were replaced by trains, and after 1866 the entire route between Valladolid and Santander could be traversed in this way. The bags of flour were shipped to three destinations: Cuba (and Puerto Rico), Catalonia (and other peninsular ports) and Europe. In Cuba, this was possible because a very high custom tariff prevented the entry of flour from North America. In Catalonia, Cantabrian flour benefited from a law that prohibited the entry of foreign flour and wheat. Only to Europe were there significant exports in specific years, such as during the Crimean War.³

In all of these operations numerous people participated, such as millers, barrow hauliers, contractors, shipowners and merchants of all kinds. Each of them occupied and defended their small market niche and merchandise was bought and sold among everyone. For this reason, everyone speculated in one way or another.

The word *especulación* (speculation) takes its current meaning from mid-nineteenth century. Previously, it used to be a synonym for “contemplating” or “anticipating.” In the 1817 *Diccionario de la Real Academia Española* (DRAE) it is defined as “the action to buy, sell, move, etc. something tradeable to achieve a forecasted profit.” Only in the 1869 dictionary, we can find a negative connotation when adding to the previous

³A general description of this set of activities can be found in Hoyo (1993, 1999), Moreno (1995, 1996, 2002, 2006), and Barquín (1999, 2011, 2019).

definition “and generally any business that promises profit”. But even today the old meaning is still used.⁴

Speculation is a widespread activity. All small traders are speculators of the merchandise with which they deal. They buy and sell as “price-accepters”, taking advantage of their variations, and anticipating them to obtain a benefit. That is, they speculate in an economic sense, but also as a forecaster. No one can ensure them that transactions will be successful. No one can tell them by how much the price of a product is going to rise (if it does) and therefore no one can tell them when to sell. This decision becomes more difficult because they must also assess the storage and deterioration costs.⁵ Furthermore, the opportunity cost should also be evaluated: if they do not sell the merchandise because the price is low, they will not be able to buy more, since their store is full.

Some of these decisions made no sense in nineteenth-century Castile due to the state of technology. Normally, the economy actors just followed the custom. Whether as a farmer or as a wholesaler, selling wheat a few months after harvest was an operation with low risk (and therefore little benefit). Its storage did not involve significant challenges. In Castile, the usual way to store wheat was to place it inside holes with the walls and ground lined with mortar, clay, straw or any material that would ensure a certain degree of tightness. Yet raising a speculative operation in a period longer than one year was dangerous, since the deterioration of the product increased rapidly. Indeed, it was possible to use more sophisticated storage systems that reduced losses, but they were inefficient and expensive. The lack of suitable storage methods in Castile before the twentieth century shows that long-term speculation was not profitable and that it was better to assume the loss of part of the storage.⁶

⁴ On the meaning of the words *especular* and *especulación*, see Barquín 1999, p. 299.

⁵ Estimating these costs is not easy. As for the first, the Spanish public granaries (*pósitos*) set the annual interest of loans, called *creces*, at 8% per year. However, it should be noted that these were loans intended for charity purposes; and that, not by chance, the granary were ruinous companies (Anes 1969, pp. 76–94). For medieval England, McCloskey and Nash (1984) estimate the annual storage costs at 30% of the initial investment, which could be an upper limit in Spain, where the climate is not as rainy.

⁶ There is a way to store wheat without storing it physically: buying the crop in advance. This was a common practice among flour manufacturers for two reasons: first, it brought benefits as a credit operation, and second, it ensured the supply of raw material for the business (Moreno 2002, pp. 176–177). However, purchase aimed at speculation is still a risky operation. The wholesaler cannot know in advance how much the harvest will be worth

In Castile, as in any place at any time, more risk implies more profit. It is possible to imagine more conservative and more aggressive entrepreneurs, with different strategies of speculation (but not in the long term). In any case, these practices would not oppose the interests of the community but rather protect them. The result of buying goods when they are cheap and selling them when expensive stabilizes the market, that is, raising the price when it is low and reducing it when it is high. As it is almost impossible for a single trader to influence a large market, for this result to be significant the concurrence of many small traders and manufacturers would be necessary. And this is what happened. The economic conditions of the Castile wheat market in the nineteenth century were typical of free competition: atomization, product homogeneity, absence of entry barriers, low information costs and so on.

However, there was one aspect in which the wheat and flour market in Castile was different from Europe: trade legislation (Vallejo 2018; Montañés 2009). Between 1820 and 1868 (although with some interruptions) imports of wheat and flour were prohibited if their prices did not reach a certain level in three adjacent coastal provinces. This commercial policy was called “prohibitionism”. Furthermore, the market in Cuba and Puerto Rico was reserved for Spanish flour, since tariffs on foreigners were prohibitive. Consequently, farmers and flour producers on the Reinosa route were sure that, if worst came to worst, they could always sell part of their storage in those markets.

America and Catalonia are two slightly different cases. Although shipping to Cuba was not banned from any Spanish port, vessels mostly departed from Santander. In order to take full advantage the cargo of the vessels on a very long journey, only flour was exported. But since this merchandise was delicate, and much more so in the Caribbean, the freight had to be organized in advance to ensure quick unloading and distribution, bypassing hurricane season. These circumstances did not exist in Barcelona, where Cantabrian flour arrived regularly and competed with flour from Castilla-La Mancha and Aragón.

In the European market, the Spanish merchants competed unevenly with foreign farmers, who took advantage of the tariffs of their governments. Unlike in Cuba and Catalonia, many of these exports were wheat. The Spanish competitiveness in Europe was minimal and decreasing and

when it is delivered. It may be that the value of the wheat that liquidates the loan is even less than what was borrowed.

Table 5.1 Exports and outputs of wheat and flour from Santander. Annual average. Thousands of quintals (ql.)

	<i>America</i>	<i>Mainland Spain</i>		<i>Abroad</i>	
	<i>Flour</i>	<i>Flour</i>	<i>Wheat</i>	<i>Flour</i>	<i>Wheat</i>
1825–1847	96.3			73.0	
1848–1856	201.5	203.7		192.5	
1858–1868	225.3	200.8	6.8	51.8	39.5
1869–1883	278.2	213.4	29.5	58.7	84.1

Source: Author's own elaboration with data from *Boletín Oficial del Comercio de Santander, Gaceta de Madrid*, 15, 16 and 20 May 1847; Torrente 1853, p. 273. See also the homesite: www.uned.es/ccc/rbarquin and Barquín 2003

Note: Between 1825 and 1847 there were regular departures to Barcelona and other places in the Mediterranean, but there is not enough data

usually exports were small. But there were also some years with notable exports, and still others, although few, with even more notable imports. From the 1880s onward, with a relatively liberal regime, the latter was the most common. Table 5.1 summarizes these movements until 1883.⁷

To what extent did this market reserve affect the internal prices in Castile? Figure 5.1 should be able to explain this. In a close market, the supply and demand curves would be S and D1. The balance point would be reached with an exchange of the quantity q_1 to the price p_1 . But if that market were to be opened to a foreign market capable of absorbing any production at a price p_2 , the demand curve would be D2, that is, it would have a first section identical to D1, and a second horizontal section in p_2 . Moving from the initial point to the latter would increase production from q_1 to q_2' , but it would reduce national consumption from q_1 to q_2 . And, more interestingly, the domestic market price would also grow from p_1 to p_2 . On the Reinosa route that price would be fixed as the difference between the international price and the transport costs up to that point. That is, wheat (or flour) would be exported as long as the price in Castile did not rise above the level at which it would be preferable to sell it domestically, at an even lower price, but without transportation costs.

⁷The national figures of exits and exports of wheat and flour from 1849 onwards in Grupo de Estudios de Historia Rural (1985, pp. 356–357), and *La crisis agrícola y pecuaria 1887–89*, volume VI, p. 156.

Fig. 5.1 Castile wheat market model. (Source: Author's own elaboration)

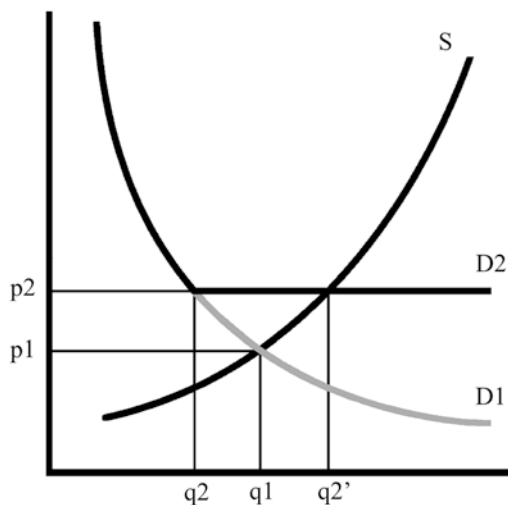


Table 5.2 Wheat prices in several inland cities. Reales/fanega^a

	<i>Rioseco</i>	<i>Segovia</i>	<i>Zaragoza</i>	<i>León</i>	<i>Mérida</i>
1820–1830	21.31	26.18	38.41	NA	NA
1830–1840	28.18	32.03	38.99	36.37	NA
1840–1850	27.23	28.44	37.05	34.76	27.31
1850–1860	35.75	37.83	41.57	39.67	37.05
1860–1870	43.28	43.98	42.65	45.80	46.64
1870–1880	41.60	41.36	44.43	40.68	43.93

Source: Author's own elaboration with data from *mercurials* from those cities. See also the homepage: www.uned.es/cee/rbarquin, Barquín 2001, 2011, p. 279

^a*Real* was a Spanish currency equivalent to a quarter of the peseta (0.0060 euros). *Fanega* was a unit of capacity equivalent to 55.5 litres

Table 5.2 suggests that the difference between p_2 and p_1 was tiny. Until the 1860s, wheat from Valladolid/Medina de Rioseco was the cheapest in Spain. That is, it was the lowest among inland production areas. After that prices converged in that broad region, as well as with those from the rest of the country, although less so. Nevertheless, Valladolid would remain one of the places with the cheapest wheat in Spain.

Since the Cuban and Catalan markets were closed abroad, and the former was dominated by flour from Cantabria, it is logical to conclude

that the demand at the p2 price could not be unlimited. The fact is that Cuba, Catalonia and even Europe were small markets for Castile. In Cuba, an island with two/three million people, only some of the Spaniards and Creoles ate bread. In Catalonia lived less than two million people, who ate bread made with wheat from Castile, but also from Aragón, Valencia and own inland Catalonia. As for Europe, as mentioned earlier, exports were small, although sometimes significant. Europe was a smaller market than Cuba or the Peninsula in the long term (Table 5.1). With such markets, the effects on Castile's cereal price were modest.

But there is a second reason to explain the reduced external influence on the price of wheat in Valladolid: risk. Foreign sales were complicated. Even with up-to-date information, the agents did not have any guaranty that prices would not slump during the time between the purchase of the flour in Castile and its sale in these three markets. Consequently, their behaviour was highly prudent. Castilian wholesalers did not make long-term forecasts—they simply sold the merchandise when they deemed it possible and profitable—. And they did so with preference towards Castile or Santander, retailers, bakers or any other agent who would want to take that risk. The construction of the railway changed things slightly because flour and wheat exits became less expensive and, above all, easy.⁸ And not only due to the speed of the train but also due to the telegraph. These allowed for information to be transmitted much faster, reducing transaction costs. With their help, prices rose in Valladolid, and more so than in the rest of inland Spain. Even so, Valladolid remained a place with cheap wheat, probably due to the productivity and specialization of *Tierra de Campos* (Table 5.2).

The external markets of Cuba and Catalonia promoted the agricultural and industrial development of Castile, but surely not as much as its inhabitants would have hoped. The Cuban market reservation did not encourage the development of any “perverse” practices in the Castilian flour businessmen. They adopted a passive and cautious attitude keeping their sights on possible demand changes. There is nothing to suggest that speculative movements had important consequences for the regional market. Moreover, there is no evidence that wheat in Castile became more expensive due to detractions towards the coast or overseas, except at exceptional times, such as the Crimean War. And this was precisely the problem. There

⁸Which caused the brokerage revenues on the route to fall compared to the previous period. See Barquín (2011, pp. 272–276).

was not a problem regarding speculation in Castile, but rather a lack of speculation, and a lack of trade ambition. Perhaps Castilian grain traders would have regularly carried out more operations if they had had a broader view of their position in Europe and the world. In that sense, the safety of a controlled market could have been a discouraging factor for agricultural modernization, although this is difficult to determine.

Regarding the welfare of the population, the costs that resulted from prohibitionism are not negligible. Sometimes harvests were poor, and hence prices rose dangerously and exports stopped, and yet imports did not arrive because they were prohibited. Note that from the moment the ban was lifted until wheat reached Spanish ports, several weeks had usually passed in negotiation and transportation. In other words, prohibitionism prevented a faster resolution of the subsistence crises (Barquín 2003, pp. 133–140). It was precisely on one of these occasions that bread riots broke out.

5.3 CARTELS AND LOBBIES: THE GROUP'S PERSPECTIVE

So far we have assumed that wholesalers were price-accepters, and therefore had no control over the supply curve. Indeed, given a large number of agents participating in the Cantabrian-Castilian market, imagining that any of them had actual market power seems to be unrealistic (there is a late and irrelevant exception, the railway, which we will comment on later). But that would not prevent the establishment of a cartel or pact between several agents to monopolize the merchandise and control the price. Incidentally, we can also imagine situations in which wholesalers would unite to defend their shared interests, but without forming a cartel: what is known as a lobby. All these possibilities will be analysed in this section.

The word *oligopolio* (oligopoly) is a neologism in Spanish that did not appear until the DRAE 1984. The word *cartel* (cartel), with its modern meaning, only appears in the DRAE 1956: “an agreement between similar companies in order to avoid mutual competition and regulate production and prices in an industry”. In contrast, *monopolio* (monopoly) is an ancient word. It appears for the first time in the DRAE 1737 as “an agreement made between merchants to sell goods at a specific price, which is prohibited and is called *monopolio*”. It is important to note that what is immoral, and illegal, is not the institution itself, but the usurpation by individuals of a state privilege called *estanco*. Only in the nineteenth century did the word *monopolio* acquire a separate immoral meaning. Thus,

the Núñez Dictionary of 1825 defines it as the “abusive and hateful trading by which a company or private individual sells merchandise that should have free trade.”⁹

Hoarding to raise the product’s price is a theoretically viable operation with durable goods, such as real estate, strategic minerals or Public Debt. But it is too risky with perishable goods. Let us imagine a cartel which dominates the market for one of these goods, for example bananas. If supply is reduced, the price rises. But in this way, the supplier will be not richer; this would only be the case if they were to sell the merchandise. The problem is that, in doing so, the value of the product will depreciate. Thus, the only way to avoid a substantial loss of the product’s storage value is to reduce sales enough that the price does not fall below the purchase price. But this is not possible because bananas are perishable items, and they have to be sold. No one is going to eat a vast quantity of bananas simply because they are perishable. The wealthiest person in a community will not eat more than the poorest one. No one will eat twice as many bananas because they have not been able to do so in the previous months. Thus, if the cartel doesn’t sell the bananas when they can, they will probably never be able to sell them. In short, hoarding perishable goods is a sure way to go bankrupt.

This section could end here, which would lead directly to the lobby problem. But let us force the example. Let us imagine that merchandise is not a perishable good, or not to a great extent. This requires that we contemplate only wheat because flour is very similar to bananas: a delicate commodity that deteriorates quickly. Its only advantage is that it occupies less space, which explains why it was exported to Cuba. But Castile was spacious and there was no lack of land, so no one stored or speculated with flour, but rather with wheat. This is why mills stored sacks of wheat that were then ground upon request.¹⁰

⁹The word *acaparar* (hoarding) with a pejorative connotation appears for the first time in the Domínguez Dictionary from 1853, defined as “to seize or acquire anything that can produce some utility by selling it with profit”.

¹⁰Here it can be seen how the issue of speculation mixes with the issue of hoarding. Millers need to store wheat to work, but in doing so, were they speculating? This question was answered with the Law of Promotion of Industry and Commerce from May 8, 1822, which tacitly allowed hoarding and speculation. The Commerce Code of 1829 and the *Real Decreto de Libertad de Comercio* of January 20, 1834, again sanctioned freedom. Finally, the *Real Decreto* of November 19, 1835, established the “the power to build flour mills freely”,

Let us suppose now that a hypothetical cartel of businesspeople bought wheat from farmers and stored it in a place where it could be kept for some time. Who exactly would do this? At what stage of the production and distribution of the Reinosa route would that cartel be located? The logical course of action would be to place it among flour manufacturers rather than among Santander merchants, because of the proximity to the raw material which is subject to hoarding. But whoever they might be, what could be done to guarantee their cooperation?

Many circumstances boost the establishment of oligopolies, but the main one is the existence of entry barriers. There are several kinds, but the two most important are the need for a substantial initial investment and the control of technology. In nineteenth-century Castile, the storage of wheat should not be a capitalized industry. There is no evidence that its store-men used any sophisticated technology. High-rise granaries only appeared in the twentieth century. Until then, any investor could enter the wheat hoarding business by doing little more than digging a grain silo. The same can be said about the rest of the activities carried out on the Reinosa route, except the railroad. For example, flour manufacturing experienced improvements from 1830 onwards with the introduction of new milling methods, but they were not particularly complicated. Only in that way it is possible to explain the presence of scattered milling that coexisted with modern techniques (Moreno 1995, pp. 237–242). Something similar can be said about road transport and the merchant marine. By the way, the latter was open abroad industry, since only the introduction of flour was forbidden, but not the trade from Santander to any port; which, on the other hand, was appealing given the shortage of means.

Along the Reinosa route, there were a large number of companies in every activity of production, transport and distribution. This was the case among Castilian flour mills. Surely the most detailed list of flour factories (but not complete) is the one that Luis M.^a Sierra collected for Cantabria in 1845, which Luis Ratier would expand to other provinces in 1848. Sierra only collected the name of an owner in two factories, and thus there are 61 factories and 60 owners. According to Ratier, there were 26 flour factories in Cantabria (with 124 milling stones), 21 in the Canal de Castilla (123 stones) and 14 outside both of these areas (64 stones) (Sierra 1845,

another fundamental milestone in the fight against obscurantism (Maluquer 1983, pp. 85–86).

p. 84; Ratier 1848, pp. 24–31). He also states that each stone could grind up to 60 fanegas of wheat in 24 hours, which Sierra confirms (Ratier 1848, p. 25; Sierra 1845, p. 84). Therefore, a single ten-stone mill, operating at full capacity, could generate approximately 600 tonnes of flour a month, of which 40% was exported to Cuba in 1848, which was a good year for exports, and 100% was exported in a regular year. A hypothetical cartel would be unsustainable with three, two or even a single mill not being part of it (Barquín 2011, p. 269). Of course, from a local or regional viewpoint, we could find some business concentration. But even in these small areas, the property was distributed among families. For example, in Grijota, a flour district in the province of Palencia, there were several owner families: Pombo, Lecanda, Illera, Bustamante and others.

The same can be said about Santander merchants. Throughout the middle of the nineteenth century, the flour business was controlled by approximately 55 families (Hoyo 1993, pp. 108–126; 1999, p. 278), which is slightly less than the number of flour factories in 1848, according to Sierra and Ratier. Nor was there an entrepreneur or group of entrepreneurs with a significant market power. Thus, in 1874 the largest commercial house, the López-Dóriga, only had 13.2% of the total commercial investment. In 1845 the Spanish ships enrolled in Santander were 66, according to Ratier, which were only a fraction of total. The main ship-owner had seven with 8.2% of the overall tonnage; the next four had four to five ships, with 4.6–7.2% of the overall tonnage, and so on. This is the typical structure of a non-collusive industry, similar to the Castilian flour sector, another non-collusive industry.¹¹

Because of the absence of collusive practices, the information was broad and public, even overwhelming.¹² We do just have data on prices, but also all sorts of news, opinions and gossip about freights, insurance, carriage transport, interest, market forecasts and even the prices of the reams of paper used to line the sacks. All this information was displayed in newspapers such as *Boletín Oficial del Comercio de Santander* and *Norte de Castilla*, in which there are separate sections, and journalists specialized in those areas. The pages of these newspapers are definitive evidence that we are looking at a broad, deep and transparent market, not a closed market controlled by unknown cartels (Barquín 2011, pp. 269–272). All this is

¹¹ Ratier 1848, pp. 120–124. Quoted by Moreno (2018, p. 14). Similar figures in Sierra (1845, pp. 94–98).

¹² See my website, www.uned.es/ccc/rbarquin.

also in line with the development of a futures market in Valladolid, where the risk, not the wheat, was bought and sold. The existence of such a market is further proof of the non-existence of cartels. A collusive market does not need to negotiate anything because everything has been agreed in a private and clandestine way (Moreno 2018, p. 15).

But if the cited arguments are not sufficient, here is the last one: we do not have any proof of the existence of formal associations to promote collusive practices. It is a relevant argument because, in this arena, appearance is important, even more important than materiality. For any cartel, breaking the collusion agreements and selling undercover is a strong temptation. That is why there must be sanctions. We saw that, until 1825, there was not even a pejorative definition of the word *monopolio*, except as *estanco*. Even when its existence was recognized, the problem must not have attracted attention, since no anti-monopoly legislation was passed throughout the nineteenth century. In sum, nothing prevented the existence of formal cartels. If we do not have any news from them, it must be because they did not exist. In recent decades, Spanish scholars have carried out a great deal of research on economic and social control institutions, such as chambers of commerce, casinos and, above all, families. For example, there have been several studies that have outlined the marital relationships between members of different commercial houses of flour companies. These studies are undoubtedly of interest to Social History, but they do not depict the existence of collusive structures. And, in addition, we all know that families are complicated, and large families are even more complicated.¹³

There is only one exception, a late industrial sector in which there were high technological and investment barriers, and that, undoubtedly, was a monopoly: the railroad. In Spain, its construction was fuelled by high expectations. It was assumed that wherever they were built, they would promptly oust other means of transportation. Hence, the Legislator imposed the obligation to establish maximum transport prices to avoid

¹³According to Hoyo (1999, p. 278), the Santander cartel of merchants would have maintained the cohesion through “careful marriage strategies”. Moreno (1991, p. 187; 1995, p. 245; 2006, p. 317) also points out the importance of these ties in the flour companies of Palencia, but he believes that such a structure was a “burden” since it was “marked by schisms and family tensions”. Interestingly, the vast majority of these companies were created in the 1830s and 1840s, and they started to go into decline within 30 or 40 years. Therefore, there would have been little more than one generation to consolidate the family relationships, and all in a very competitive environment with an evident excess of productive capacity.

abusive practices. These were useless. It turned out that the railroad was not profitable at all due to lack of income. The railway companies had to approve lower fares called “specials”; these were equivalent to half or one-third of the first fares, but traffic did not increase in that proportion. Almost all the railroad companies went bankrupt between 1865 and 1866. The railway from Venta de Baños to Santander was no exception. Its first stretch opened in 1857, and the last in 1866. It was managed by the *Compañía del Ferrocarril de Isabel II*, which was later absorbed by the *Compañía de Caminos de Hierros del Norte de España*, one of largest in Spain. Before 1865 the Company fixed the majority of “special fares”, and there no were significant modifications over the following decades. Fares rewarded large freights but penalized extended storage in the stations. Therefore, railroad companies did not organize or promote hoarding operations.

Finally, let us take a look at the possibility of the existence of lobbies. They usually receive less moral censorship than cartels. The lobby does not impose prices or set fees. Moreover, it supposedly protects the interests of consumers by guaranteeing some quality standards. This is the reason why it is not only public but also often tries to sway public opinion. The lobby is a political institution before it is an economic one.

Prohibitionism took its full shape with the Real Decreto January 29, 1834, published on January 30, which banned imports if they did not reach a price of 70 reales/fanega for wheat and 110 reales/quintal for flour in three adjoining provinces.¹⁴ This act was simply the update of another Real Decreto on September 6, 1820, published on September 26. This norm, like the rest of the “triennial” legislation, was abolished on October 10, 1823, with the restoration of Absolutism. However, the suspension lasted only a few months. After the foreign occupation, the import ban was restored by the Circular February 17, 1824, published on February 26 (Montañés 2009, pp. 58–63 and 79–87; Vallejo 2018, pp. 66–69). The unique difference between the legislation of 1820/1824 and 1834 was the intervention prices, which were a little higher during the reign of Ferdinand VII: 80 Spanish reales/fanega and 120 Spanish reales/quintal.¹⁵ Note that the trade policy was the only one on which absolutists

¹⁴ *Quintal* was a unit of weight equivalent to 46 kilograms. For *real* and *fanega* supra.

¹⁵ In fact, the 1820 legislation was not original either. It was only the update of the Pragmatic Sanction of July 11, 1765, in which a much lower level was set, 22 Spanish reales/fanega, and therefore useless given the price levels in the following decades.

and liberals agreed. Regarding the Cuban market, the first protective tariff for Spanish flour was also approved in the Trienio, the Real Decreto February 7, 1822, published on February 22. Later, tariff changes in Absolutism and Liberalism reinforced or relaxed that protection slightly.

The crucial fact is that in the approval of these policies there was no role for an alleged lobby of Cantabrian and Castilian entrepreneurs. When the tariffs of 1820 and 1822 were approved, business activity on the Reinosa route was irrelevant. In 1834, when the absolutist decree of 1824 was modified (downward), the flour business was growing but remained small. Hence, three years before, exports to Europe and America reached a peak of 38,000 Tm of wheat and “equivalent flour”, a remarkable figure but still far from the export (and import) levels of the mid-nineteenth century.

Until the 1869 Figuerola Tariff Law, the essential lines of the prohibitionist legislation did not change. The political representatives of Cantabria, Palencia and the other provinces of *Castilla la Vieja* did not have any significant role in the discussions on trade policy. There are several reasons for the lack of an organized group that defended the demands of the milling industry. The first is their size, smaller than the banking and industrial groups in Madrid, Barcelona and Vizcaya. But the primary reason is that there was no need for an organized group. Deputies of inland provinces effectively defended the reserve of the national market (including Cuba). Medium and large landowners were the best represented social group in Parliament. They had identical interests to the Palencia flour companies and Santander merchants likewise many small business owners and, by reciprocity, the cotton industrialists of Barcelona. The only serious resistance against prohibitionism came from the governors of provinces with chronic shortages (such as Malaga and the Balearic Islands), the representatives of the island of Cuba (for obvious reasons) and some active exporting groups, such as the producers of refined wines from Western Andalusia (Montañés 2009, pp. 79–87, 114–126, 202–206, 224–232 and 271–273).

5.4 CONCLUSIONS

This chapter tries to fight against a common prejudice, that Spain has been a country of mercenary businessmen whose only goal was (and is) to extort money from the consumer. This supposition is ridiculous, not only for obvious psychological reasons but also because the alleged collusive practices were often not possible. At least, they were not in the set of industrial and commercial activities developed on the Reinosa route in the

nineteenth century. A conservative and not very aggressive business attitude was dominant there. These manufacturers and merchants only made modest and beneficial speculations as wholesale price-accepters. There was no hoarding or cartelization since this would have involved too many risks. Lobbies did not exist because they were not necessary.

To conclude, two observations. First, I believe that semantic misunderstandings are at the base of most of the charges against the entrepreneurs. Monopoly, cartel and lobby are well-defined concepts that are still misused. The simple fact that there were great businessmen, or that they were rich, does not make them monopolists. As for speculation, defined as any dictionary does, what is wrong with it? Let us be compassionate with ourselves.

Second, anti-competitive practices are well known in the history of Spain. The insufficient development of capitalism and the putting in place of patriotic economic policies led to the rise of such techniques. But this took place in the twentieth century, and especially during early Francoism. Outside that dire period, the norm was something more or less like free competition (Serrano et al. 1978).

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