



## *Concierto Económico*

# The subsequent new agreements or “Renovations”

The Economic Agreement, which was initially brought in for the short-term, was renewed for the first time in 1886. The changes to the Central Treasury meant amendments had to be made to the Agreement, but the system soon proved to be sufficiently flexible to be able to implement them. Thus, after the 1886 renewal, the agreement was successively renewed in 1894, 1906 and 1926.

The reason for these renewals was down to the obvious advantages of the agreement: the Ministry for the Treasury collected secure and immediate resources without incurring any type of expenses; as long as the Provincial Councils continued with their tax management and paid religiously, as was the case.

The Economic Agreement, signed initially for a few years, was re-signed for the first time in 1886. The reason for this can be found in its undeniable advantages: the Ministry of Finance obtained some guaranteed and easy income without incurring in any expense. As long as the Deputations carried out the tax administration task and paid on time, as they used to do, there were no major problems.

On the other hand, the Deputations were still executing a wide range of competences, in most cases by virtue of the Economic Agreement, so they could maintain a high level of autonomy. For instance, their public employees were elected by themselves, they had the control of the accounts and budgets of the local entities and they didn't have to inform of their own accounts and budgets to anybody (nor to the Ministry of the Governance, nor to the Court of Auditors). Besides, they were in charge of a wide provincial road network and each territory had their own provincial police force (in Bizkaia and Alava, the Miñones and in Gipuzkoa the Miqueletes), they financed the provincial welfare service, they gave grants for Fine Arts studies, they supported professorships, as the one in Basque language at the Instituto Vizcaino, Farm schools and so on. Summing up, the maintenance of the system was based not only on the mutual interest of both parts but also on the efficiency the Deputations showed in the execution of their competences, which was supported by the good results they obtained. The fact that the new mass political parties of the end of the 19th century and the beginning of the 20th century criticized the administration carried out by the monarchist that used to have the control of the Deputations didn't mean they were against the Economic Agreement system as such. When



## *Concierto Económico*

these parties, socialist or nationalist, had a significant representation in the Deputation of Bizkaia, as a matter of fact, they did change some particular aspects concerning the administration but these changes never brought along a crisis of the agreed regime on the whole.

The changes in the Central Treasury involved amendments in the Agreement but the system soon turned out to be flexible enough to be amended. Therefore, after the first renovation of the Agreement in 1886, it had to be amended again, in 1893 because of several measures of reform implemented by German Gamazo, which finally led to the negotiation of a new Agreement the following year. From that moment, in 1894, the Ministry of the Treasury declared openly and officially the respect for the “economic and administrative independence” of the Deputations. By the nineties, the system settled down. In 1889, due to the war in Cuba and as a response to the demands of the Ministry to raise the Quota by means of some fix percentages of increase, the Deputations negotiated the payment of a Gift, just for that year, preventing the Quota from increasing in the following years. In 1900, as a consequence of the tax reform by Fernandez Villaverde, the Agreement was partially amended in order to agree a new tax figure, the Utilities Tax, which was mainly a tax on business profits. On this occasion, not only a new tax was added to the already agreed ones but also a clause was established by virtue of which the Basque companies set up so far, which operated in the rest of the State, had to pay taxes only to the Foral Deputations and not to the Ministry.

The more industrial and dynamic the Biscayan economy was, the stronger relation it had with the rest of the State. As a consequence, many companies started to have problems with their taxes as the Ministry was willing to tax on their profits generated in Common Territory, although it was impossible. A new Agreement was reached in 1906 and its validity was for a longer period than the usual one as it was signed for twenty years, with a little increase in 1916, after the first ten years of validity.

During the First World War (1914-1918), Spain was a neutral country and so, benefited from a high demand of products that the warring economies couldn't produce. This was the reason why prices remarkably rose. At the same time, some sectors of the Biscayan economy, i.e. maritime transport or iron and steel industry, obtained the highest ever seen profits. In such a way that, the Quota, which was agreed in 1906 in a completely different economic situation, was not then in line with the great economic benefits which were being obtained.

Although the Triano railway was not so profitable as before and even made losses due to the progressive decline of the mines it was giving service to, the Deputation of Bizkaia had huge collections from the Utilities Tariffs. The results were obvious: schools in suburbs were founded, the expenses on roads increased, the duties on basic and essential goods were lowered, new



## *Concierto Económico*

cultural institutions were set up and financed, i.e. the Sociedad de Estudios Vascos/Eusko Ikaskuntza, Euskaltzaindia and so on. All these factors provoked a situation, at the time of signing a new Agreement in 1928, which made difficult for the Deputations to put forward the poverty of the territories- traditional justification of the foral specificity- in order to pay a proportionally small Quota. During those twenty years (1906-1926), population and richness had remarkably increased and, therefore, the Ministry made an attempt to collect in an alternative way, leaving the Quota aside, which consisted in collecting part of the Tariffs from the companies which operated in the Common territory, though their domiciles were settled in the Basque territories.