

THE FINANCIAL  
POLICY OF THE  
GENERALITAT

DURING THE REVOLUTION AND THE WAR

19<sup>th</sup> JULY - 19<sup>th</sup> NOVEMBER



Generalitat of Catalonia

FINANCE DEPARTMENT

1936

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R. 9.133

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THE FINANCIAL  
POLICY OF THE  
GENERAL ALLIANCE  
SERIES OF REVIEWS AND THE YEAR

BY THE AUTHOR



1913

Generalist of Oxford

1913

*«In these lines, which constitute the heading of this work I want to spare every exposition that might justify the orientation and aims of our financial policy. I believe that they are expressive enough if they are judged while following step by step the progress of the facts and going deep into their nature. I have endeavoured that this book should explain our task clearly. This would be enough. But it suits me to remark that it has been always led by two well-defined thoughts, upon which the President of the Generalitat of Catalonia, Lluís Companys, has laid the greatest stress from the very beginning of the military rising. First, our best efforts have aimed at making a continual work: our resolutions have never resulted from a lack of co-ordination. Far from this, the reader will notice, as common to all of them, a connection and a continuity out of which the present and the future of the possibilities of our finance are strikingly arising whilst the work of the Government advances, fraught with difficulties and surrounded by reefs. Our second directing standard has been the eagerness, never diverted, to follow a clear policy, one displayed in full light, speaking aloud from the «Diari Oficial» that published not only the decrees of a general character but also the orders and regulations that, though might seem sometimes of little interest, had for us the great significance of bearing witness, to the smallest possible detail, on the policy of austerity and control that we wanted to impose, as long as permitted by the conditions of a country that had seen, in an instant, her life totally upset and which was, at every moment, on the point of falling headlong into a new difficulty.»*

*«This neat and clear policy, antagonistic of that policy of clandestinity often followed when the peoples suffer these grave collapses, is the pride of our action.»*

From the preface by JOSEP TARRADELLAS  
Premier and Financial Counsellor.

The Premier and Finance Minister of the Generalitat of Catalonia, Josep Tarradellas, has published just now, under the title of these pages, a splendid volume, a summary of the financial task of the Generalitat in the first four months of military rising.

The work of the Finance Department, dealt with in the mentioned volume with full precision of data, will be studied in days to come as a remarkable example of the economic strength of Catalonia. The specialists will find in the volume just now edited an extensive material for their studies. And the public in general will find, in the volume, data of an extraordinary interest on the financial life of the Generalitat and on the grave difficulties overcome during the struggle, already turned into history, against the military aggression. This extract will contribute to the diffusion of the contents of that important work patronized by the Counsellor Tarradellas.

The book is divided into five parts entitled: Scope of the problem; leading principles in the financial policy of the Generalitat; justification of the resolutions enacted by the Generalitat with regard to the arbitrament of capitals; task of financial methodical arrangement and control and unification of the financial functions. Nineteen states and graphs illustrate the text and make more intelligible its contents.

## I

### *SCOPE OF THE PROBLEM*

This chapter deals with the economic and social climate of Catalonia just before the outbreak of the military rising. After this it studies the gravity, volume and importance of the financial problems with which the unchaining of the revolution and the war confronted the Catalan Government.

It is known — says the volume we are commenting — that the Autonomy Law approved by the Cortes Constituyentes on the 15<sup>th</sup> September 1932, and in the arbitrations complementary to this Law, the finance of Catalonia was to be regulated on the basis of some entries depending, in the first place, on the successive execution of the transfers of services committed to the Mixed Commission regulated by the same Law.

Within the lapse of time relatively brief, comprised between the organization of that Mixed Commission and the events of the 6<sup>th</sup> October 1934, the formation of Catalan Finances could not attain either a complete organization or a solidity proportioned to the financial necessities of the autonomous Government of Catalonia.

As a consequence of the electoral victory of the 16<sup>th</sup> February of 1936, the constitutional normality was re-established, as far as the autonomous régime of Catalonia was concerned, and yet it was still impossible, continuing to be so till the 19<sup>th</sup> of last July, to achieve the organization of our finances or to face all the problems provoked by the fascist rising. It came upon at a moment in which the Generalitat of Catalonia not only lacked every sort of financial reserves but even the economic means called for by the services already transferred or by those which, in virtue of the Law of Autonomy, had to be handed to the Generalitat.

The available sources of collection, in that normality so deeply altered by the war, remained reduced to three general items: Tax on « cèdules personals » (1), integrated long ago into the finances of the extinguished Provincial Deputations; Land Tax, integrally allotted to the Generalitat by the Law of Autonomy; Inheritance Tax, equally assigned to the Generalitat by the autonomous Law.

As to the first one, the Generalitat was already in possession of the necessary elements for the organization of the collecting function connected with a tax since old ascribed to it; the Land tax and the Inheritance Tax could not reach that state of organization, necessary condition of their normal yield and this was so because the suspension of the autonomy that followed the events of the 6<sup>th</sup> October had not allowed the indispensable systematization and efficacy of the collecting functions corresponding to these two sources of revenues.

If nothing had happened, the financial difficulties deriving from the inconveniences that we have explained would have yet constituted by themselves a grave problem to face, given the lack of organization of the income sources and the very early stage of their working, the expenses considered of planning of a new autonomous régime. It is easy to understand, therefore, the magnitude that those difficulties would reach to, when, as a consequence of the violent disturbance of the 19<sup>th</sup> July, the mere possibility of drawing revenues was practically cancelled.

Tax on « Cèdules personals », Land Tax, Inheritance Tax are considered financial means incompatible with so profound an upheaval as we live in these moments.

These three revenues are the most important and the only really valuable

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(1) Official document, declaring the name, occupation, domicile, etc., of the bearer, and to serve for identification.

among those possessed by the Generalitat ; all the others, such as those from Services of Industry, revenues from property or securities, etc., are not taken into account in this comment because of their reduced contribution.

The examination of the data corresponding to the compared income of the three mentioned sources of entries, concerning the period July-November of last year and this, will be much more eloquent than any observation or comment.

Revenues of 1935 : 45.306,886,50 ptes.  
Revenues of 1936 : 9.435,253,52 ptes.

The fall in the collection of taxes becomes more grave due to the fabulous increase in the expenses that the book of the Finance Department accounts for with these words :

The popular reaction against the military rising called, in the first place, for the maintenance of the popular Militia. It was practically the whole army with all its armament, with all its reserves of ammunition and equipments, the one who, with insensate rebellion, rose against the people intent on crushing it. The people in the street, disarmed, in the first hours, prevented, with a heroic effort, the outrage from being committed all over the Catalan land, and, under the impulse of the enthusiasm for that initial triumph, it arose, as in a kind of spontaneous generation, the formation of the first columns that ran towards the sister lands of Aragon to exert their pressure upon the rebels, thus attaining the immobilization of numerous factious forces that would have represented, especially in the first days, a serious danger for the capital of the Republic.

Thus came into being the antifascist Militia, whose maintenance, with regard to subsidies, supplies of food and war material, involves a gross volume of expenses.

The conditions of this improvised army have not allowed an accurate statistical control, but, after the data we have been able to gather, we can safely put at sixty thousand the number of men voluntarily enlisted, not taking into account the nucleus given by the regular army.

The rebellion of the whole of the army was not backed by a considerable number of elements within the frame-work of the armed bodies that in Catalonia remained loyal to the lawful power and to the people's cause. Forces of

the army, the Guardia Nacional Republicana, the bodies of « Seguretat » and « Assalt », of « Carabiners » and « Mossos d'Esquadra » etc., fight side by side with our Militia and take an active and most important part in the war and have therefore the right to receive the extra pay corresponding to the campaign that the State satisfies all over Spain ; for this motive the Generalitat could not elude this expense, as can be verified in the data of the correspondent graph.

The human element equals to nothing in the army unless it is accompanied by consistent weapons and sets of tools. The supply of war material and equipments has only been possible through the undertaking of negotiations and enterprises of a truly exceptional character.

It does not lie within the narrow range of this exclusively financial report a survey on the activities of the Commission of War Industry, when they improvised, with the skilful, enthusiastic and abnegate collaboration of civilian and military experts and of the workers and syndical organizations of the metallurgy, the setting up and the development in Catalonia of an industry of war, with so effective an output that it will no doubt constitute, after the victory we all desire, an important asset in the economic wealth of Catalonia.

He who has not witnessed the thaumaturgical and sudden transfiguration of workshops and manufactures of the most varied objects into centres of production of all kinds of war material, cannot realize the magnitude of the efforts employed or the importance and successful attainments of the results obtained. A great expense was unavoidable nor could it be helped that the disarticulation entailed by so sudden a transformation and by the frenzied enthusiasm for working up it in a few hours would produce a greater volume in the expense required.

Besides, we must think of the absolute necessity to resort to foreign countries in order to acquire all the materials that cannot be made at home, not only with regard to war assets as such, but mainly for the acquisition of a good deal of products and raw materials with which our economy cannot dispense.

And as the currency problem was already very acute before the war began, it is not hard to understand the important difficulties that had to be overcome in order to secure those strictly indispensable to forestall the paralyzation of numerous commercial activities in Catalonia and to complete the supply of material, armament and ammunition needed by our improvised army.

A further aspect of the extraordinary expenditure originated in the war is the one related with the purveying, besides the army, of the civilian popu-

lation, as a consequence of the sudden collapse of normal sources that afforded food-stuff of several kinds.

It did not suffice to acquire these products, we were to receive and distribute them. The organization and sustainment of the services created to this purpose took for granted a quite important amount of expense.

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Jointly with the war, the Council of the Generalitat has had to face the wants involved in the sudden implantation of a new social order. The question of the payment of wages was to deserve, of course, the most preferent attention. Especially in the course of the first weeks, we could not afford to stop in front of legalist obstacles, thinking of the commanding necessity that the working people should have the necessary for their sustenance.

These considerations brought the organization of the Payment of Salaries Regulating Office and the creation of the Official Discount and Pignoration Bank.

Finally we might mention, among other causes of extraordinary expenditure, the creation and organization of Defence, Supply and Public Services Departments; the sudden incorporation to the Generalitat of functions and services constitutionally allotted to the State; the avalanche of obligations originated by the Culture services following the substitution of religious teaching and the creation of the New Unified School; from Interior Security, Economy, Social Assistance and from all Departments in general, the maintenance of popular justice, and many more expenses of temporary character, due all of them to the present abnormality.

All these expenses are detailed in the volume published by the Finance Department. Taking as a basis that same period from July to November in 1935 and 1936, we have:

#### EXPENSES

1935. — 25.457,869,74 pessetes

1936. — 213.101,969,88 pessetes

Graph nº 1, annexed to this extract, gives an exact idea of the comparison between revenues and expenses and besides of either distribution.

## II

*LEADING PRINCIPLES IN THE FINANCIAL POLICE  
OF THE GENERALITAT*

This second part of the important book we extract studies the regime of moratoria ; the regulation of credit in the Bank, Exchange and Saving ; the forwardings and credits for the payment of wages and raw materials and the problem of treasuring, which impairs so much our economy.

We cannot afford to reflect the contents of this important chapter with the desired extent. But we shall refer to that part concerned with the forwardings in the industry, to prevent its collapse that appeared as impending, certain and inexorable, in consideration that this part is the one that shows the best the gigantic effort of the Generalitat.

*PAYMENT OF SALARIES REGULATING OFFICE*

The volume of the loans effected by means of this Office, from the 25<sup>th</sup> of July to the 19<sup>th</sup> of November is somewhere near the 44.000,000 pessetes. The number of files of loans is 29,968.

To judge of the austerity as to the cost of this service, we must consider that the expenses of the Payment of Salaries Regulating Office, from its creation to the 30<sup>th</sup> of November, amount to pessetes 78,298,69 (51,298,69 personnel and 27,000 material and transports), which quantity represents a 0,17677 per 100 of the total circulation ; it should be noticed that the collection by means of the stamp of the Generalitat, divided into degrees after scale established according to the orders of payment met at the General Treasury, make up to-day absolutely for those expenses.

With the intervention of the Regulating Office, the Generalitat was enabled to assure to all citizens, industrious workers in workshops and factories and fighters in the street, their livelihood at a worthy level. Those ravages, customary followers of all bloody revolutions, did not happen here. The trading and industrial activities of our land are resuming, once more, that rhythm of work, the pledge of to-morrow's normalization of the intense economic life of Catalonia.

*OFFICIAL DISCOUNTS AND PIGNORATIONS BANK*

Many of the concerns which applied to the Payment of Salaries Regulating Office possessed, in their passets, elements susceptible of being accepted as guaranty of credit operations ; stock in hand of raw materials or manufactured products ; drafts and documents of credit liable of rebatement, goods and chattels and, lastly, landed property ; neither the private Banking nor the Bank of Spain itself could devote their attention to the study and execution of those operations of credit, especially involved in the circumstances provoked by the insurrection and that, for this reason, the Government of the Generalitat held it to be a duty to help the industrial and commercial enterprises which owning sufficient guaranties saw themselves orphan of an adequate instrument for their mobilisation. Such was, then, the basis of the Decree of the 28<sup>th</sup> of July, creating the Official Discount and Pignoration Bank, which began to work on the following 1<sup>st</sup> of August with so great an activity that in three months money has been advanced up to a total amount of 35.124,078,71 pessetes.

With the creation of the Bank, the Generalitat was endowed with a suitable instrument for the financial support of all the operations of issues of credit and other banking activities which might be convenient in order to meet any necessity imposed by the present circumstances.

On the period which expired on the 19<sup>th</sup> of November, the Official Discount and Pignoration Bank, provided by the Generalitat with an operation mass of 20.000,000 pessetes, has been able to make forwardings up to the amount of over 35.000,000 pessetes; and on the 19<sup>th</sup> of November it had given back to the Generalitat of Catalonia 12.265,666,50 pessetes, resulting, therefore, a balance in its favour of 22.858,402,21 pessetes, out of which sum, deducting the before mentioned operation mass of 20.000,000, a balance is left, on the 19<sup>th</sup> November, of 2.858,402,21 pessetes, which was cancelled on the following day and with excess, by the delivery that the Bank effected in the Treasury of the Generalitat, of 3.000,000 pessetes.

The 12.265,666,50 pessetes reimbursed up to the 19<sup>th</sup> November, may be classed under the three following items :

	Pessetes
Negotiations in the Bank of Spain . . . . .	7.620,000
Accredited accounts proceeding from instalments effected in the Bank . . . . .	1.085,666'50
Reimbursement of advance-moneys and loans granted by the institution . . . . .	3.560,000

We must take special notice of this last item of the account, granted in a short lapse of time, about two months, during which we were able to set about the initiation of the liquidation of its advances, a rather toilsome task. The before mentioned figure represents, as may be seen, nearly a ten per cent of the 35.124,078,71 pessetes, total amount of the advances effected.

The last chapter of this second part includes and comments those important dispositions of the Catalan Government which have as common object the repression of the hoarding of bank-notes, silver and gold. There is no need of pointing out all the gravity of this eagerness for hoarding which withdraws from the circulation the money indispensable to the life of the Nation and paves the way for the gravest economic disturbances.

### III

#### *JUSTIFICATION OF THE RESOLUTIONS ENACTED BY THE GENERALITAT WITH REGARD TO THE ARBITRAMENT OF CAPITALS*

##### *CATALONIA'S SHARE IN THE STRUGGLE AGAINST FASCISM*

In spite of the number, the importance and the volume of the questions and problems which the outbreak of the war meant to Catalonia's own life, the Government of the Generalitat, reflecting the unanimous feeling of their people, did not think, not even for a moment, of confining their activity within the strict territory of Catalonia. Making up, in an almost miraculous manner, for the lack of means, effecting the greatest effort and canalizing the initiatives and the spontaneous and enthusiast collaboration of Catalan municipalities and corporations, they have not grudge any sort of sacrifice in order to help, with all the means available, the brothers who in other territories of the Republic followed up the struggle against the common enemy.

It is known how Catalonia freed herself, in a few hours' time, from the domination of the insurgent military men. It will be possible to project one

day the epopee of this bloody strife within the serene and impartial frame of a historical comment ; on that day, it will be interesting to know the chroniclers' judgement when appreciating the decisive importance of the impressive crushing of the rebellion in the city of Barcelona and in all the territories of Catalonia.

It is easy to imagine the radical change of the situation in case the Army had succeeded to impose its strength on Catalonia. It is good to remember at least that it was only in Barcelona where the fascist folly was strangled in a few hours' time, thanks to the heroic effort of our people — let it be said with absolute clearness — with the generous offering of the lives of the Catalan fighters fallen at dawn and in the course of the early hours of the historic day of the 19<sup>th</sup> July, who without any kind of weapon at the beginning of the strife, with naked breast, with their fists, with a soul stronger than all the elements of war in the enemy's hands, crushed them with the magnificent gesture of the man who knows how to die as a defender of the life and dignity of his country.

It was the revenge, the vindication of that 6<sup>th</sup> of October, whose remembrance impelled our heroes to show to the world that Catalonia knows how to fight and how to triumph.

It is ever impossible to ascertain what would have become, should all that we see now as concluded and preterit have never happened. But it is not difficult to construct it imaginatively.

If Catalonia had been subdued for only one or two days, would the capital of the Republic and other lands of Spain have been able to react in order to turn quickly on the treason of that army who had been very careful in securing all the means and resources of coercion ?

On the contrary, the fulminating crushing obtained by our fighters was doubtless the secret of the success, all over the Republic, of the reaction of the popular masses.

We need to grasp, all through its depth, the transcendency of the defeat and capture of general Goded, one of the most outstanding chiefs of the factious movement.

It must be indeed admitted that the illustrious President of Catalonia succeeded in cancelling, in a sufficient measure and even with excess, the sorrow of that historic 6<sup>th</sup> of October.

Who is able to ignore the immeasurable political value of the statement that our President Lluís Companys obtained from the factious chief, when the latter broadcast his failure to the rebel forces and to the whole world ?

It is enough to remember the deepest emotion amidst which it was listened all over Catalonia and the Republic and the world over by all who could hear those words from the general beaten and prisoner : « Fate has been adverse to me » and the intimation that followed seeking an instant surrender so that it could be spared the loss of lives and bloodshed, in favour of a cause which was definitely defeated ever since the beginning of the fight.

Were it possible, then, to establish in these moments a balance of Catalonia's contribution to the fight against fascism, little effort would be required for ascertaining the quite considerable amount represented by the sweeping victory of Barcelona, the surrender and the capture of general Goded and the other responsible chiefs ; the balance would, in any case, be settled in our favour and the importance and volume of any items with which our account might be charged would not make any difference to the outcome of the operation.

Reality, though, and further deeds of our people and their Government leave little possibility as to these charges being effected ; all the contrary.

After that splendid victory, Catalonia, even heeding the injunctions of such a respectable instinct as the one of the own conservation and defence, might have confined her actuation to the solving of her internal problems and to the securing and perfection of all her elements of defence against possible attacks.

Such a course of action would not have compromised the public finance of Catalonia, nor would have led the Generalitat to the present jungle of concern, anguish and complications.

Such a selfish conception has never been the determining motive behind either the patriotic but universal sense or Catalonia's fervour in the defence of her national personality.

And thus, when she had freed her own territory from the rebels, Catalonia undertook the offensive in the Aragonese front, and prevented the enemy, who were at the time concentrating forces in Aragon, from launching an attack against Madrid and shortly after, together with the brothers of Valencia, she prepared and initiated that expedition to the Balearic Islands, so heroically begun and afterwards abandoned, for reasons and motives which for discretion's sake cannot be now disclosed. And with the expedition of other forces and columns to the several sectors of the war front, offering generously her sons' blood, she bore out the totalitarian character of the litigation which is just now being decided.

In the moral order, this effective contribution of the Catalans in the

fight in all sectors has to be laid on a first plane of consideration, for life's worth escapes the arithmetical estimation.

While the number of our fellow-citizens who have cooperated in the fight is respectable with regard to the proportion in which Catalonia is concerned, in the total of the population of the territories of the Republic which have remained true to the cause of liberty, in the material order of supply of assets, arms, and stocks of all sorts, the balance has so great an importance that, as we pointed out before, it is not possible to develop it within the reduced frame of this work.

In the Central and Northern sectors, in Irun mainly, in Eastern Spain, in Andalusia, everywhere, the products and the material, the assets and provisions collected by the enthusiasm, the effort and the collaboration of all Catalans, in all places of the Republic, have borne witness, in a conclusive and indelible manner, to that magnificent spirit of solidarity which we want to see confirmed and set off, if possible, with greater strength, when the splendours of the final victory will illumine a new organization of the peoples of the peninsula, in which unity, brotherhood and mutual understanding will be obtained as a consequence of the total, definitive and complete recognition of their national personality.

#### *NEGOTIATIONS AND DEALINGS WITH THE GOVERNEMENT OF THE REPUBLIC*

From the contents of the considerations and data up to now recorded, the scope of the problem which the Council of the Generalitat had to face in the financial order can be easily grasped.

Immediately after the uprising, one had the impression that the struggle against fascism could last only for a short time and, in order to meet the expenses already reported — which in no case at all could be imputable to the Generalitat — the Government of Catalonia applied to the Delegation of the State Treasury in Barcelona and to the branch of the Bank of Spain in this same city, where they found, momentarily (let it be said to the honour of the persons who are at the head of this organism) the convenient facilities as to the solution of the conflict entailed by the appointment of the sums which had to meet those expenses.

The struggle acquired wide proportions so that the problems awaiting a solution became of such a magnitude that the Government of the Generalitat

understood that neither themselves nor the Catalan municipalities which since the first instant bore their share of expenses, could not go on bleeding in such a way, for the nature and the importance of the needs which were to be satisfied called for the end of that system, maybe depressing to the dignity of the Government of the Generalitat, of applying in request of help to the officials and organisms of the State or to the Bank of Spain. It was really a question of a problem of government.

The large and generous contribution of Catalonia to the war, in the different aspects and in all sectors of the strife, remained explained in the precedent chapter. Not even for a moment the Government of the Generalitat confined their activity under the influence of selfish considerations or for the sake of Catalonia's exclusive interest. The struggle had a higher significance. Not only the Catalan interests, but indeed the defence of the democratic régime of the Republic was at stake, and we have later seen how the interest of the dispute has taken an international character, which puts face to face two antagonistic conceptions of the juridical, economic and social organization of human communities. Fascism on one side ; on the other, the defence of the indefeasible rights of the people's sovereignty.

The Government of the Generalitat, with full conscience of their responsibility, behaved from the very beginning in accordance with the convenience of acting in the most perfect harmony with the Government of the Republic, so that the financial difficulties arisen from the war should be obviated.

The Financial Counsellor, keeping continually in touch with the Minister of Finance of the Republic, took care of underlining the very grave situation in which the finances of the Generalitat found themselves. As a consequence of the continuous claims of our Government, the Cabinet of the Republic despatched to Barcelona the Minister of Labour, conferring full powers on him with the object that he should be enabled to solve the before mentioned conflict in accordance with the Generalitat. The stay of the Minister in Barcelona gave occasion for laborious talks and negotiations, which could not crystallize however into a solution of practical efficiency.

Meanwhile the situation of Catalonia in the financial order was becoming truly intolerable. Our forces in the Aragonese front could not act with military efficacy owing to the lack of arms and ammunition. And behind the lines, the horizon was becoming darker every minute when the stoppage of thousands of workers employed in industries menaced by complete paralyzation, through the lack of raw materials, appeared as impending.

In the times of relative normality that went before the fascist uprising,

it was already very difficult to obtain foreign currency, destined to the payment of these products and raw materials of forced importation.

Well then ; with the present abnormality these difficulties have trebled in such a way that in the four months' period, comprised between July 19 and November 19 (120 days) the whole currency ordered represents approximately 100.000,000 francs ; while before the 19<sup>th</sup> of July, the average of the currency employed in payments of imported products ranged, in a trimester (90 days) between 300 and 400 million francs. In 1934, from April to July, the solicited currency represents 305.438,375 francs ; in the same period of 1935, 377.612,809 francs ; in the same period of 1936, 377.724,658, and from the 19<sup>th</sup> July to the 19<sup>th</sup> November, 107.354,257 francs.

The examination of the graphs published after this chapter will give a very accurate idea of the vertical fall observed during the last four months in all the operations of our exterior trade of imports.

The unrest of our traders and industrial men has turned into sorrowful disappointment on seeing how the spheres of the Government of the Republic missed the fit solutions to avoid so grave an impairment of our economy.

Simultaneously, an anguishing atmosphere was being produced in the international situation. The purchases of arms and ammunitions which in the first weeks of the movement could have been effected by the Government of the Republic without impediments of any sort, because those of a formal nature which diplomacy has afterwards accumulated did not exist at that moment, became practically impossible to the Generalitat if this could not dispose of funds for cash payments.

In one word : the Government of the Generalitat could not hesitate any longer ; it was necessary to appoint those funds without stopping at redtape scruples, which do not match with the urgency of the needs that were to be attended to.

It ought not to be accepted the responsibility of the sudden collapse of our forces in the front and the cataclysm of the most serious alterations in public order and in the internal peace of Catalonia, events which would have become unavoidable if the Government had divulged that they were absolutely unable to afford the money necessitated by the situation.

Impulsed, then, by this unquestionable reason, the Government of the Generalitat decided to send to that of the Republic a note which disclosed without circumlocutions, as circumstances required, and with entire loyalty, the financial problem which the war had created in Catalonia. Towards the end of August, the Minister *ad interim* of Finance communicated to the Gover-

nor of the Bank of Spain, with the request of sending it as soon as possible to the Government of the Republic, the before mentioned note full of sincere fealty, in which was described that situation and urgent claims were made on the following points :

First — Opening of a direct credit, at the exclusive disposal of the Government of the Generalitat, of 50.000,000 pessetes, quantity which was to be destined to the payment of the expenses occasioned by the front of battle, to the sustenance of the Militia of Catalonia, to the supply of all equipments and material of war manufactured for our front of Aragon and for the military campaign in Majorca.

Second. — Opening, on behalf of the Government of the Generalitat, of a credit up to 30.000,000 francs placed in Paris, in order that they could buy the materials which Catalonia wants : such as steel and different products.

Third. — That the Government of the Generalitat should be empowered to the effect that, in accordance with the Official Centre of Currency Transactions, they could authorise in Catalonia the acquisition of currency up to the amount of 100.000,000 pessetes, thought indispensable for the acquisition, with urgent and peremptory character, of the first shipments of raw materials, in order not to stop the work of Catalan industry and the importation trade of our lands, in the understanding that the Government of the Generalitat bind themselves, after the principles of the book-keeping law, to duly account for the inversion of the amount requested and moreover to send daily to the Government of the Republic, should these think it fit, a relation of the payments effected to the debit of those advances.

In spite of the clinching text of the note, of the urgency with which it was sent and of its demand for an instant and satisfactory reply, days went by and the Council of the Generalitat did not get any answer.

On the other hand, the believe that one could not at all depend on the Government of the Republic was strengthened by a telegram from the General Direction of the Treasury to the Delegation of the State Treasury in Barcelona, where it was received on the 22<sup>th</sup> of August. Its wording was as follows : « In fulfilment of ministerial order communicated yesterday to this centre, dispose that on next Monday, 24<sup>th</sup>, precisely, it be settled by this Treasury to the Bank of Spain, with attribution to Drafts and Securities deliveries in coin to the Bank of Spain, the amount of 373 million 176 thousand and ten pesetas gold, import of the gold balance of the Treasury and that of sixty million silver for their entry into the central Treasury, the necessary aids being posteriorly effected when Delegation will want them ».

It was not difficult for the Council of the Generalitat to get a complete and prompt knowledge of the quoted telegram and to appreciate, naturally, all the importance and transcendency which the gravity of the circumstances lent to it. And the Council was not the only who knew this fact, for the close connection that in all moments, and through the respective personnel, exists between the affiliated to the diverse syndical organizations, made it possible that the contents of the message referred to was known and commented in all sectors of the workers' organizations.

The Government of the Generalitat tried to get, through the channel of the Treasury Delegate in Barcelona, some explanation as to the scope of that telegraphic order, which could mean diffidence not only with regard to the Delegate himself but towards the Government of the Generalitat.

The Delegate, who was perfectly aware of all the negotiations kept up with the Government of the Republic with the aim of regulating the relations with the Ministries of War and Finance and who, for his own part, had made the convenient indications to the Under-secretary of the Financial Department, conferred with the Under-secretaryship, and they made clear in that Department that the order given had no other scope besides centralizing the disposition of gold and silver in order to avoid that they should be left to the disposal of private persons with a hoarding purpose, but that it did not call for the transfer of the cash to Madrid.

Notwithstanding this explanation, the Counsellor of Finance laid again the stress, through the Delegate, on the circumstance that the order of the Government of the Republic meant in fact a hindrance for the disposition of funds in Barcelona, making thus more difficult to meet the ordinary expenses and also the urgent ones of an extraordinary character, indispensable to the defence of the régime.

Eventually, the Madrid Government left to the decision of the Treasury Delegation the matter concerning the exact amount that was to remain at the latter's disposal and also the provision of the necessary measures to avoid unlawful hoarding and the Delegation of Barcelona answered officially, in this sense, the telegram they had received from the General Director of the Exchequer.

The attitude of the Government of the Republic was not, however, modified, and on the 26<sup>th</sup> of August the General Direction transmitted a new telegraphic message to the Treasury Delegation as a reminder of the order of centralization previously given. In view of this the Counsellor of Finance had to inform the Delegate, as a representative of the Council of the Generalitat

and on their behalf, that they did not find themselves in a position to authorise the legalization of the operation ordered from Madrid.

In short, not only the requested facilities did not come but instead a new complication was being created which jeopardised the free disposability of the reserves of currency existent in Catalonia.

After an accurate and serene study of the whole problem with all its implications by the Council of the Generalitat and a close examination of all those considerations out of which some principles of orientation were likely to follow, the Government of the Generalitat did not find themselves in a position enabling them to choose.

It was the Government of the Generalitat the organism mainly concerned by the problems of our people, the one that could gauge and appreciate their seriousness and reach, the one that was directly responsible, before the popular masses who had routed fascism in Catalonia, for the supply of those resorts necessitated by wants whose satisfaction could not be any longer deferred. Those fighters who offered their lives for Catalonia and the Republic could not be forsaken and left without arms and ammunitions. It could not be tolerated, conscientiously, the unchaining of a cataclysm which appeared as fatal before the Government of the Generalitat, by means of the Payment of Salaries Regulating Office, had made sure the disposability of the means which had as an end that the workers' hearths should not lack anything essential. Briefly : the Government, seeing projected on themselves all the commitments and duties which are the State's own, could not fold their arms and have recourse to a subtlety of jurisdictional competence of functions and look on the unavoidable, simultaneous and frightful combination of a military disaster and an economic and social conflict. Well then : the Government of the Generalitat, without eluding any of the commitments and duties that circumstances put on their shoulders, if they were to face State conflicts, it was logical and consistent that they should dispose in order to solve them (on the classic and solid juridical basis of a « negotiorum gestio ») of the funds corresponding to the work that they indefectibly had to carry out.

We have already explained how the own revenues of the Generalitat, which are mainly the Tax on « Cèdules personals », the Inheritance Tax and the Land Tax, could not face the extraordinary volume of the expenses originated by the war. From July 19 to November 19, the amount collected for these three concepts only was 9.435,252,56 pessetes, and with graph nº 1 in sight it is easy to realise the enormous disproportion existent between this figure and the total import of the extraordinary expenses, over 200.000,000 pessetes.

On the contrary, the sources of income corresponding to the State bore still in Catalonia in the same period a total collecting of 80.305,613 pessetes, whose detail can be examined in the corresponding graph and state.

On the other hand, the account of the Treasury in the Bank of Spain in Barcelona, though it showed in its movement, reflected on graph nº 19, the consequences of the economic and financial abnormality, was for the Government of the Generalitat the suitable means in order to secure the indispensable funds to face the necessities imposed by the circumstances.

And it was for all these reasons that they were agreed upon and presently carried out by the Council of the Generalitat the resolutions which we are going to examine.

#### *INTERVENTION OF THE BANK OF SPAIN AND OF THE DELEGATIONS OF THE TREASURY*

The Government of the Generalitat, decidedly determined to prevent that the economic life of Catalonia should be disturbed by lack of funds, approved, on proposal of the Financial Counsellor, the Decrees of the 27<sup>th</sup> August, published in the extraordinary number of the Official Diary of the following day, concerning the intervention of the Bank of Spain and of the Delegations of the Treasury in Catalonia.

The basis of these dispositions, more than justified by the reasons previously expounded, is to be found in the preface of the respective Decrees, for the necessity to defend the economic life of the country with the coordination of all the financial, commercial and banking activities.

With these interventions, the Government of the Generalitat solved, jointly, a question which affected their dignity and covered themselves, at the same time, as to the responsibility of not leaving the peremptory needs of Catalonia without an instant satisfaction.

The intervention, as to the Bank of Spain, was realised by means of the designation of a Commissary of the Generalitat appointed by the Counsellor of Finances, to intervene the branch of the Bank of Spain in Barcelona, and by the appointment, on the proposal of the same general Commissary, of other delegate commissaries to discharge this intervention in the remaining branches of the Bank of Spain in Catalonia.

By Decree of the same date of August 27, the general Comptroller of the Generalitat was appointed Commissary of the Generalitat of Catalonia in the branch of the Bank of Spain in Barcelona, his functions were fixed and it was commended to him, as may be seen in the text of the mentioned Decree, the establishment of a state of general situation and of liquidity of the branch ; the determinations of the financial policy of the establishment ; the control of all the operations and banking activities with the power to stop their execution ; the direction of the services of administration and organization of the branch and, finally, the proposal to the Department of Finance, of the modifications and innovations which might appear as necessary for a better guaranty of the régime and the efficacy of the services.

The intervention, as to the branches of the Bank of Spain in the rest of Catalonia, was ordered and regulated by order of the 28<sup>th</sup> August, in which the Delegates of the Commissary of the Generalitat in the Bank of Spain, in the branches of Tarragona, Girona, Lleida, Reus and Tortosa are appointed and the following functions are commended to them : the establishment of states of situation and liquidity of the respective branches, the former having to be transmitted within the twelve hours following the taking of the charge and the latter within the term and in the form that the Generalitat will fix ; the execution of the instructions and orders of the General Commissariat and the obligation to send it the informations relating to all the activities of the respective branch, with the faculty to stop, when they think it convenient, the execution of the dispositions of the directing personnel as long as the Commissariat does not give a definitive resolution ; and the proposal, to the same Commissariat, of the innovations, modifications or alterations which for the better guaranty and efficacy of the services have to be introduced.

\*

As to the intervention of the Delegations of the Treasury, apart from the Decree already commented of the 27<sup>th</sup> August, it was articulated in the whole of orders that referred to the appointment and separation of personnel, realised in accordance and on the proposal of the Commissary of the Generalitat and Treasury Delegate of the State, whose collaboration is to be mentioned, in an special and honourable way, for the loyalty, nobleness and activity with which he has always seconded the task of the Financial Department coordinating it with the scrupulous and strict fulfilment of his duties as a Delegate of the State Treasury.

The desire to reproduce with the utmost extent the relations of the Government of the Generalitat with that of the Republic, owing to their enormous political importance, prevent us from reproducing other items dealt with in the book of the Financial Department: Extraordinary credits and situation of funds and everything concerning the task of methodical arrangement and financial control, which constitute the fourth part of the work. The reader will understand that the choice could not be avoided, since we are not to go beyond the proportions of a fascicle.

## IV

*THE PRESENT POSITION OF THE GENERALITAT  
IN THE FINANCIAL ASPECT, WITH RESPECT  
TO THE GOVERNMENT OF THE REPUBLIC*

The measures which the gravity of the circumstances, explained in detail in previous chapters, imposed upon the Government of the Generalitat, specially those in connection with the intervention of the Bank of Spain and of the Delegations of the Treasury, produced some expectation and even reticences and coldness in the relations between the Government of the Republic and that of the Generalitat.

Such a situation was certainly not the most desirable in moments in which the coordination of all the efforts is necessary: and as the strain could not be prolonged, the Government of the Republic sent to Barcelona the Under-Secretary of the Presidency of the Cabinet, Mr. Esplà, whose negotiations had hardly begun when they were interrupted by the ministerial crisis that brought about the formation of the Government presided by Mr. Largo Caballero.

With the new Government the difficulties did not disappear.

The rarefaction persisted in the atmosphere which environed all relations of both Governments, and the aggravation and, above all, the permanence and the duration, which could not be foreseen, of the struggle which was already evolving towards a dreadful civil war, made still more necessary to seek the means of reaching the whole compenetration of the leading and responsible elements of Madrid and Barcelona.

It was not logical that while in the front there was a heroic confraternity, in the rearguard and in those places of utmost responsibility reserves and acts of mistrust should last, whose consequences entailed remarkable dangers.

On the other hand, the Government of Catalonia could not submit themselves to protocolarian considerations, because it was the circumstances which demanded, with the crudity of a manifest reality, expeditive solutions to secure the funds necessary to the satisfaction of those realities.

And, in fact, some days after the publication of the Decrees concerning the interventions of the Bank of Spain and of the Delegations of the Treasury, the Official Diary of the Generalitat of Catalonia published the resolutions corresponding to the opening of credits and the circulation of the necessary funds.

For all these motives and for others of political and even military nature, which it is not adequate to detail, the Council of the Generalitat resolved that the minister in charge of the Department of Economy and Public Services and Counsellor *ad interim* of Finance, Mr. Terradelles, should go to Madrid to get in touch with the Government of the Republic and to solve the diverse affairs pending between both Governments.

It is interesting to recognise that the convenience and even the necessity of establishing this relation was shared by the Government of the Republic, so much so that coinciding precisely with the journey of the representative of the Catalan Government to Madrid, that of the Republic was sending to Barcelona the Under-Secretary of the Treasury.

It is not necessary to detail in these moments the whole process of the difficult negotiations realised in both capitals and the interviews held with the Minister of the Treasury and with the Premier of the Madrid Government, simultaneous to the negotiations effected in Barcelona by the Under-Secretary, who was still able to confer with the Counsellor of Finances of the Generalitat after the latter's return from Madrid.

We deem sufficient to note that the practical results of those negotiations may be laid down in the following points.

First. — Riddance of the embargo to which 36,000 pounds, sent to Paris by the Generalitat, had been submitted by the Spanish Embassy in the French capital.

Second. — Confirmation of the Decrees of the Generalitat concerning operations of credit through the Bank of Spain and the Official Centre of Currency Transactions.

Third. — Recognition of the faculties of the Counsellor of Finance of the Generalitat which enable him for authorising, through the Delegation of the Official Centre of Currency Transactions in Barcelona, and in accordance with the binding principles, the operations of foreign currency necessary to the commerce and to the industry of Catalonia.

\*

Posteriorly, the policy of the Generalitat, in the financial aspect, could only be one of granting of extraordinary credits and the obtention of funds from the Bank of Spain and the Delegation of the Treasury in the measure, form, terms, proportions and amount which, with the most complete fealty and detail, have remained designated in the dispositions and states which have been the object of study and comment in the chapters XI and XII of this work.

As it is natural, it has been and continues to be a preoccupation and a desire of both Governments the attainment of those formulas which would make possible the legalization of a financial situation which, being absolutely diaphanous in its realization, has lacked, up to the present moment, what we may call a legal form.

This desire and this preoccupation have been the reason of the continuance of constant talks and negotiations which lastly determined the Premier and Financial Counsellor's journey to Valencia, in order to hold interesting interviews with the Premier and Minister of the Treasury of the Republic.

It does not yet exist, to-day, a coincidence of appreciation of the legal formulas that might be utilized for the definitive normalization of the situation explained.

The Government of the Republic express their desire to give momentarily to the advances of the Bank of Spain and of the Delegation of the Treasury obtained by the Generalitat, the character of loans granted on the latter and which the State is willing to indorse.

The Council of the Generalitat, in defence of the interests and of the liberty of the economy of Catalonia in a near future do not hold it to be convenient to accept the constitution, to the debit of the Generalitat, of a debt which was just created in order to attend to obligations which are, in conclusion, the State's own.

We have explained in the previous chapter IX and we have reflected throughout this work, the just reasons which have originated the decisions taken in financial matters by the Council of the Generalitat.

We have even pointed out that these decisions are supported by a juridical basis, clear, solid and indisputable : it is the basis that corresponds, as we have already recorded in the chapter referred to, to the juridical formula of « negotiorum gestio », and there is no possible doubt as to the fact that this juridical formula is the one that punctually fits the reality of the facts and the circumstances which have led the Council of the Generalitat to take those measures so many times commented.

The Council of the Generalitat, not fancifully, but in fulfilment of sacred duties and to save responsibilities of quite manifest consideration, have exerted, since the initiation of the fascist uprising, in the territory of Catalonia and in all the other territories occupied by our forces, functions characteristic of the State. On performing them they have had to secure the necessary means to satisfy the needs which came out from these same functions.

They did not rely nor could be expected to rely upon means of their own for the fulfilment of this charge ; in the execution of this « negotiorum gestio » and in the management of State functions which circumstances put in their hands, they had neither remedy nor solution left besides that of making use of the means adequate to the affairs that they were managing : in this case the means of the State.

If we rightly apply this same juridical doctrine, the manager has the unquestionable right of being reimbursed of the useful and necessary expenses, provided it can be proved that he has discharged his duty with due zeal and intelligence ; no doubt can be felt as to the right that the Generalitat possesses of having recognised as corresponding to the State all the expenses which have taken origin in the performance of functions and in the fulfilment of obligations which corresponded to the same State.

This is not the suitable moment for dealing thoroughly with this question, whose discussion and handling must be left to the responsibility of the Governments concerned. The necessary thing was to save the peremptory situations and to solve with the necessary urgency and with the indispensable spirit of righteousness and even of possible economy the satisfaction of the urgent necessities imposed by the circumstances. When one has acted under the impulse of sacred interests and at the service of the loftiest ideals, no misgivings can be felt as to the possibility of finding in the opportune moment the formula which will legalize and justify all the acts and operations performed with that superior finality.

The last part of the book analyses the Decree of exceptional faculties. This was indispensable after four months of bloody struggle and of life worried by the accumulation of so many problems and questions.

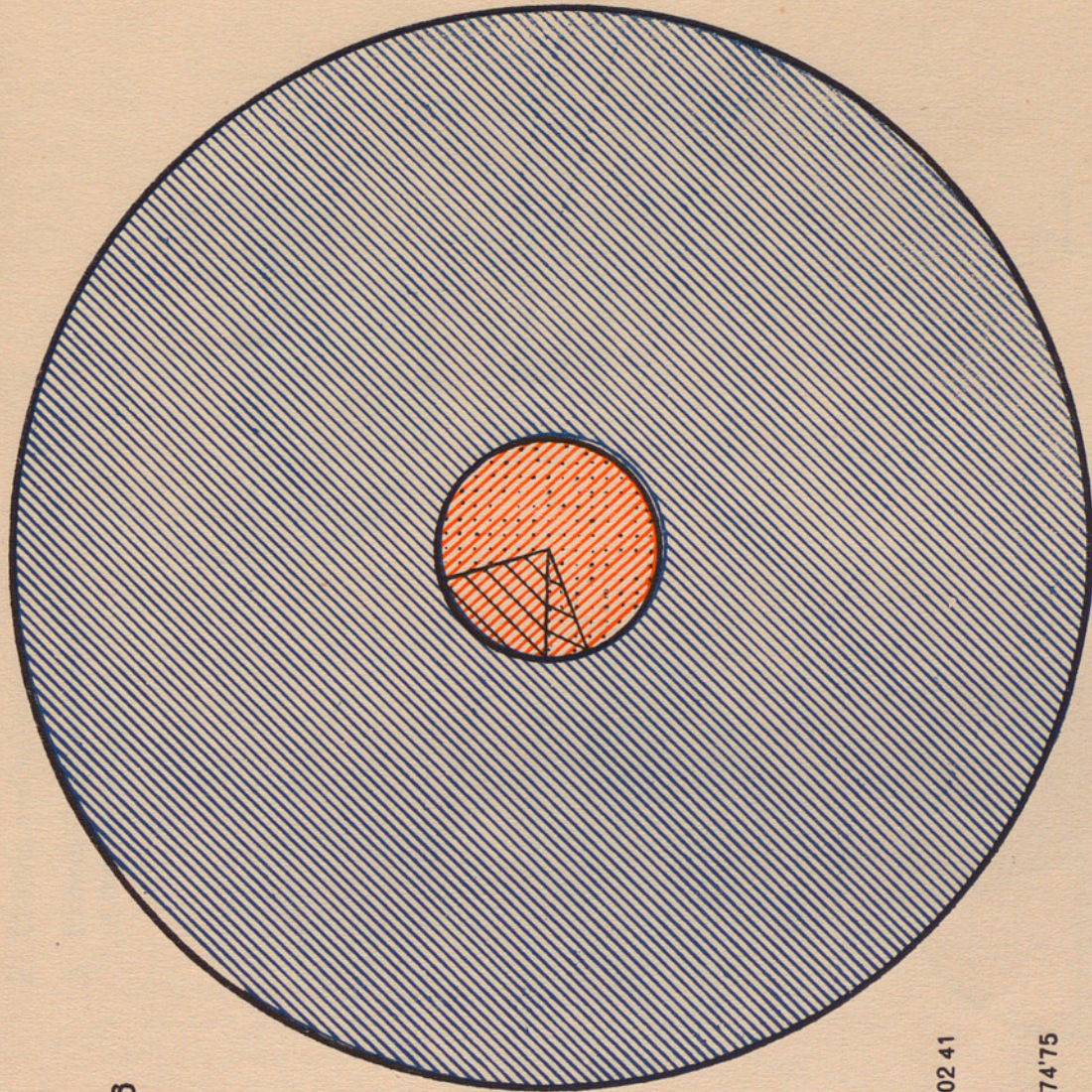
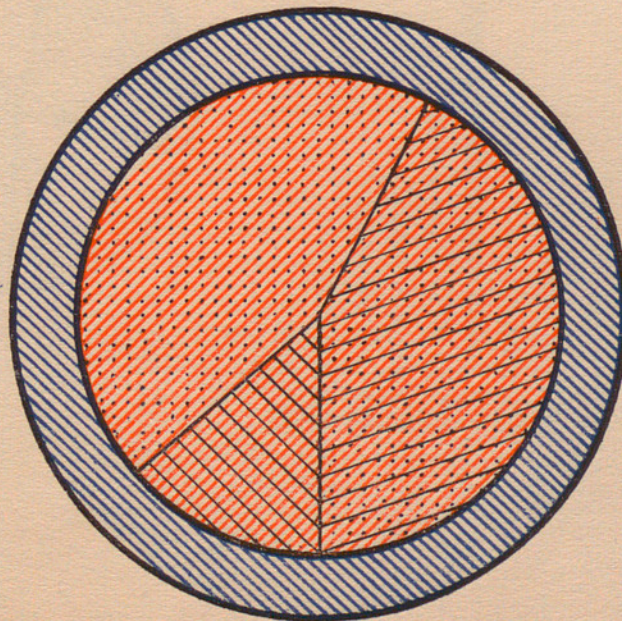
And it ends with this consideration :

Let it be permitted to us, as a final consideration, the intimate avow that the examination of the task up to now done gives us courage to sustain the effort required in order to continue the work begun and to achieve what has not been yet carried out.

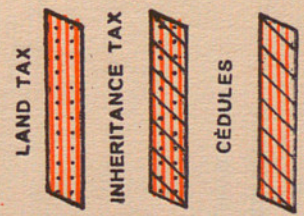
We only should want to feel ourselves accompanied by all the Catalonians in the resolute and stern endeavour of carrying on with the task with greater order, with total and perfect discipline, with the utmost sacrifice and the severest austerity. And then, with all the responsibility of the place of honour and danger whose discharge has fallen to our lot, with the eyes fixed in the future of the Fatherland, we would fain gloss once again the most pleasing words of the President of the Catalonians : « For Catalonia, for the Republic, for the liberty, forward ! ».

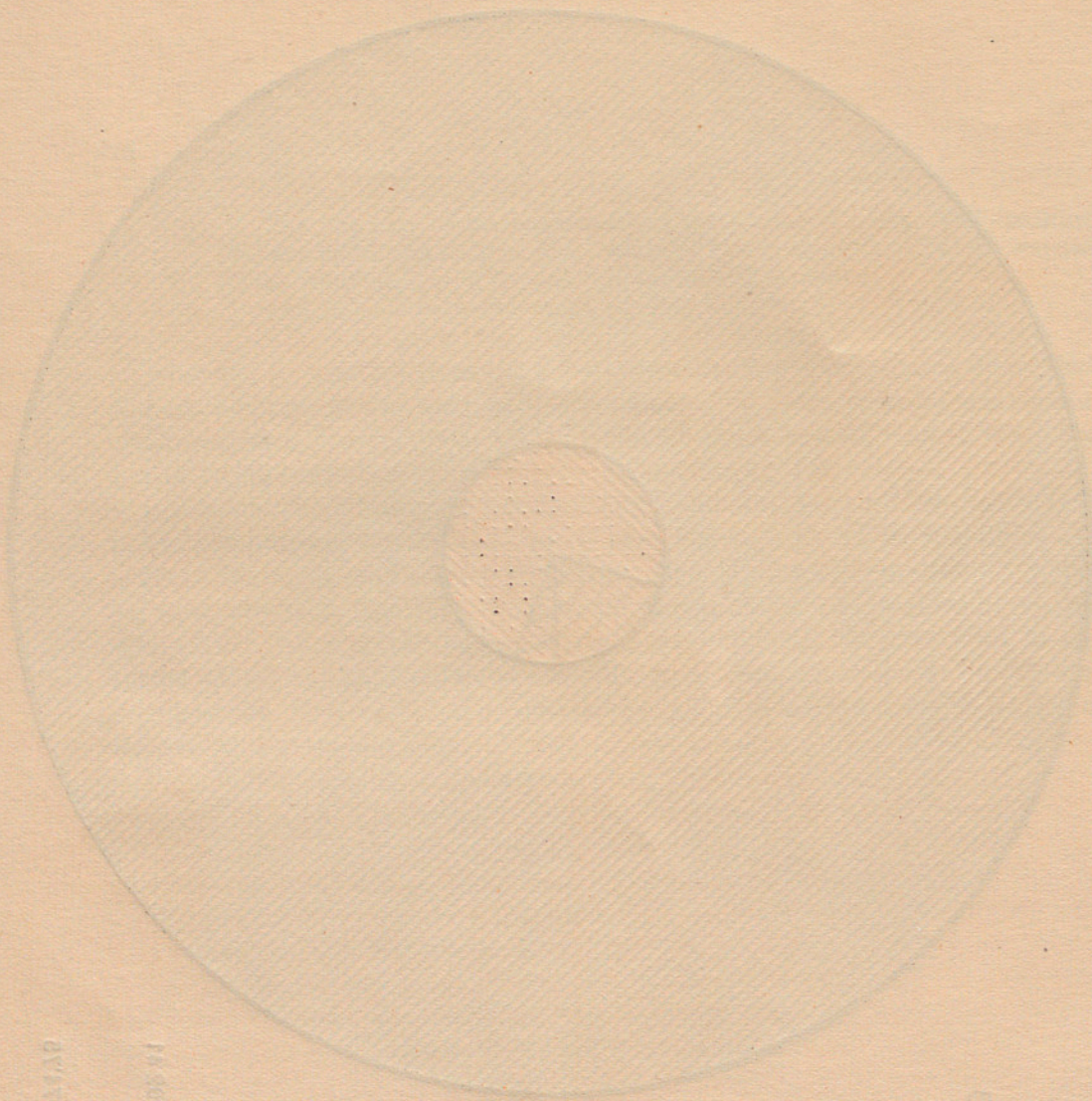
# Main revenues and expenses of the Generalitat in the period 19 July - 19 November

1935 { **45.306,886'50** Revenues **9.435,253'52** } 1936  
 { 25.457,869'74 Expenses 213.101,960'88 }



Detail of the revenues	
1935	1936
19.774,799'00	6.936,302'41
19.353,299'00	579,174'75
6.178,788'50	1.919,776'36





1850  
1851  
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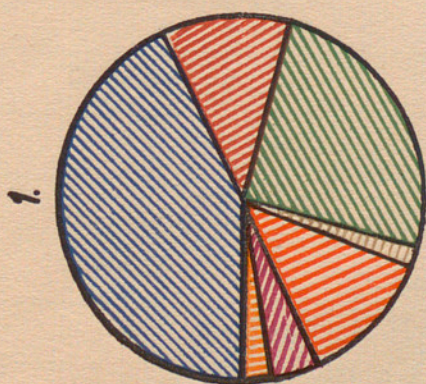


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1899  
1900

# General summary of expenses

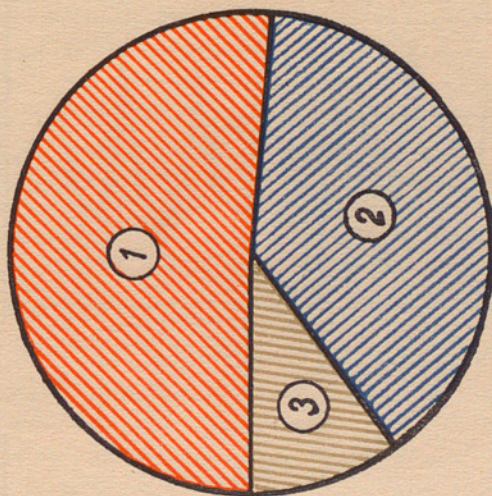
1. War
2. Credits and salaries
3. Extraordinary expenses of the Departments



1. Militia
2. Public Force
3. War Industries
4. Interior Safety
5. Supply of Provisions
6. Commissariats and Municipalities
7. Sanity



1. Discounts Bank
2. Office of Salaries
3. Sent to Girona



1. Economy
2. Public Services
3. Social Assistance



1. Agricultural Credit
2. Justice
3. Culture



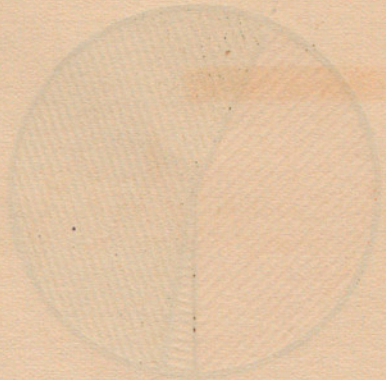
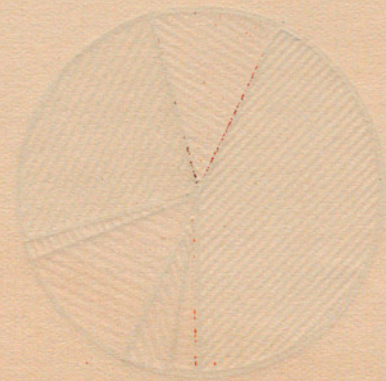
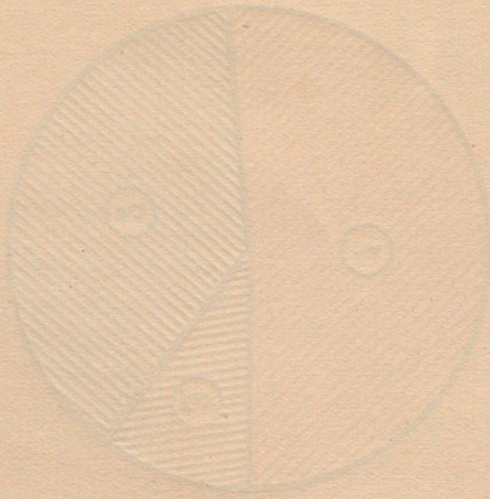
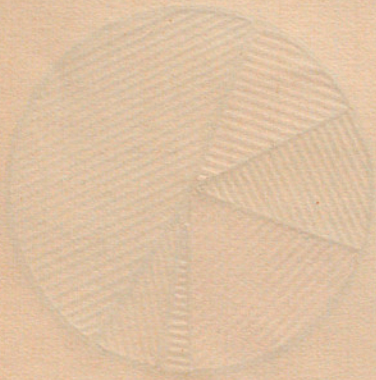





















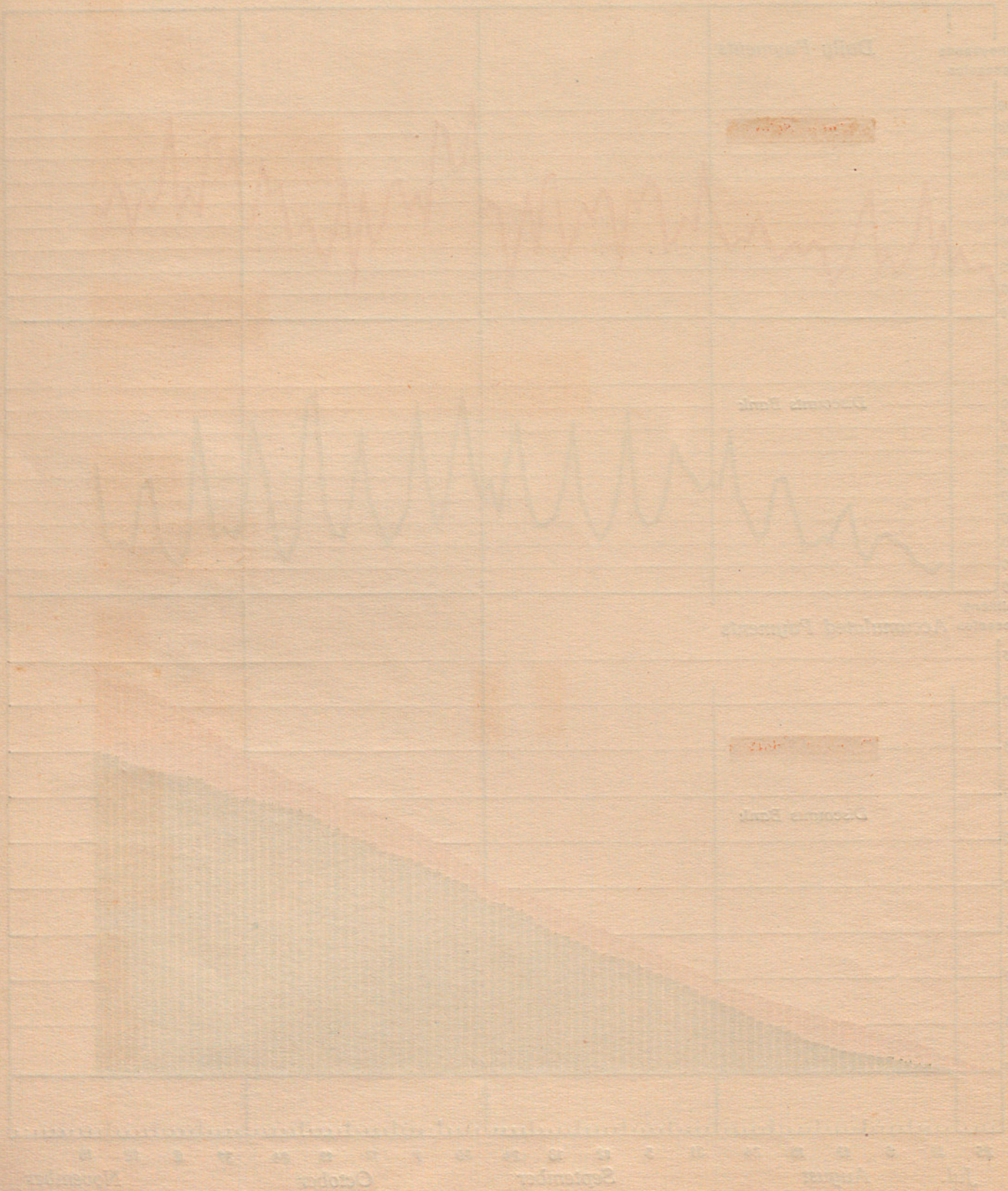




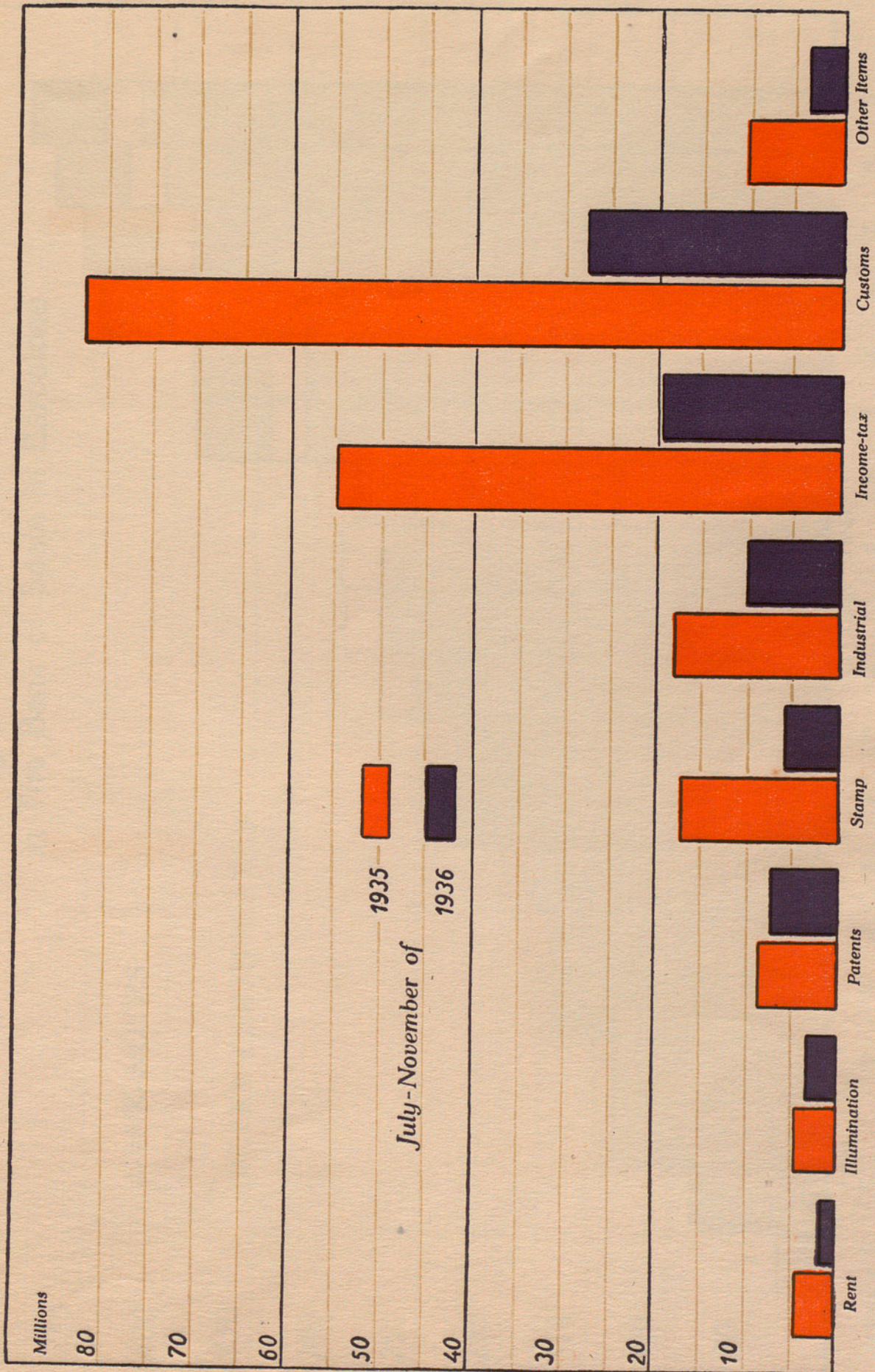

# Summary of Payments

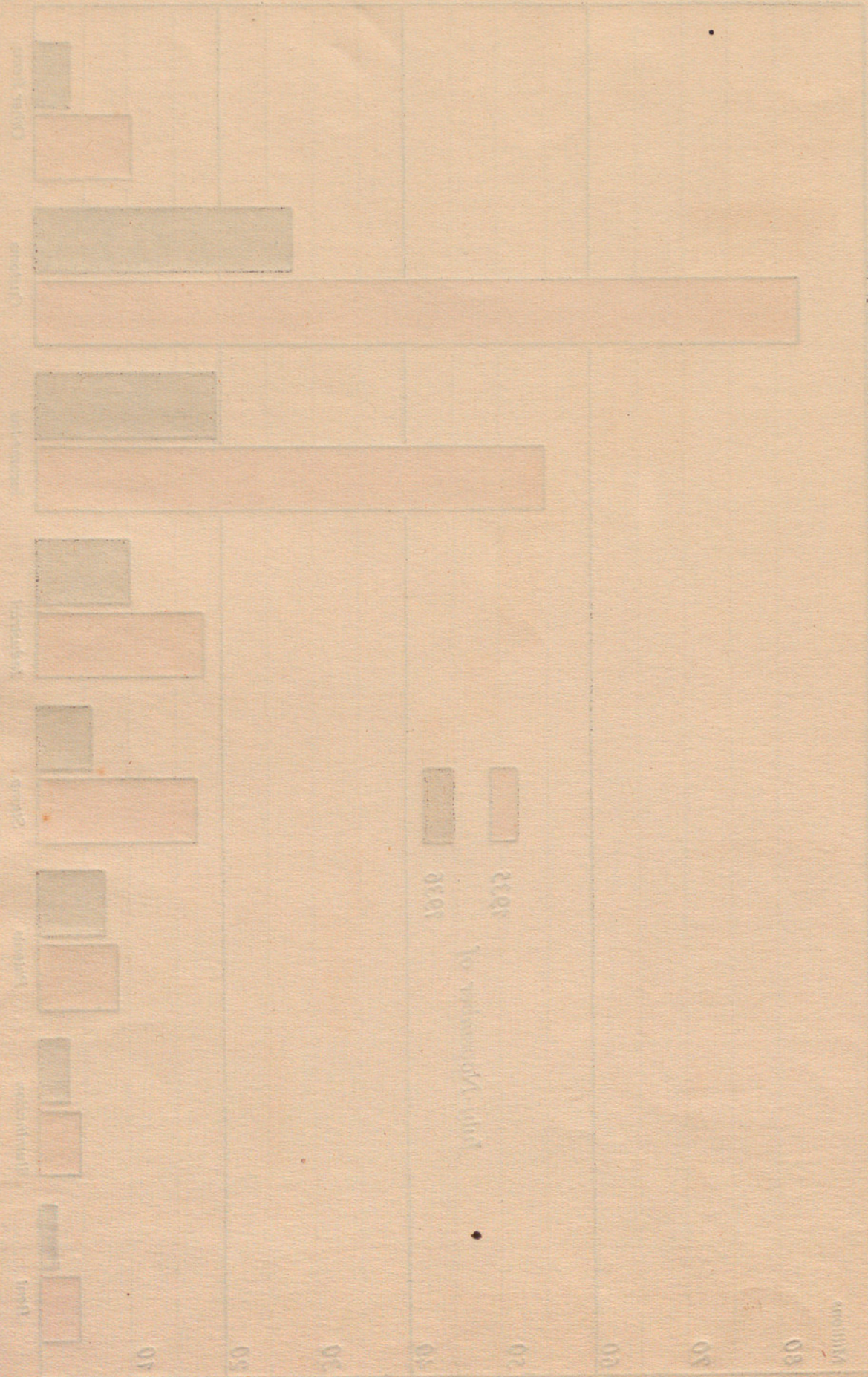


Summary of Payments



# Collection of taxes and contributions of the State in Catalonia





Collection of taxes and contributions of the State in Catalonia

Millions

# Remittances of money accumulated in The Bank of Spain in Barcelona

BANK-NOTES

IN COIN

SILVER CERTIFICATES

500  
450  
400  
350  
300  
250  
200  
150  
100  
50

5 days 1 day

3 days 3 days

3 days 3 days

weeks 4 5

1 2

3 4

1 2 3

4 5

1 2

3 4

5 1

2 3

Jul.

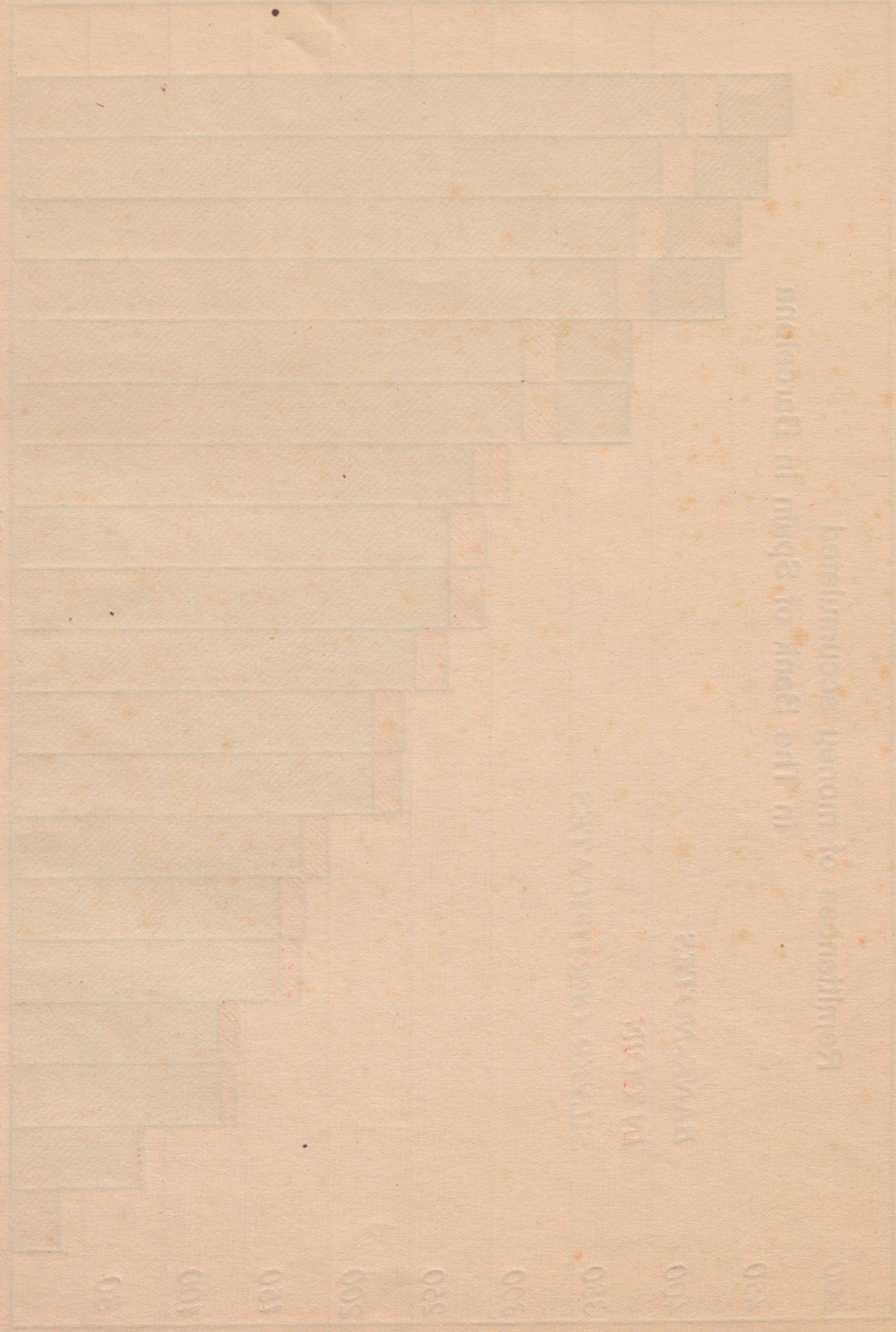
August

September

October

November

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