

Economic Growth in the ‘Republican regions’ in Spain from the Franco Dictatorship to Democracy

Abstract

The Spanish Civil War (henceforth SCW) started in 1936 as a result of a failed military coup, by an extreme right-wing faction of the army, against the legally constituted Republican government formed in 1931. The war came after a period of heightened social and political polarization, which, in spite of internal differences, led to a clear-cut divide: Left, i.e., Republican/loyalist, versus Right, i.e., Nationalist/rebel. The coup rapidly split the army and the territory into two camps.

At first (in 1936), the Republican territory represented 60 percent of the total population of the country. The coup failed in four out of the six largest cities (above 200,000 inhabitants): the capital cities of Madrid, Barcelona, Valencia and Málaga; and was only successful in two: Sevilla and Zaragoza. However, the rebellion soon secured 32 out of 49 capital cities, which constituted the focal points of political, economic and military power in the 49 Spanish provinces. Over nearly three years the frontlines progressively shifted in favor of the Nationalist army. The war ended in 1939, and General Francisco Franco, the leader of the rebel army, put himself at the head of a right-wing dictatorship that lasted until 1975.

In terms of total (GDP) destruction, the SCW hovers in the mid-to-high range, as compared to other civil wars. The loss of physical capital was similar to the Western European average during World War II. The greatest destruction of physical capital was that of the transport system. Generally, cities were not bombed heavily, and the housing stock was only slightly reduced. Although there were a few exceptions, such as Madrid (the nation’s capital city) and several capital cities situated along the east (Mediterranean) coast, which suffered large-scale bombing by the Nationalist army and its German and Italian allies. Excess mortality caused by the SCW is closer to 350,000 deaths and amounts to around 500,000 deaths when including the years immediately following, until 1942, roughly double that caused by the Napoleonic Wars in Spain.

This paper analyses whether the Franco Dictatorship in Spain was vengeful with the losing regions of the previous SCW (1936-1939). Utilising historical data at the provincial level (NUTS III regions) from 1930 to 2000, we aim to examine whether the growth of those regions that aligned themselves with the losing side of the war was significantly different during the dictatorship period (1939-1975) in the aftermath of the Civil War. We use different econometric techniques (dynamic panel data models with fixed effects and spatial models), considering different outcome variables to measure regional economic performance: (1) real GDP per capita, (2) employment, (3) industrial employment, and (4) industrial employment over total employment. Although the distinction between treated and non-treated, by war, regions is not possible, since the Civil War affected the whole country, we consider the regions that aligned themselves with the Nationalist camp from the very beginning of the war (year 1936) as the control group, and the rest as the ‘republican’ regions (the treatment group). Thus, our empirical model measures differentials in the path of each of the outcome variables in the Republican provinces (the treatment group) compared to the evolution of these same variables in the Nationalist provinces (the control group).

Our model includes controls for post-war policy interventions (the Devastated Regions and Growth Poles programs) and the so-called first and second nature causes of growth using, respectively, variables measuring temperature and a market potential indicator based on the distance-weighted sum of populations. We find a significant negative effect on industrial employment in both absolute and relative terms: Republican provinces had 11.5% less industrial employment and 12% less industrial employment over total employment from 1930 to 2000, holding other variables constant. According to our empirical model, this effect on industrial employment is permanent. However, we do not find significant differences in per capita GDP or total employment. These results are robust to heterogeneity in the effect of the war shock, measured as war severity (excess male mortality) and duration (years of conflict). Results hold if we consider temporal subsamples (1930-1955 and 1930-1975), and if we extend the sample period to include the first democracy years from 1975 to 2000. Placebo regressions also validate our results.