



Background

The New Charter of Bizkaia (1526) established the taxes to be paid by the local residents to their Lord, who had been the King of Castile since 1379. The Lord was not allowed to exact further tributes outside those taxes, which did not, necessarily, mean that others were not paid, for example, to uphold institutions such as the General Assemblies. The Seignior covered its costs, as handouts, by means of using fogueraciones or proportional distributions of the payment of the total amount of collected from the residents of each village, who were censored by hearths or households. The fogueraciones gradually disappeared and were replaced by the collection of excise taxes. This system, with its ups and downs, remained in place until the end of the foral or charter system after the Second Carlist War and the approval of the first Economic Agreement in 1878.

In 1526, the Commission in charge of reforming the Old Fuero of Bizkaia (1452) gathered at La Naja (Abando) and as a result the New Fuero of Bizkaia was laid out. It set the taxes to be paid by the population of Bizkaia to their Seignior, who, since 1379, was the King of Castile. It was clear that the Seignior could demand the payment of any other tax not included in the New Fuero, however, some other taxes were also paid, for instance, in order to fund institutions as the Juntas Generales. Each village paid the corresponding taxes collecting the due amount from the neighbours as to pay for the needed expenses, i.e. the maintenance of roads or the organization of supplies in case of emergency. Moreover, there was the ecclesiastical tax or diezmo, which was collected by either the clergy itself or by the outstanding laymen in Church. Nobility also collected their own taxes for the use of their properties, i.e. mills or bridges. Even the "Consulate of Bilbao", association of traders established in 1511, collected its own tax: the rights for damages. Besides the abovementioned, in Bizkaia, on demand of the Seignior, a gift or voluntary payment, which became compulsory in many cases, used to be paid in order to finance part of the great expenses of the Spanish Monarchy during the 15th, 16th and 17th centuries.

The Segniory of Bizkaia, in order to obtain enough income for its expenses, divided proportionally the payment of the total amount among the neighbours of each village, who were taken into the census by each home or fireplace, this is the reason why the system was called fogueraciones (related to fireplaces). When the King unilaterally decided to increase his revenue implementing the so-called estancos, the social revolts or matxinadas used to rise up. A remarkable example of these revolts is the big riot, called matxinada de la sal, which took place in Bilbao in 1631, when the King tried to implement, estancar, a tax on salt. The previous



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year, an agreement on the representation of the different parts of Bizkaia in the Juntas Generales had been signed, the Concordia of 1630, and within the agreement it was also set the prohibition to implement duties as surcharges on the prices of food, drinks and products to make fire. However and in spite of the strong opposition, in March 1640 the need of revenue forced to implement the first common duty or Arbitrio in Bizkaia, which was 8 farthings maravedies per each quintal of iron. As how to collect this duty for the Segniory, the system applied was the one laid down in the New Fuero which allowed the villages to collect it. It required a sufficient majority of two thirds in Juntas Generales and a request to the Crown of the final approval. Once these requirements were met, the duty was implemented in the Segniory. The King's representant in Bizkaia, the Corregidor, also had an important role in the tax administration because he was the one to authorise the proportional quotas and the payments.

This simple initial scheme was getting more and more complex, particularly during the 18th century, due not only to the increase of new gifts for the Crown but to the increase of the army expenses which were competence of the Deputations. In addition, from the middle of the 18th century, the Deputations started carrying out a new activity consisting of constructing roads. The first road constructed by the Deputation, along with the Consulate and Bilbao City Council was the junction, via Orduña, between Bilbao and Pancorbo, where the intersection with the main road to Madrid was. It was opened in 1771. The works required a great funding effort and, even though the Deputation had to pay only the third part of the expenses, new income had to be obtained in order to finance them. The solution was to collect a toll road whenever wagons, carts or horses passed by. In such a way that duties were gradually consolidated as the main system of financing the Institutions of the Seigniory. In 1804, the collection of the fogueraciones stopped as they were no longer a good financing source and new and higher duties, arbitrios, together with the toll roads were the only revenue of the treasury of the Seigniory. As duties were increasing the boxes system practice was being developed, this is to say, each duty was collected to the sufficient amount as to defray a particular expense. Since then, one can distinguish the General Box, the War "Ejército" or Army Box, founded in 1793, first to save the volunteer gifts made by individuals and then several compulsory duties, for instance the 6 per cent duty on income from trade activities and on income from property, which provided enough funds to guarantee the money borrowed from individuals; the Tobacco Box, from 1794, which contained the revenue for the duty on Tobacco; the Road Box which contained the duty on Wine and the Gift Box which contained the duties on sugar, on cinnamon, on cocoa and on cod.

It was in 1802 when all these revenues were centralized in the Treasury of the Seigniory, although the Boxes were functioning till the beginning of 19th century. In fact, the more duties



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they implemented the more Boxes they opened. The collection system was carried out either by public employees of the Seigniorship either by the rental of their rents. The Tobacco Box was the only one whose duty was collected directly by a public employee of the Deputation: the Consultor. This specific situation of the Seigniorship of Bizkaia, together with the so-called sister provinces of Alava and Gipuzkoa, began to suffer from difficulties during the 18th century. Since the Bourbon King Philip V took the Spanish throne, the Nueva Planta Decrees abolished the ancient fueros of almost all the areas that were formerly part of the Crown of Aragon and, therefore, the Basque territories were at that moment in an exceptional situation. In spite of the attempts to establish the customs uniformity, laid down in 1718 and annulled in 1720, which provoked a new *matxinada*, or of the attempts of the royal authority to intervene more directly in the operation of the foral institutions, it can be stated that during the major part of the 19th century the regime in the three Basque provinces continued without much difficulty. The beginning of serious problems dated from the end of the Convention War (1793-1801), during which the troops sent by the General Deputations didn't make a good performance. The participation of the troops and other issues concerning the war were an extraordinary economic effort for the Treasury of the Seigniorship. This effort was increased by the subsequent wars: the Independence War (1808-1812), the troubled implementation of the constitutional regime during the Liberal three-year period (1820-1823) and with more intensity during the First Carlist War. In addition, the Monarchy demanded more and more funds and as a result the economic problems of the Foral Deputations were getting more and more serious. The absolutist or liberal Deputations were obliged to obtain high financial resources in order to protect their legitimacy, the Kingdom's or the nation's one depending on the situation.

From 1794 to 1801 there was a big expansion of the tax system of the Seigniorship: the implementation of new direct and indirect taxes and the creation of three new Boxes: War, Tobacco and Gift. The expenses were not only higher but there was also a bigger diversity. The services to the King or Gifts gave way to investments on coast defence, cannons, munitions, employees for the Deputations, which in the 18th century were about 40 persons, and new jobs were increased by virtue of the upraising tax reform.

The social and economic crisis, which took place at the end of the century, caused a higher level of unsafety and poverty to the extent that expenses on social welfare and on public order were increased and the "Flying Squad", origin of the Foral Police Forces, *Miqueletes* and *Miñones*, was founded. In the 19th century, the Treasury of the Seigniorship had to be updated due to many different reasons as the war expenses, the establishment of the constitutional central treasury, the Mon and Santillán reform and the implementation of new accountancy systems (double entry) or the new budgetary system, containing deemed income and expenses. In 1815, as a consequence of the centralization of the treasury, the number of Boxes



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was reduced. The Road Box was in operation for a short period afterwards and finally the Tobacco Box closed in 1877. In 1842 the first draft of a Public Budget was laid down. The Budget was not published until 1864. However, serious difficulties arose when the absolutist monarchy was successfully taken over in 1833 by the constitutional monarchy in the person of Isabel II. At that time, when the Spanish nation-state was under a construction process surrounded by problems, the coexistence between a constitutional regime, based on the principle of equality before the law, and the Fuero and the specificity it involved was of great difficulty. The first Carlist War (1833-1839) was a dynastic war during which the Fuero was an element of mobilization. The war ended with the Bergara Convention signed by the carlist General Maroto and the liberal General Espartero, who committed himself to find a solution to the foral issue for the government. The result was the Law of October 25th 1839 and the political and juridical principles of the Basque foral system in effect became constitutional in the Spanish framework, stating a future hearing of the Deputations in order to reform their regime according to the general interest of the nation. Once the Foral Deputations were reestablished, taxation was their main particularity. In 1841, several features of the foral tradition were definitely abolished after a failed uprising against Espartero, which the Basque Deputations supported. As a consequence inland customs were moved to the seaside. This particular system was based on inland custom posts mainly located in cities bordering the plateau of Castile (Balmaseda, Vitoria, Orduña), instead of custom posts located in harbours or borders with foreign countries, in such a way that imported goods into the Basque Country did not pay import duties until they were carried into Castile. These inland customs, known as the Ebro belt, were in operation with ups and downs during the Modern Era; however, the definitive integration of the Basque Country in the national market took place by Decree in October 1841. Another institution which was abolished was the veto of the Basque Representative Assemblies or *pase foral*, which implied all decisions made by the King or the government, had to be endorsed by the foral authorities and were only observed if they were not violating the *Fueros*. The particularities concerning the constitution of City Councils were also abrogated as the obligation to organize municipalities according to the general law was imposed. The judicial competences of the local and foral entities were transferred to the First Instance Courts or Hearing Courts, *Audiencias*. The liberal state and its administrative organization of municipalities and courts was not in line with the traditional foral systems. However, the Foral Deputations, the General Assemblies, the gifts and the peculiar Tax on Tobacco kept being in force, once they were restored after Espartero's defeat. For instance, in 1845 the Spanish State Treasury was deeply reformed, the so-called Mon and Santillan reform, establishing the basic pillars for the tax system up to 1977, but in Bizkaia it had a limited impact as most taxes implemented by the reform were not collected. In fact, the only income the State was obtaining came from gifts, customs levies, duties on mortgages and personal bonds.