Integration or Cooperation: The impact of the Spanish Civil War (1936-39) in the networkwork structure of Alcoi textile firms

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Although during the 19th and 20th Centuries the great modern companies grew and consolidated, the small and medium firms have played a significant role in the management and economic development of European countries, thanks to the articulation of cooperative networkworks firmly established in their territories. The networkwork is defined as a way or organizational form that agrees with the conditions of the environment and requires certain characteristics of internal consistency to allow its own efficiency (Jarillo, 1988; López et al. 2004: 70). The personal networks of the entrepreneurs have been specially important in the formation of the firms networkworks in those countries where the institutional environment and the rules have been less meritocratic, as was the case in Southern Europe. In general terms, social networkworks are defined by a group of actors (individuals and organizations) linked among them. According to Economic Sociology (Entrialgo, 2004), networkworks have evolutioned according to three key elements: the nature of the content –tangible and intangible resources its members have access to–, government mechanisms and the agent’s behaviour; and, finally, the networkwork structure –the existence of direct and indirect links among the members of the network. In this model, no reference is made to the influence of the institutional environment on the level of integration of the network, and therefore, on the capacity of survival of their companies.

The development of networkworks does not take place in a homogeneous/lineal way along the different stages of the creation and development of business. The treatment given in literature to the evolution of networkworks is related to the life cycle of the firm but not to the capacity of adaptation of the firm’s networkworks in front of external shocks such as a revolution, a war, or a regime and institutional context change. The case of the textile companies in Alcoi (Valencia, Spain) in the previous and later years to the Spanish Civil War of 1936-1939, allows to analyze the networks of entrepreneurs in a dynamic way beyond the firms life cycle and to contribute to theoretical creation. The departure hypothesis is that the textile firms of Alcoi were adapting to the market and institutional changes through variations in the degree of integration of the networkwork coordination. Through this work, we want to contribute to the theoretical literature on business networks and to the dense debate on the relationship between structure and efficiency.

The origin of the textile businessmen institution in the city of Alcoi goes back, as it is shown later on, to the 15th and 16th Centuries, when in 1560 the Guild of Peraires was created. Later on, it was denominated Fábrica de Paños, and in 1731 it was given the title of Real Fábrica de Paños (RFPA), thus becoming an official supplier of the Royal Armies. The establishment of the Republic in April 1931 forced a change in the denomination of the RFPA, which now excluded all references to the Royalty and was transformed to Employers’ Association of the Textile Industry of Alcoi (APITFA). Nevertheless, in spite of the different denominations, its attributions and its...
degree of property integration and coordination did not change a lot and stayed in a low level. The Association was basically a group of pressure to obtain purchase contracts with the armies, to make agreements with other Wool Employers’ Unions of the rest of Spain to demand protection to the government, and already in the 20th Century, with the modernization of industrial relations and the appearance of the workers’ movement, it also began to behave like an employers’ association and made a pact on the working wages first and later on the collective agreements. This took it to a bigger degree of integration of the network members.

With the beginning of the war in 1936, the APITFA and the companies that belonged to it did not only suffer a change in their denomination but also in the degree of property integration and of the coordination of the different firms. After General Franco’s coup in July 1936, a part of Spain, that roughly corresponded with the less industrialized area in the country, succumbed to Franco’s forces. The rest of the territory stayed loyal to the government of the Republic, beginning at the same time a social revolution, managed by the workers and their unions –except in the Basque Country– in a revolutionary process against private property. In Alcoi, workers took the factories of the three main industrial sectors: textile, paper and metal. Some of the entrepreneurs escaped but most of them stayed in their factories, as part of the technical committee but deprived of their executive power which de facto passed to the Unions. The definite step towards a greater integration was taken in September 1936 when the Union confiscated the Employers’ Association and unified the whole industry. Although the aim was political - to make revolution-, collectivisations were tinted with economic justifications pointing at rationalization and the attainment of scale economies. Nevertheless, it is necessary to understand this process as a political act designed to win the war, unless the great integrated company is considered the natural and suitable result of capitalist development in order to attain a bigger efficiency.

The Civil War also became an exit to the crisis the textile industry was suffering in the previous years, characterized by a heavy underemployment. It was specified that the workers distributed the work so that the concealed unemployment did not become open unemployment and therefore a potential episode of social unrest. The crisis also affected other local industrial sectors, like the paper industry which faced the crisis by means of integrating the property and administration of most of the small and medium size factories in 1934 in the newly created Papeleras Reunidas S.A. (United Paper Factories Ltd) The metal sector also experienced a process of collectivization similar to the one in the textile industry at the beginning of the war in 1936. The crisis of the textile industry was solved by the war in two ways. First, through the captive and constant demand that the orders of blankets and uniforms for the republican army constituted, and second, through the revolutionary process: the collectivization and unification of the whole textile industry coordinated by the Sindicato del Textil (Textile Union). Absolutely all business functions were centralized during the war.

Both circumstances, the captive demand and the centralized organization, explain the fact that the economic performance of the Union in 1939 improved those of all the independent companies in 1936. Once the war concluded, the General Direction of Refunds established a system that helped the old owners to recover the confiscated properties. The new Franco’s régime also brought important institutional changes, as was the creation of the Ordinance of Union Unity, the function of which was to put an end to the class struggle characteristic of capitalism, theoretically fusing manager and worker in an only figure, that of the producer. However, this corporatist legislation, based in the Italian Fascist model, did not work equally for businessmen and workers. While the latter saw their unions prohibited, strikes condemned as crimes and union leaders’ imprisoned, the managers looked for legal alternatives to maintain their associations. In Alcoi, the entrepreneurs created in 1940, once the war was over, a limited
company: Textil Alcoyana S.A. (TA) (Alcoi Textil Ltd) that allowed them to maintain their properties and a relative independence in front of Franco’s Vertical Unions.

This new denomination was something more than a nominal and juridical change. It did not return to the degree of integration typical of the stage previous to the war. The entrepreneurs of Alcoi textile built a very much united network work without integrating the property of companies which, on the other hand, were not homogeneous. Some had a bigger degree of vertical integration than others, and the size and the specialization also varied. Although property integration did not increase, the coordination did. We can say that after the war an efficient network infrastructure was created, that helped the companies and, most of all, the managerial activity of the families and the firms involved, to survive. With Alcoi Textile Ltd. the network external economies were enlarged. These external benefits would be the consequence of sharing the fixed costs of common resources, like infrastructures and services, the reserves of specialized manpower, the specialized suppliers and a common base of knowledge. In sum, this association has survived until the present day: in 1998 the Alcoi Textile Ltd. was legally substituted by the Agrupación Empresarial Textil Alcoyana (Textile Business Association of Alcoi).

Figure 1. Degree of property integration and coordination of the textile companies in Alcoi (preindustrial times-2006)

Elaborated by the authors, based on Robertson and Langlois (1995) and López, Mounts and Vázquez (2004).

Why did the degree of integration of the network coordination increase starting in 1940 as compared with the years previous to the war? Was that a consequence of the institutional change that transformed Spain into an autarchy where the prices of the articles and also of the factors did come fixed for areas, sectors, labour categories and sex? Or was it a consequence of
the war experience and of the good results obtained by the Union administration that demonstrated the efficiency of the attainment of scale economies what pushed the entrepreneurs towards a greater cooperation without the need to merge in one modern firm?

The objective of this contribution is to confront the experience and capacity of adaptation of the network of family firms –around 130 in the previous and later years to the war– that has stayed active during four centuries through business, social and family relationships. The intention is to analyze the evolution of integration and coordination inside the network in a moment of change in the institutional environment and of absence of normality during the Civil War. In this sense, this is an extremely interesting case since in those years not only the companies’ property was questioned, along with the manager's role and retribution, but also the suitability of the company’s size.

The answers to these questions are developed along the article, which consists of an introduction, three different sections and a conclusion. In the first section, the antecedents and the evolution of the Alcoi textile sector are presented, specially focusing on the characteristics of the wool subsector and the organization of the business network around the employers’ organization, as well as on the characteristics of the industrial district. In the second section, the collectivization process of the Alcoi textile sector is described against the historical context of the collectivizations implemented during the Spanish Civil War, specifying its casuistry, its extent and its results. In the third place, the results of the war for both companies and entrepreneurs are considered, underlining the organizational changes that led to a greater integration of the firm coordination through the creation of Alcoy Textile Ltd.

1.- The textile industry of Alcoi (1731-1936).

A) The evolution of the industrial district.

The wool industry of Alcoi, whose origins date back to the beginning of the 14th Century, made its first steps towards modernization in 1791. This year were made the first attempts at mechanizing the operations of combing and spinning (Torró, 1994), although the process did not definitively start until 1818 with the acquisition of Belgian machinery (Aracil and García Bonafé, 1974a). Located in an area of wool tradition (Hernández Marco, 1987; Such, 1993), the Alcoi manufacture was specialized in the production of woollen wool (Torró, 2000). Until the beginning of the 19th Century, the weight of fine cloths in the production was ever increasing. However, after the independence of the American colonies –which were the main market–, their importance decreased and this specialization was reduced to a merely testimonial presence. Hencewards, the production found its markets, on the one hand, in the traditional demand of the Royal Court in Madrid and of the state–aimed to supply the Army–, and, on the other hand, in Andalusia. During the 19th Century, the first two demands lost their importance progressively and were relegated behind the emergent Andalusian market. The circumstances provoked a remarkable displacement towards the use of low-quality dry goods, subordinated to the increase of clients of low purchasing power and a demand strongly regulated by the agrarian situation. As a matter of fact, Alcoi was losing positions in front of the Catalanian textile industry, specialized in novelty goods with higher quality and price (Benaul, 1994).

\[\text{Between 1820 and 1890 51.26\% of the value of Alcoi textile production focused to the Andalususian market (Cuevas, 1999). This situation continued in all study period, as the textile businessmen pointed out in 1934: “It can be said that the main market of the Alcoi textile industry is all Spain, specially Andalusia, where our economic goods have more acceptance; they are characteristic of our textile industry”; Archive of Alcoi Textil Ltd. (A.T.A., up to the end): Memory, 1934, p. 5 (italics are ours).}\]
In spite of losing the primacy that the Alcoi textiles had exerted in the Spanish market during the 18th Century, the industrial district was able to consolidate an authentic industrialization process throughout the following century (Cuevas, 1999). It was based on the progressive mechanization of spinning and combing -conditioned by energy problems-, on the already mentioned specialization in the production of low price goods and, particularly, on industrial diversification. Besides the wool activities, and clearly related to them through forward linkages (Cuevas and Torró, 2002), other sectors appeared, of which paper and machine production can be highlighted. Although both arose as auxiliary activities of the dry goods production, they quickly targeted to the market other goods, and this was partially related to the strong agrarian growth in the region of Valencia during the 19th Century and the beginning of the 20th. The paper sector specialized in smoking paper and, later on, wrappings for the export of oranges; while the metal-mechanics sector soon concentrated in the repair and construction of machinery for the textile and paper industries, and of presses for the wine and oil industries. This diversification, together with the prevalence of phase industries in the textile sector and the extension of the secondary activities to other neighbour villages, allows to speak of an authentic industrial district. One of their characteristic features -as in the rest of Europe- was the presence of relationships and personal acquaintances among businessmen, through economic and family bonds that favoured the reduction of the transaction costs.

Table 1. Firm structure of the textile industry in Alcoi (1913) (*)

<table>
<thead>
<tr>
<th>Companies and percentage of the technical equipment</th>
<th>Companies</th>
<th>Spinning</th>
<th>Weaving</th>
<th>Finish</th>
<th>Tinting</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLETE CYCLE COMPANIES</td>
<td>11</td>
<td>35.33</td>
<td>47.78</td>
<td>38.44</td>
<td>43.03</td>
</tr>
<tr>
<td>COMPLETE CYCLE (EXCEPT TINTING) COMPANIES</td>
<td>13</td>
<td>27.72</td>
<td>21.39</td>
<td>31.17</td>
<td></td>
</tr>
<tr>
<td>PHASE COMPANIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spinning</td>
<td>4</td>
<td>8.65</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weaving</td>
<td>61</td>
<td></td>
<td>24.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finish</td>
<td>3</td>
<td></td>
<td></td>
<td>3.89</td>
<td></td>
</tr>
<tr>
<td>Tinting</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>43.47</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>8.09</td>
<td>10.66</td>
<td>6.49</td>
<td>13.04</td>
</tr>
<tr>
<td>TOTAL PHASE COMPANIES</td>
<td>87</td>
<td>16.74</td>
<td>35.62</td>
<td>10.38</td>
<td>56.52</td>
</tr>
<tr>
<td>Aggregate</td>
<td>111</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Cuevas (1999). (*) The source does not register the particular weavers.

The diversification did not prevent the industrial district of Alcoi from being fundamentally articulated around the textile industry. In front of the prevalence of manual looms in weaving, the spinning phase accelerated its mechanization in the decades of 1850 and 1860. The industrial transformations led to a heavy process of social polarization and the appearance of a working class that suffered from precarious life conditions (Beneito, 2003) and was particularly well organized and combative (Cerdà, 1980). The progressive push of the mechanization process ran parallel to the curve of the workers’ claims and conquests, that reached its peak in the years around the 1868 Revolution and the 1873 labor revolt. During the last three decades of the 19th Century and the beginning of the 20th a strong impulse of technological modernization and a managerial restructuring took place (Cuevas, 1999). The introduction of the self-acting machine and the progressive mechanization of weaving were their more attractive aspects. But they did not arrive alone. Although during this period an important decentralized production with the presence of numerous phase industries still existed, those decades also witnessed the creation of the first vertically integrated companies (Table 1). Historically, vertical integration has constituted the most usual way of increasing the scale and the size of production. The concentration of firms represented the most effective answer to the crisis of the late 19th Century. Nevertheless, this did not suppose the constitution of just one

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3 Cerdà (2000). Friedrich Engels remarked these events widely. Until the own Civil War the Alcoi labour movement was mainly anarchist orientation (Cerdà, 1996; Valero and Beneito, 1996a).
great firm due to vertical and horizontal integration. Similar changes, regarding as much the technical aspect – with the introduction of the continuous machines – as the organizational aspect or the reorientation of production, are detected in the paper industry as well. The development of public services like the supply of gas and the creation of companies for the production and distribution of electric power can also be dated in this period. The diffusion of this energy source would facilitate the appearance of complete cycle factories, beside another reasons.

The acceleration of the mechanization process – smaller than in other competitive areas – was probably also accompanied by a strong resurgence, from the beginning of the 20th Century, of the labour movement. Tough competition and the production surplus in a market featured by a weak demand were – in the entrepreneurs’ opinion – the reasons for this situation. In Alcoi, these problems were increased by the proliferation of factories in neighbour secondary villages, with the same specialization but with notably smaller labour costs. These labour cost differences between Alcoi and its surrounding area is partially explained by the existence of a peculiar system of incentivated retributions – called plús –, effective at least from 1916. It seems logical to suppose that this system improved labour productivity. The special situation originated by Spanish neutrality during World War I was marked by a strong increase of production, impelled by the export. The demands of blankets for the armies in Europe in the first years and, from 1916 onwards, the import substitution were the key factors of the recovery. Also, we have to take into account the growing social tension that ended up causing up to six strikes in a single year, with a result of a five months long interruption in the industrial production (Oliver, 1931). As it happened in other places, the end of the war period supposed a turn to normality, that is to say, the fold towards a weak and limited interior market.

The growth of the Spanish industrial output along the 1920s favoured the basic industries thanks to the economic politics implemented, focused on the development of infrastructures. The industries of consumption goods, on the other hand, benefited little from this situation, despite the increase in the degree of protection. From 1927, wool employers pressed the government with the aim of requesting measures that could solve their problems. The makers sought to create a regulating organism with similar functions and objectives to the one which had stood up for the cotton industry. Their purpose was double. On the one hand, they wanted “... to regulate the production so that, without hindering the freedom of production, the production surplus was restricted, avoiding unloyal and ruinous competition among the producers belonging to the same sector....” On the other hand, the managers pointed out that “... without protection and aid, the wool industry continues delivered to their own efforts, struggling in the interior market with its limitation and with the existing bewilderment in business dealings and, regarding the export, the sector has gradually lost those markets in which with much easiness our articles were introduced during the great war, to the

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4 For textile (Benaul, 1994) and papers industries (Gutiérrez, 1994).
5 This was a general view for all tye industry sectors and specially the most important in the city (Benaul y Deu, 2004; Gutiérrez, 1994).
6 In 1934, the manufacturers of Alcoy published a “Comparative Study of the working conditions in the Textile Industry”, with information of salary costs of the main wool centers of Catalonia, Castilia and Valencia. The wages in Alcoy were very similar to the Catalan towns that produced more quality goods and were more technologically advanced. However, the centers whose production was in direct competition with the Alcoy industry had minor daily salary costs. In the study any consideration about the work productivity is made. ATA: Memoria, 1934.
7 ATA, Tarifa de trabajo para el oficio de tejedores mecánicos, 1916.
8 Letter of may 10th 1929, to the President of Ministers Board, and was signed by the representatives of Catalan Employers Association (Fomento del Trabajo Nacional), the Chambers of Commerce and Navigation of Barcelona, Chamber of Industry of Barcelona, Chamber of Commerce of Sabadell and Terrassa, the Guild of Producers of Sabadell, the Industrial Institute of Terrassa, the Real Fàbrica de Paños de Alcoy and the Textile Association of Béjar; ATA, 6.15.
point that today the export of wool goods can be qualified as null.” Ultimately, their pretences went to “extensive export aids.” Faced with these problems, some local producers bet without too much fortune for a transformation towards goods of a higher quality, concretely worsted goods, more expensive but with a more stable demand. Also, if the years previous to the war and the war period itself showed a strong tendency towards industrial concentration and inter-company cooperation, the later situation inverted the terms completely. Around 1928, there were voices that even claimed for the breakup of the Fabrica de Paños.

The proclamation of the II Republic introduced important novelties in this picture, although it did not invert the signs. The general problems related with the world depression begun in 1929 were increased by several circumstances. Businessmen complained bitterly about the supplementary costs in the price of electric power imposed by the monopoly of one firm, Hidroeléctrica Española. On the other hand, they understood that the social legislation introduced by the Republic exacerbated the bad situation, because, according to the textile employers’ association, they were forced to “…give up to the demands of a Workers Union of great arrogance….” The employers complaints not only confronted the demands of a strict execution of the legislation on the part of the unions, but also the workers’ opposition to the introduction of new machinery. The restrictions in the credit offer caused by the situation represented as well a strong setback due to the seasonal scheme of an industry in which the weight of “…heavy winter goods…” was considerable. Finally, the negative picture described by the employers’ association was completed with the difficulties to export –linked with the Italian competition– and the problems of transport related to the deficiency of the infrastructures.

B) The institutional framework of the industry. The entrepreneurial organization.

The social and institutional organization of producers – either as members of a guild in pre-industrial times or in their condition of modern businessmen from the 19th Century onwards – has been one historical feature of the manufacturing activity in Europe and in Spain. In our case of study, the industrial district of Alcoi has historically maintained a constant presence of collective activities and initiatives through the running of an association. Although the employers’ organization has changed during the last five centuries – its denomination, legal nature, etc. –, the high degree of organizational integration has historically been one of the reasons for the strong associative character of the textile sector, dominated by businessmen whose personal knowledge contributed to reinforce the institutional cooperation. As we will see next, the objectives of the producers in terms of manpower control, standardization and specialization of production, as well as in searching and consolidating the main markets, were present in the performance of the employers’ organization in pre-industrial times – guild – as much as during and after the industrial revolution – as a modern employers’ association.

In the last decade an in-depth revision of the historical role of guilds has been carried out. The most recent reviews affirm that the origin of guilds is linked to the transmission of technical knowledge and know-how through the learning process. Also, as guilds were operative across Europe for more than five centuries, this contributes to explain the existence of interregional markets of specialized labour force. In fact, the role of guilds in innovation and
technological diffusion has to be highlighted (DuPlessis, 1997). The first institutionalization and organization of the manufacturing activities in Alcoi was implemented through the regulation of two main occupations: on the one hand, the work of the Pelaires, who controlled the supply of the main raw material, the wool – their first regulation dates from 1561 –, and on the other hand, that of the weavers, regulated in 1591.

The creation in 1731 of the Real Fábrica de Paños de Alcoi (RFPA), which united all the Pelaires-producers - they used to hire salaried weavers and other specialized workers -, meant the culminating point of the institutionalization process of pre-industrial manufacture, since it was essential in the improvement and standardization of production and, as a result, in consolidating the main markets. Regulations were much more rigid regarding technical prescriptions, the learning process, the access to qualification, the wages for different occupations. It means that the main target of regulations was not only the standardization of goods, but also the strict control of the dependent labour force. During the 18th Century, besides the control of specialized labour as a base for the standardization of production, the RFPA was very active as a ‘pressure lobby’. This means it was a more complex organization. The employers’ association reinforced the contacts and its institutional presence in Madrid, one of the main textile markets. The RFPA had agreements with the main guilds and institutions in Madrid as to maintain warehouses and permanent supplies for the producers of Alcoi that had business in the capital city. This was a clear precedent of the collective services that the modern employers’ association created in the 20th Century. As a result, the positive effects of the pressure made and of the institutional presence in Madrid were remarkable, mainly regarding tax-concessions (Hernández Marco, 1976; Torró, 1994, 1996). The monarchy granted tax concessions and others aids to trade, mainly for raw materials purchase. In addition, the activity of the RFPA was essential for the diffusion of new technologies and in the productive transformation that took place during the last years of 18th Century and the beginning of the 19th. The initial mechanization of the wool sector in some European regions was the most important motivation for the RFPA to explore this field on behalf and for the benefit of its associates.

In general terms, the role of the employers’ association – the RFPA - remained unchanged during the transformation of the 19th Century, according to the dynamics of industrialization and the institutional changes. Thus, the employers’ association persisted during the 19th Century as a cohesive institution, strongly built around its members and its main assignments -diffusion and adaptation of technical innovations, pressure on government decisions, coordination of tax ratios to pay, etc. However, the institution had to face two main problems: the search for alternative markets in response to the greater development and weight of the Catalan textile industry and the increasing conflicts with the labour movement.

The coordination work to improve and spread the new productive techniques continued along the 19th Century, as the successive study commissions that the RFPA put into operation demonstrates. The activity of the employers’ association in recruiting technicians, Spaniards or foreigners, in order to teach the members of the association new technical and productive ways to improve the quality of the final output, deserves to be remarked. It was an extended practice of the RFPA during the whole 19th Century. In this respect, there is a great example happened in 1828: with the support of the city council a first school of industrial training was created, the Establecimiento Científico-Artístico de la RFPA (Scientific-Artistic Institution of the RFPA), the origin of the future Industrial School of Alcoi, nowadays High Technical University.11 This step was

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11 About technological transference in the historical industrial districts performance in Spain: Gálvez y Cuevas (2001). About the origin of technical education in Alcoi: Blanes et al. (2000). This work shows the real financial tie between the Employer Association and the Industrial School.
decisive if we consider that the competitiveness of the local networks lies in their capacity to promote innovation through collective learning and to exchange information and knowledge among specialized producers, thus helping to reduce transaction costs.

Regarding the labour conditions and control, the employers’ association reinforced its previous four centuries-old task. As it has been said, the centralization of the labour force had effects and created conflicts which the producers had to face collectively. Several evidences and reports of incidents and negotiations between workers and producers are available, specially for the years between 1840 and 1870 - the 1840 strikes, the 1855-56 subsistence crisis, etc. -, they mainly detail wages and labour day lengths. The strikes began to be considered by the workers as one of their main means of pressure, together with the appearance of a certain type of organization in Spain in the second half of the 19th Century. The creation of Labour Unions - independent of the liberal parties, that were increasingly growing apart from the workers positions – took place in Alcoi very late: only in 1869 had the weavers their first Society of Wool Weavers, of a class struggle nature. The following year this association sent a delegate to the First Labour Congress in Barcelona - it was there that the Spanish section of the AIT (International Association of Labour) was born. In these circumstances the employers’ organization acted as coordinator of strategies and behaviours, agglutinating its partners, for whom the expansion of the labour movement in town implied serious difficulties in the last years of the 19th Century and the beginning of 20th.

In short, during the first third of the 20th Century the textile companies and businessmen had an increasingly organized and specialized tool to face the working class threat. It is reasonable to remark that this fact conditioned the defensive character of the employers' strategy during the first decades of the 20th Century, in contrast to what had been its previous way. In 1916 the social objective of the renewed employers’ organization was very clear: “... to offer the union of all the wool-producers of this city, for the protection and defence of all their moral and material interests, and for the study and implementation of reforms and modifications for the improvement of production and labour..... to defend and to protect the associates’ rights and interests against whatever abuse or inappropriate pretence of the labour element; to be opposed to labour unions formed to achieve reforms that are considered harmful to the establishment... intervening, solving and settling the differences and conflicts between employers and workers.... to defend the interests related with the wool industry in all their branches and aspects, cooperating to increase its development and progress....” 12

It should be remembered that the process of modernization of the industrial relations and the social welfare system began in Spain during the first years of the 20th Century, linked so much to the activity of Catholic associations as to the challenges of the labour organizations. The Alcoi employers’ association assimilated the experience of other similar and contemporary associations and planned the creation of a Fund of Pensions to cover the necessities of old and retired workers, although concrete references to its activity do not exist. Furthermore, the establishment of a Welfare Fund for Workers of the Textile and Factory Industry of Alcoi, in order to finance retirement and medical insurances, was one of the first measures that the workers undertook when they collectivized the factories. This proves that, in case the Fund existed before, it was never efficient. If this Fund had worked properly it could have been the most direct precedent of what came to be, after the Civil War ended, one of the main activities of the employers’ organisation, the fiscal management of the funds for the workers’ social insurance. The same is applied to the participation of the employers’ organization in collective bargaining and in the elaboration and discussion of collective agreements, as will also happen later on, under Franco’s regime.

12 ATA, Reglamento de la RFPA de Paños de Alcoy, 1916.
As it has previously been said, with the establishment of the Second Republic in Spain in 1931, the RFPA abandoned its traditional denomination to be called, first, Fabrica de Paños (without any reference to the monarchy), and later on, Employers' Association of the Alcoi Textile Industry (APITFA). In this period, and until the labour collectivization during the war took place, the employers' association became a more complex institution, inside of which there was a larger degree of cooperation between companies when facing the different changes in the institutional environment. The issues on which the Employers' Association acted more heavily were three: first, the institutional reinforcement of the organizational structure, establishing bonds with other local and national entities pointing at a further-reaching and more efficient action. Second, the collective administration of several services to the companies and also the technical advice to them, mainly in tax, labour and mercantile affairs. Third, the adaptation and implementation of labour regulations, especially the creation of a Mutualidad de Accidentes de Trabajo (Labour Accident Mutual Coverage System). For all these tasks, the Employers' Association was endowed with specific organs - General Board, Executive Board, specific sections for every textile activity, Special Commissions - and also specific staff was hired for the daily administration. As the balance sheets show, the organization was financed by its partners, according to their tax rate; half of the budget expenditure was spent in the staff's wages.

The Employers' Association was also very active in reinforcing the relations with similar organizations, all of them belonging to the Spanish Confederation of Free Economic Entities and Mercantile Circles. In addition, APITFA actively participated in the Official Labour Chamber, in the Official Industry and Trade Chamber and in the Joint Committees of the textile sector. Also, the association promoted an employers' federation for all the industrial activities in the city - The Alcoi Industrial and Trade Federation. We can affirm that personal acquaintance and social and family networks among the actors, the businessmen, were important aspects of this process. The full entrepreneurial class belonged to an elite of industrial dynasties whose immediate historical origin was located in the first half of 19th Century (Cuevas, 2000). This common origin, reinforced by means of economic and family alliances, granted trust and organizational efficiency to the association. Business networks are usually organized in districts, industrial districts, where informal relationships are based on reputation and the existing trust among the members. Under conditions of trust this type of agreements can be as effective as formal ones, especially when they are supported by a parallel net of social relationships. So behaviour codes and local customs, supported by social rather than legal sanctions, facilitate the attainment of effective and flexible commitments. Innovation and reduction of transaction costs are elements that make their competitive advantages difficult to imitate and therefore sustainable (López, Mounts and Vázquez, 2004:68).

Until the time of the Civil War, the most important activities of the Association were focused in technical consultancy and the defence of collective business interests. On the one hand, the increasing demand of labour advice from the companies was behind the decision to open in 1933 a Consulting Office in charge of a Secretary Advisor, for “the associate gentlemen to be conveniently advised on their doubts about the interpretation of tariffs, wages, and the legislation of social issues.” One year later this office was transformed into a Mercantile Consulting Office, managed by two mercantile expertises, and was eventually supported by a Technical Consulting Committee. The issues these organizations dealt with were accounting and organizational aspects of firms, advice in tax matters - including the presentation of all kinds of documents before the Treasury - and in general technical questions. Also, the Association participated, on behalf of the textile companies, in the collective bargaining with the electric power supplier, in order to reduce the rates and to assure a regular supply of electric power. Furthermore, as in the 19th Century the Association carried out an intense data collection and
systematization work for the elaboration of technical reports on the sector, to support its presence and pressure before the Ministry of Industry and Trade.

This picture – characterized by a greater integration of cooperation in the business network without integration of the property – suffered a radical change when the war started. The institutional crash of 1936-1939 propitiated a new experience, collectivization, which brought the integration of property and a unified administration. All of this finished with General Franco’s victory on the war in 1939.

2.- The organizational revolution of the Alcoi textile industry during the Spanish Civil War (1936-1939) 13.

The entrepreneurial organization of production differed in the two areas involved in the conflict since 1936. In general terms, the organization of production on the camp loyal to the Republic was characterized by collectivization and the workers’ control of firms. When workers got back to their jobs after the first days of fighting, they found that many of the factory owners had run away and they took charge of the production in the factories. In doing so, they intended to start a revolution and become production soldiers aiming to win the fascists troops. However, collectivizations were not widespread in the whole of the Republican territory, especially in the Basque Country, where the entrepreneurial network remained based on capitalist relationships and control stayed in the hands of the employers. In addition, many of the collectivized firms eventually became state-owned. In any case, collectivized industries transformed their production in relation to the war demand, and thus the shoe industry produced boots for the army, the toy industry was transformed to produce knives, cartridges, caps and suits for the militia, and the wood industry produced boxes for ammunition or butts for rifles (Gálvez, 2006).

On the rebel camp, the industry was militarized and when the labour legislation of the Republic was dismantled, asymmetric labour relations were established in all sectors, so that workers had no means to claim for their rights or have access to collective bargaining. This meant that the labour factor was intensified, something which helped to increase the war production. The most extreme example of this submission exerted on workers was the forced labour conditions of the battalions of prisoners. Labour camps were established in both areas, but only on Francoist camp were they organized so that they became true employment offices, massively used for productive rather than military tasks14.

A good entrepreneurial organization is basic to maintain industrial production in a war context. In addition, the negative effects of bad management could be greater the more complex, technically and administratively, the firms were. The reorganization of the industries by the socialist and anarchist labour unions was diverse. The organizational differences in collectivizations are explained by the different ideologies that sustained them, by the degree of entrepreneurial concentration in each sector, and, most of all, by their being part of a spontaneous movement which included many attempts and experiments and which only later and gradually was legitimized by the government. There were basically three types of exploitation of those firms managed by the unions. First type: through the workers’ control exerted by a board, all operations in the firm were regulated without the need to expel the factory owner; this type was much common in small trade. Second type: confiscation, so that the

13 Although from different perspectives, we are not the first to approach this issue. See also Aracil and García Bonafé (1974b), Bernecker (1982) and Moltó (1986).
14 It was Juan García Oliver, a member of the FAI and Minister of Justice, who, through the December 28, 1936 Decree, created the labour camps. Santos Juliá (1999:257).
owner “transferred” its rights to the workers through expropriation, donation or a purchase-sale operation, while he stayed working as a technician, operator or manager in the factory. Third type: socialization or collectivization of all goods (establishment, machinery, raw materials, bank accounts) which were now in the hands of the union, which could also unify the whole industry in a specific town. This meant that the value added, once taxes were deducted and interests and rents paid, passed to the workers as salaries and benefits. In general terms, the units of production confiscated and managed by the workers’ boards elected by the unions usually corresponded to the old firms, though in certain cases the production was rationalized in order to achieve economies of scale, and thus workshops and factories considered to be unproductive were dismantled, their machinery was transferred to other firms economically solvent while these were put under the control of an Administration Board which was responsible before the union and had all the attributions typical of the now extinguished capitalist management system. The latter was the formula adopted by the Alcoi textile industry to face its crisis.

Certainly, the Alcoi industry suffered a crisis during the 1930s. It is in this context that we must understand the unification of the paper industry in 193415, and that of the metal industry at the beginning of the war. During the conflict, the unions interpreted the pre-war crisis in the textile industry as a boycott of the entrepreneurs against the rise of the unions’ power consecutive to the victory of the left-wing government in the general elections of 1936; the information presented on Table 2 was taken as a basis for this interpretation.16

<table>
<thead>
<tr>
<th>Period and Date</th>
<th>Right-wing Period (October 1934-January 1936)</th>
<th>Left-wing Period (January-July 1936)</th>
<th>Revolutionary Period (July 1936-March 1937)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knitwear</td>
<td>4,760,334,15</td>
<td>2,414,084,25</td>
<td>6,907,190,34</td>
</tr>
<tr>
<td>Woollen cloth</td>
<td>10,457,559,25</td>
<td>7,721,872,42</td>
<td>13,195,625,48</td>
</tr>
<tr>
<td>Total</td>
<td>15,217,893,40</td>
<td>10,135,956,67</td>
<td>20,102,815,82</td>
</tr>
</tbody>
</table>


For the Alcoi Textile and Factory Industry Union: “If we compare the figures of the semestral average in the first and second periods, they will show: for the first one, a normal sale activity, characterized by its good commercial zeal, and for the second one, a passiveness only comprehensible as a result of the moment’s political influence on those who ran businesses in the textile industry”17. The union ratifies this diagnose by comparing the average of weekly working days from February 16, 1936 to September, 14 the same year, the date when the industry was confiscated and unified: 3.5 working days, while from September 1936 to March 1937 the average was 5 working days a week. It is evident that the – captive – war demand was an essential component in the recovery of production, but so it was the unification strategy applied by the unions after the confiscation of the employers’ organization in September 1936.

15 Imitating what the Basque paper industry had achieved when it created Papelera Española – an organization in which Gosálvez, a firm from Alcoi, was integrated –, seven big factories and several workshops and businesses merged in Alcoi in 1934 to form Papeleras Reunidas S.A. The new company, with a nominal capital of 60 million pesetas, restructured its production and, at the beginning of 1935, it employed 1,600 workers while its annual production was worth eleven million pesetas (Valero and Beneito, 1996b). Its success represented, doubtlessly, a clear demonstration of the advantages offered by entrepreneurial integration, productive rationalization and an increase in the scale of production. This example surely had a weight on the determination of the Alcoi unions when the collectivization of the textile and metal industries was implemented, as it is somehow manifested in their arguments to justify the confiscation.

16 Retaliated Workers Reemployment Committee, created after the victory of the Popular Front, decided upon 137 cases in the Alcoi textile industry for which 66,621,15 pesetas were paid in terms of indemnity.

The story of the confiscation and the unification was preceded by a summer of crisis in this sector, a fact that can be especially observed in the impossibility to face the payment of salaries and loans as well as to demand new loans and also in the need to restrict the stocks of raw material. Nevertheless, there was an increase in the salaries after the workers took control: this increase was finally settled in a 20% rise on September 9, 1936. It must be considered in this respect that several owners had declared to be insolvent, so the Control Committee had to assume the payment of salaries. This in fact meant a problem for the owners who, on September 5, 1936, wrote through the Employers’ Association to the Union Technical Committee to communicate that they had solved their economic problem by setting that sales must be paid in cash or through bills of exchange accepted in commercial installments. “On the one hand we have enormous stocks of goods accumulated because of the lack of normal invoicing and because of the obligation to give a minimum of four working days to the workers…” They demand a meeting in order to study the problem of the bad economic situation and they also ask for protection: “We would appreciate it if the Committee tried to prohibit the import of manufactured yarn from the neighbour towns, for, in addition to avoid illegitimate competition derived from the difference in salaries with those towns, it would consequently result in more work for the local spinners, as long as they could respond to the demands of the industry.” It was short before the confiscation was implemented when the issue of the salaries was made more explicit in the correspondence between the employers’ association and the union: “We are sorry to insist on what we expressed in our previous letter but, even if salaries are not excessive for certain jobs, we have to stress the fact that for some other activities they are exaggerated (...)”, which we hope you take into consideration.”

However, despite the employers’ complaints, it does not look like the increase of salaries was a problem for the viability of the industry, since the various increases concentrated in the summer of 1936 and were eventually restricted by the authorities. It neither looks like other monetary provisions bound for the workers, such as medical, retirement or widowhood insurances - derived from the business benefits no longer accumulated by the entrepreneurs - were a heavy mortgage on the firms. Those insurances were, ever since the summer of 1936, a basic objective for the use of benefits, and thus a strong incentive for the workers. The constitution of the Welfare Fund is a good example, because it served to channel the resources mainly meant to pay for retirement, medical and widowhood insurances, as well as holidays, and to finance the health and consumption cooperative and a politechnical institute that provided technical education. What really was a heavy mortgage on collectivized firms was the decision to pay all salaries in case the production was interrupted.

In Alcoi, the distribution of labour had been established at the time the government changed, in February 1936, but the dynamic war demand made unemployment and the corresponding indemnities unnecessary.

The increase in salaries and other specific measures, such as the creation of the Medical Insurance and the Workers’ Control, were the main novelties in the summer of 1936 when there was still no intention to unify the industry. The union, as it was stated in the September, 14 declaration by which the employers’ association was confiscated, considered that few were the factories that would have resisted the first push of the following events. “Even though the industry was unified, the partial situation of most factories presented a problem difficult to solve.

18 ATA Carpetas de la Asociación Patronal – from July 18 1936 to September 1936. Alcoi, September 11.
19 In the Catalanian cotton industry there were working weeks 24 and 25 hours long (Bricall, 1970: 64). This multiplied the effects of the problems to supply raw material. As it has already been mentioned, the financial charge of underemployment was passed from the firms on to the public organizations in Catalonia, but in other firms, such as the Compañía Arrendataria de Tabacos, indemnity payments were made for unemployment (Gálvez, 2006).
20 “In cases of labour crisis, machinery reduction, innovation or reform no worker will be dismissed, but work will be equally distributed among all workers effective in the factory in those sections directly affected by the crisis, innovation or reform”. ATA, Ref. 34.9, February 1936.
They only had a stock of raw material valued in 2,401,964.76 pesetas, and more than 50% of it consisted in remnants and residues roughly prepared to make other products. The blockage of 2,466,180.91 pesetas in rebel markets, hindered an easy development, and the overwhelming charge of 6,944,366.56 pesetas in bank loans, made it impossible to have access to new individual loans and resulted in a lack of freedom of action, absolutely necessary in order to develop" 21. As a general measure, traders were totally reluctant to attend its payment obligations, and the union systematically received communications on which their deliberate decision not to pay was made clear. In fact, around March 1937 they were still due: 2,579,221.72 pesetas in rebel markets, 6,145,294.76 in loyal markets, 599,863.46 in the local market and 1,276,988.04 irrecoverable. This happened despite the union having started in the summer of 1936 a commercial propaganda service attended by salesmen and through commercial offices in those provincial capitals that required it.

With the confiscation, services were centralized that were not so at the beginning of the war but stayed so after Franco’s victory. Confiscations and loans solved the first cash-flow problems. With the new funds obtained with the confiscation of machinery, and the property states valued in about eighty million pesetas, and a 1,050,000 pesetas loan given by the Revolutionary Committee, the Textile and Factory Industry Union could start its new path paying off all its previous debts, avoiding bankruptcy protection and the closing-up of firms, using its resources more rationally in centralizing the decision-making process, the purchase of raw materials, orders and distribution22.

In any case, unification was looked upon as the best option to get out of the crisis. The employers’ association was confiscated as a first and essential step in the process of unifying the industry: “we will proceed to the total confiscation of the association, for it is understood that, after confiscating the factories, we had to naturally proceed to confiscate the Association in the same terms” 23. It was some weeks after the conflict started when the process that had initially flown upwards reverted. In this sense, it is legitimate to question the responsibility of the organizational revolution in the textile industry. In Alcoi, as in many places where the rebellion had not triumphed, the collectivization movement was spontaneous and took place in the first days of the war. Nevertheless, very soon the movement was structured by the leaders of the different unions and by the parties which formed the government, who dictated measures that legitimized and tried to put those collectivizations under control.

Regarding political power, this change of direction - now downwards - in the control of the industry started when the Ministry of Industry and Commerce decreed at the end of July and in the first days of August the processes of state intervention and confiscation of all firms abandoned by their owners, representatives or managers; in many of them, as it mostly happened in Alcoi24, the workers had taken control even though the owners had not left. In Madrid, a Provisional Intervention Committee was established to exert control and, if necessary, to manage the different collectivization processes. A few days afterwards - August 7 - Provincial Committees were created in cities such as Alicante and Valencia25. The Economic Council in Valencia - an organization created in November 1936 as a delegation of the People’s Executive Committee in Madrid - tried to reconstruct and plan the production by editing the “Regulatory

21 ATA, Ref. 34.9, February 1936, p.12.
22 ATA, Memoria, 1937.
23 ATA Carpets de la Asoociación Patronal – from July 18, 1936 to September 1936.
24 In this order of things we understand the dissolution of the militias ordered by the Government in October 16, 1936, while creating the mixed brigades. And also the substitution of the local committees created after the rebellion by Local Councils with a balanced representation of all political forces and unions in the Popular Front. The final dissolution of the Committees was decreed in December 1936.
25 See the July 25 and August 2 Decrees, Gaceta, days 27 and 3 respectively. Referenced in Quilis, 1992, 31.
bases for confiscations, collectivizations, control or free industries”. These Bases aimed at collectivizing firms which employed more than fifty workers as well as those which had been abandoned by their owners or were run by rebels, all of which would be managed by a Firm Council formed by three or five members; setting a control on the smaller firms, their owner sharing – in the previously mentioned firms he disappeared as such – the factories management with the Control Committee. The attempts to control made by the State did not cease and so in March 1937 Juan Peiró’s Ministry of Industry defined a series of rules on the intervention and confiscation of civil industries by the State, despite the internal resistance found in the government. Although in June 1937 many industries were nationalized, most were so in August 1938, when the government decreed the confiscation and militarization of all industries oriented to war production. The decree of October 8, 1938 created the National War Industry Council. This organization was responsible for proposing the rules to regularize labour, salaries and prices and for studying all the available resources and means each industry required to be incorporated into the Bureau of Armaments.

Thus, during most of the war, collectivized firms were supervised and controlled by the different governments, and this fact reduces the responsibility of the workers’ direct control on the results. Nevertheless, the situation changed much depending on the area, the dominant union and the sector involved. In the case of the Alcoi textile industry, confiscation and centralization were implemented by the anarchist union CNT. In August 19, the CNT in Alcoi sent a circular with preliminary instructions to form and develop factory committees, urging to create them where they did not exist already: “In the different sections of this industry and during the breaks, a delegate should be elected, a person all workers in each section will have to take into consideration, someone everybody trusts and who has sufficient or relative capacity to accomplish all tasks entrusted to him. All the delegates will form the Factory Committee whose mission is primarily to be in contact with this Union’s Committee to inform, when necessary, about the conditions on which factories, artifacts and management are. Secondly, and while instructions are given, it will have to intervene in the entrance and exit of raw materials and products, as well as in confirming the note given by the owner or manager describing the location and destiny of the output. In all such cases, it will have to drink directly from the source of the commercial relation, that is, from the management books, that will be handed to him as often as necessary.”

The Textile Union of Alcoi developed an organizational revolution with special attention on two features: the information and the bureaucratic structure. The guidelines in the collection and the flow information were partly imposed from the heads of the Union. Therefore, a complete inventory of the company at the collectivisation moment, and also a daybook of the commercial operations from this day was necessary and indispensable to legalise the usurpations and collectivizations for the local authorities (Quilis, 1992, 22). In fact, the unification was not carried out until information of all the companies was collected: total value of the manufactured goods; the amount of pieces of each article; possible weeks in operation with own resources; amount of credits on war-isolated and communicated areas; credit maturities and difficulties; problems with the stocks and the solutions proposed - the most of companies asked for the banks collaboration on solving the credits with a moderate interest.

27 ATA, Correspondencia. Official communication of the Delegation of Industry of Alicante to the City council of Alcoi of August 31st. 1936. In the answers it could observe that the immediate problem was not the raw material but that it would be soon. A serious problem serious was the lack of liquidity for the debts with clients that had been in the national area, the same as the problem of the banking credits. This last was solved through loans and the efficient operation of the unified industry.
The Union keep and organised the original inventories, copying them in a general book as information says: “Not all the inventories were actual and impartial, some of them showed a more weakened situation than real, and others tried to improve their future economic situation, and naturally, neither some neither others fit in the spirit of justice and of justness of the Commission of Control actuation (…) once the necessary rectifications were made in the counting books, the result of the inventories -the amount of the asset and passives of each firm- was formally established (…) Any pressure neither circumstance could influence in the Commission of Control rules of procedure, because its specific mission was to manage and to direct the industry without any personal, politics or union guidelines.” This information was the base for the industry rationalization and the unification of orders, sales and credits.

Regarding the increase of the bureaucracy in the administration, it was necessary due to the increasing scale of the unified company. In December of 1936 the number of employees of the textile collectivization was about 7,172, 6,452 of them were manual labour, 72 directors, 316 foremen, 55 technicians and 276 clerks and warehouse employees. The high number of clerks employees explains the quick adoption of own statutes, salary and conditions rules and therefore insurance and retirement regulations. The retributions for profession and working days were established. The unification would not have been possible without the administrative employees work in the new managerial organization. The increase of employees office workers shows the organizational change: “Honestly the organised manual workers were not the most appropriate group to make certain things (…) the first case was the control of the industry and the illness insurance (…) we went to the Centre of Clerks of Trade, Industry and Banking asking for collaboration to our company; this collaboration was offered with specialized main power (…) The Technical Commission operation was not sectarian, as the cooperation application to the administrative employees shows (…) Everything was made; all the minimum details were considered in analysing the industry, and as a result the urgent necessity of the unification arose (…) and the Technical Commission of Textile Control had to decide, as indebted fact, in a life or death case for the industry, to decree the intervention through its unification, in order to sure and to defend the common interests of bosses, workers, the people, the local economy, the State and the Nation; and the most important, to join, to cooperate and to contribute to the war victory that was the conquest of the freedom of everybody (…) the imperative of the situation transformed all the political programs, all the ideologies, all the postulates, in a common goal; to save the industry, to save Alcoi.”

The flow of information and the increase of the bureaucratization were essential for an efficient management and organization. And both happened in Alcoi during the process of collectivization, with the unification of the whole industry and the control imposed on the sector, although that behavior was completely the opposite of the one defended by the anarchist ideological programme. It became a contradiction that the anarchists had to justify: “After the coup of July 18, (…) the unification and control of the industry were not our goal, even though they are one of our programmatic points because industrial firms do belong to the workers, for we thought it was not the moment to implement this social purpose, but reality pushed us out of improvisation to take the responsibility of controlling the textile and factory industry under such serious circumstances that invited us to consider the effects of our haste.”

The explanation given by the organization in the union’s report of May 1937 also shows how a centralized organization and the control of all the productive, financial and commercial aspects were essential for the union. “…The Committee had to modify the system rapidly. There

28 ATA, Memoria, 1937.
29 ATA, Del Comité del Sindicato de la industrial textil y fabril –CNT y AIT– a las secciones del mismo y a los obreros todos de la industria en general, Alcoi, December 10, 1938. Ref. 56.17.
was no way to this democratic model the Committee had hoped for (…) centralization was necessary (…) The Control Committee Office endowed with more and more assignments and responsibilities, modified since the circumstances demanded to transform it into a central and general office. Simultaneously the Control Committee was also transformed according to the complexity of the issues absorbed; it was divided in departments that corresponded to Sales, Purchases, Production, Economy and Finances, and there were various Secretaries of the Commission and an Administrative Secretary. In this new structure, each collectivized institution could have continued with the former accounting system in coordination with the central office, but it turned out to be impossible because a thousand of problems emerged, mainly due to a lack of understanding when implementing the procedure; as a result, a general chaos brought discredit to the system. It was essential to centralize all services, with the positive and well-known results for everybody. This meritorious work done by our colleagues in the administration department needs to be acknowledged (…) All the services centralized in a general office, the minimal accounting and statistic details have been attended to, with brilliant works and studies that have deserved congratulations; furthermore, many of them have been appreciated in approbatory verdicts by official centers, as some belonging to the Ministry of Defense. The accounts of all collectivisations were incorporated from their individual books into the general Industry Accounts in a scrupulous and detailed fashion; their books of antecedents were classified orderly in appropriate and special places, as were the rest of the documents, invoices, receipts, letters, etc. that conformed the archives of each collectivisation process (…) it is necessary to know that in the wide structure of our administration a pen, a pencil or any other insignificant object is registered and counted into the corresponding section, be it Consumption, Collective, Warehouse or Office. It is also necessary to know that a simple letter is under the control of five signatures, that of the corresponding Secretary and that of the head of the department, in the original; and in the copy the signature of the head of the section, plus the initials of the person who dictates it and of the one who writes it down. All operations have to be registered this way.”

30 ATA, Memoria, 1937.
ORGANIZATIONAL STRUCTURE OF THE COLLECTIVIZED TEXTILE INDUSTRY

It seems that, just as with the organization, in the case of Alcoi neither the lack of human capital nor the high wages were a problem. The idea that the lack of human capital was a norm on the Republican camp, meaning a heavy mortgage on the good administration of collectivized firms, has to be linked with the fact that many of the firm managers or owners escaped, were imprisoned or executed, mainly those related to the bigger companies and those whose names were associated to the existence of difficult labour relations in their firms. Nevertheless, although many of the escaped businessmen took to ‘Franco’s area’ their administration know-how, as well as their capital and business’ networks, it seems that the lack of labour force was not the main problem the collectivisations had to face. The are two reasons for this. On the one hand, a lot of businessmen, technicians and supervisors stayed in town and were alive. In Alcoi they were a majority. Many proprietors of small and medium-size firms remained in Alcoi to control their businesses and in order “to collaborate”, although works of sabotage by businessmen are also evidenced (Quilis, 1992: 147). On the other hand, the fact that previous to the war workers participated in factory committees, cleared the way for many workers who were already familiarized with the activities of the companies they worked for, thus developing a sense of their own competition. The committees were in charge of the books, assigned tasks and controlled the coordination with other companies and inside the industry. By means of these committees the unions coordinated the whole industry, achieving rationalization through the attainment of economies of scale inside an war economy. When the workers lacked the knowledge needed to carry out administrative or accounting tasks, they usually asked for help to the bank employees that collaborated in the administration management, as in Alcoi happened.

The most important concerns in the collectivized industries of the Republican camp were the purchase of raw materials and machinery to start up their factories, and the problem of the cumulative stocks and the debts which other firms, that were clients before the war and now found themselves in ‘Franco’s area’, had with them. The worst results of the firms located in Madrid – when compared to Catalonian or Valencian companies – can be thus understood. In Madrid, collectivisations were smaller, although the isolation of the markets was greater (Catalan, 2006). In the Basque Country there were no collectivisations and it was the region inside the Republican area whose level of industrial production had experienced the most remarkable increment by the time of the entrance of Francos’ troops. The fact that organization was not a problem during the period of administration of the Alcoi textile industry by the union is demonstrated through the fact that, when the war was finished and the managers recovered their assets without damages or profits, they kept some centralized services and productive processes the way the union had created them.

4.- The results of the war. Production and Organization Differences.

When the war finished in April 1939, the Employers’ Association of the Alcoi Textile and Factory Industry of Alcoi regained control of the industry and the project for the separation of the associate companies began. In this process, besides the reassumption of control over their factories, the managers gave priority to the recovery of the bank accounts previously confiscated. The employers’ association played an outstanding role, specially when it defended the individual interests of its members, that is to say, the textile companies. The Unblocking Act of December 7, 1939 returned to the former owners the money corresponding to the bank accounts that belonged to each factory and which the union had engaged in different banks. But the problems came with another account, the one opened in the branch of the Bank of Spain in Barcelona under the name of “Commercial Delegation of the Alcoi Textile and Factory Industry Union” and which Antonio Matarredona Pascual, as president of the Employers’ Association of the

31 ATA, Memoria, 1937.
32 See the firm of Decoració Textil i A viadó. Archivo Histórico de la Guerra Civil, Leg. 177/ 3 nº26 (1).
Alcoi Textile and Factory Industry, claimed in July 1940. The existence of an extraordinary deposit in this account settled the value of the confiscated accounts and offers indications of the cumulative benefits during the two and a half years of the union administration of the industry.

The Employers’ Association lodged an appeal to the Unblocking General Commissariat - this organization was created by Franco’s government to evaluate and refund the assets of the collectivized companies during the war- that finally was sentenced favourably thanks to the personal contacts of the members of the employers’ association in Franco’s government “... considering that the justification of the claimant demonstrates that the bank account was opened during the Marxist period by the red elements that confiscated the textile firms of Alcoi operating previous to July 18, 1936, and considering that the incomes of their collectivisation and industrial exploitation were registered in such account, without any other assets than those coming from the economic and industrial administration of the usurped companies; this is the reason to consider that the true holders of the account are the confiscated firms.... and thus we proceed to the exclusion demanded by the claimant.”

Businessmen were clear in their demands, in their opinion there was nothing in the administration of the union that meant a real innovation and justified the present situation in which they could not have access to the profits as the old and current owners of the factories: “The Union did not contribute to create any new production element other than the usurped ones, neither a patent, brand or manufacturing process, nor an industrial advantage that could be considered beneficial for the industry. It didn’t carry out any innovation, in a mere continuation of the former business, with the deprived owner’s goods, factories, machinery, etc. The union leaders, although they received high salaries, made no contribution to compensate those other that perturbations and changes in the establishment that meant a considerable expenditure when the time arrived to restore the companies to their legitimate owners. It is undeniable in this case, as in the rest of the red affaires, that there was no improvement, neither a single new idea to be used.” The message the victorious forces meant to transmit was clear, and much less respectful than the lines dedicated to the employers in the documents of the union, thus showing the class struggle character of the war and the collectivization and restoration processes.

The ownership of the Barcelona's Bank of Spain account was disputed between the Alcoi businessmen and Franco's vertical unions, who inherited the goods of the revolutionary unions. The employers’ association considered that the cumulative assets in the blocked current accounts came, first, from stolen goods, and second, from the commercial profit of the collectivized company. However and in spite of acknowledging this benefit, it doesn't consider it in its real value, since it originally lied in the usurped money and factories. Therefore the origin of the benefit would lie in the initial “investment” and not in the good administration of the industry. Nevertheless, the fact that businessmen maintained some of the centralized functions – such as the union previously had – shows certain recognition to the work of the union, although it is never manifested in the association's documents, considering the present unblocking litigation. In this context, we could present just one favourable testimony, an interview made to a union leader that some time after said: “The boss that I had later on, told me: ‘what you made was very important, if we had not continued in that line, things would not be as bad as they are at the present time’ and I answered to him: ‘you are the ones responsible for the situation, if only you had wanted to continue, everything was already created and organized. They had an important capital, 5 millions and a half in goods, 24 millions in the Bank of Spain, I think also around 36 or 38 in raw materials” (Moltó, 1986: 42). It is clear that the union benefited from the

33 ATA, Carpeta Varios exp.51. Alcoi, 5st April 1941.
34 Ibidem.
business of the old owners, due to the captive war demand but also to an efficient organization of production, through a larger rationalization, with an increase of the number of administrative employees and an intense commercial work, mainly in Barcelona.

Beside the efforts for the restitution of the bank funds, the Employers' Association had to face the core changes brought about by the inauguration of general Franco's régime. The new legal environment had immediate effects in all the employers' associations, since the new corporatist legislation forced them to integrate into the structure of Franco's unions. Finally, in Alcoi the association made a general change in its denomination and structure in order to escape the direct control of Franco's administration. This way, the Textil Alcoyana S.A. (Alcoi Textile Limited) was constituted in 1940; in 1998 it was substituted by the Agrupación Textil Alcoyana (Alcoi Textile Group), operating nowadays. The Alcoi Textile S.A. (A.T.) is a basic network infrastructure, less developed than a technological park or a cluster of firms. The social relationships of the managers or members can also be extended into the public administration and thus favour the whole network, especially if there is a high degree of integration of the coordination. This is what happened, for example, with the resolution of the Unblocking General Commissariat and its favourable refund of the collectivized companies' financial assets.

Therefore, the new association was constituted in 1940 as a limited company, with shareholders that were the businessmen-partners themselves, and with an organic structure, which in the following decades would have to adapt itself to the changing features of the political régime. In fact this initiative responded to the entrepreneurs' interest on the continuation of an institutional framework that kept on working on business cooperation in the industrial district without the need to integrate the property of the firms. It is clear that the Alcoi industrial district had a strongly atomized entrepreneurial structure, with great differences between firms - in size, specialization, vertical integration, etc. - and with a strong personal character based on the firms historical continuity, for all of them were family firms. This feature, which hindered property integration through high opportunity cost - obviously the union did not take this fact into account -, combined with the long and positive associative experience of the previous employers' associations. The degree of complexity and efficiency that the Employers' Association had achieved in the years previous to the war, in the decade of 1930, could be taken as a model to imitate, reinforced by the traumatic experience of the recovery of the bank accounts and funds blocked by Franco's authorities - the Employers' Association being responsible for the success of the negotiations. This experience could have brought soundness to the organization, engaged again in defending the interests of businessmen cooperatively.

Therefore, the main goal of the A.T. was originally to become the only employers' organization in the sector, assuming those functions on which it had previous experience, and offering services to the companies, especially those concerning labour legislation and commitments with the public administration. As the second article of its Statutes said, the goal was "... to facilitate all the Associates the execution of the obligations imposed by the effective laws...". Regarding its structure and financing, the association followed the pattern existing before the war. On the one hand, the company was financed with the members' contribution and, since it was a non-profit organization, it yielded liability dividends during the first decade of operation. On the other hand, being constituted as a limited society, the company developed an increasingly complex organizational structure - General Board, Board of Administration, Presidency, Treasury, Special Commissions, etc. - adapted through time to the necessities of the associate companies. In this sense, on the first meeting of the Council (1941), the creation of three commissions was approved: the Administrative Commission - that would eventually become the entity's executive center-, the Wool Commission - to manage and negotiate the combined purchasing of raw materials for the partners, according to the share-system which
characterized the Spanish industry during the first two decades of Franco’s period—, and finally the Exports Commission.

In general terms, to reintroduce business cooperation through the representative organ of the employers’ association reinforced the mechanisms of mutual trust between textile partners-managers, especially considering the extremely difficult environment on which production had to be resumed: heavy restrictions on inputs—wool, electric power, oils, etc.—, communication and cash-flow problems, radical transformation of the legal environment, etc. Thus the main tasks of the A.T. during the whole autarchic period, that is, until the mid-1950s, were two: to overcome the obstacles for industrial production, and to collaborate with the public administration in labour and legal matters.

The first of these tasks is linked with the efforts of the employers’ association to have access to the highly regulated input markets, mainly that of the wool. Wool purchase was restricted to the system of shares—geographically organized—and its transportation by road had to be properly authorized. Thus, up to 1953 the employers’ association was in charge of negotiating the purchase licences, and of buying and distributing the wool shares to the partners—according to the machinery installed in their factories—, acting as a central purchase office and maintaining the financial balance by means of the contributions of each member. The association’s performance was in this way so significant and efficient that at the end of the 1940s, the Ministry of Trade ordered the A.T. to act as the monopolistic negotiator and distributor of all the wool shares demanded and used in those industries located in Valencia, Alicante, Castellón, Murcia, Cuenca and Albacete, that is to say, in a very large geographical and economic area. On the other hand, postwar restrictions also affected the electric power supply; this was a real concern of the textile businessmen for more than ten years. As it happened before the war, a very intense negotiation process with the Ministries involved was engaged but as it seems without success. The most relevant event linked to this issue occurred some years afterwards, at the beginning of the period of economic development in the 1960s: the employers’ association created a technical organization—still operating nowadays—, the Electricity Technical Office, to supervise and improve the power conditions—real demand, supply, price, etc.— in order to rationalize each firm’s consumption. Later on, from 1987 onwards, soon after the legislative changes introduced in the energy sector, the A.T. has been in charge of advising the associate companies in the process of transformation and supervision of the high-power equipments.

Regarding collaboration with the public administration in labour and tax legislation matters, the employers’ association was committed to it and became a “collaborating entity” of the Ministry of Labour, increasingly defining its identity as a services firm for its associates. After the war, a Social Security Section inside A.T. was created and this shows the firm’s main line of activity, since this section was in charge of starting initiatives such as the development of medical labour insurances, retirement, disability, mutual and maternity covers, technical education, etc. In fact, it was the employers’ association which, on behalf of the public administration, annually liquidated and paid workers and firms the amounts corresponding to their subsidies, insurances, pensions and bonuses. In addition to this specific assignment related to the new labour legislation, as time went by A.T. also offered other services which individually managed would have had a higher cost—the Firm Medical Service, the assignments of tax contributions, the management of tax relieves on exports, state grants procedures... The best examples are A.T.’s active collaboration with the Ministry of Labour on the establishment of the first tariffs of textile wages (1942); its collaboration with the Social Security Institute to pay family subsidies directly through the employers’ association—a Compensation Fund was created for it--; and especially its collaboration with a public entity called Textile Industry Workers Retirement and Subsidies
Fund (1946). This social institution granted subsidies and compensations for retirement, disability, widowhood, orphanage or death, and in the area around Alicante the Employers’ Association was in charge of transferring from the companies to the beneficiaries the payment of pensions and subsidies. It was also an achievement of this mutual assistance institution the fact that the loans granted by the employers’ association to workers helped them to buy houses or to create new firms. Another clear example of subsidiary performance by the State and of the association’s cooperative capacity were the new fiscal agreements with the Ministry of Economy.

Due to the little control capacity that the Treasury had over several economic activities during a significant part of Franco’s ruling period, agreements with groups of taxpayers through their socio-economic or professional associations were established, deciding upon a global share meant to be distributed by those associations. The Alcoi employers’ association offered its associates this collective service, which included substantial advantages for them: on the one hand, a better estimation of individual contributions, since the “Textile Alcoyana had enough criteria and information elements for its accurate distribution” (Terol, 2000); the association made a meticulous analysis in order to calculate each firm’s tax shares, and this task was probably facilitated by personal relations and mutual trust between the actors. In fact, another reason to negotiate tax shares collectively was “to avoid that any firm should present an excessively high tax declaration that, in later comparison to others, could lead to an increase in the rest of the firms tax shares” (Terol, 2000). Once more cooperation was good to justify the activity of the business association.

Other interesting examples of the association’s coordination work under Franco’s rule—although they had a lesser influence on the executive power of the employer’s association—were the reinforcement of institutional links with similar entities, the transfer of knowledge, and the social welfare activities. The first of these aspects was an intrinsic aspect of A.T. as an employers’ association, since its functioning was determined by its participation in greater collective entities, not only those related with the Ministry of Labour but also others inside the industrial sector as the Spanish Consortium of Export Textile Societies, and initiatives such as the creation of a specific subsector inside the National Textile Union—originally an A.T.’s project, it meant an official recognition of the weight of the Alcoi textile activities. When Franco’s unions were dissolved at the founding of democracy, this subsector was the origin of the Valencian Association of Textile Entrepreneurs, the current ATEVAL. This institution has followed A.T.’s line concerning the search of markets and subsidies, as well as the transfer of technology. Thus in the 1990s ATEVAL opened a Technological Institute in collaboration with the public administration to serve small and medium size firms, and it should be pointed out that the Alcoi employers’ association followed the historical example of the RFPA when, in 1948, sponsored a limited firm, The Textile Development Society, whose main goal was to install in the employers’ association premises a “complete textile laboratory to analyze linen and wool clothes with the ultimate machinery to serve all the industrial entrepreneurs in Alcoi, whether associates or not, since the only and main goal pursued by this development society is the progress of the Alcoi textile industry”35.

CONCLUSIONS

In this paper we have tried to understand the survival of the Alcoi textile entrepreneurial network—whose historical origin is located in the founding of the Guild of Peraires in pre-industrial times—until the present time. With this intention, we have reviewed the business network evolution during the first half of the 20th Century, paying special attention to the

35 ATA, Memoria, 1949.
institutional crash during the Spanish Civil War. The initial hypothesis is that the textile firms progressively adapted to market and institutional changes through variations in the degree of integration of the network coordination, while integration of the property was never voluntary and only possible during the war, in the period when the unions confiscated the factories and centralized their management. In fact during the collectivisation years the property of the firms and therefore the manager's role and retribution were altered, as was the size of the company. In this paper the dynamic nature of entrepreneurial networks and institutional changes are highlighted, in order to understand the degree of network integration.

Regarding the firms collectivization process during the war, this article shows the two main features of the union’s intervention, both of which meant a real organizational revolution of the entrepreneurial network: the flow of information and the process of bureaucratization. Thus, in Alcoi, business profits during the war were not only due to the existence of a captive market, but also to the unions’ efficient organization of the production. This was not the general case, since not all collectivisations had profits. All collectivised firms, as the rest of companies in the Republican area, had to face the same problems related to the supply of raw material and energy. On the contrary, difficulties linked to disorganization and the scarcity of human capital to occupy manager positions only affected certain companies. If the lack of human capital was not a problem, as it happened in Alcoi, organizational problems did not appear. In Alcoi, most of the managers stayed and they developed advisory and technical tasks in their collectivised factories. On the other hand, there was an important number of workers with an ample industrial and technical knowledge thanks to their participation in factory committees in the years previous to the war. And finally, the collaboration of banking employees in bureaucratic and accounting tasks was also relevant in order to achieve a centralized production and an increasingly bureaucratic structure. The increase in the number of administrative employees shows the change in the organization. In addition, it is necessary to remember that workers in that period were “soldiers of production”, not only their families’ bread-winners, as they were making a revolution and, most of all, collaborating in the Republican victory.

From the end of the Civil War, the entrepreneurial network shows a high degree of integration in cooperation –without any property integration– as proved by the foundation of Alcoi Textile Limited (A.T.). This became a basic network structure which centralized part of the managerial functions of the associated firms and was specialized in supply consulting services to the companies. Nowadays the association still works as a services company for more than 600 firms. We have aimed to analyze if the increasing degree of integration in coordination without property integration was a consequence of A.T.’s adaptation to the new institutional framework or if, on the contrary, it was consequence of the war experience.

The answer to these questions is not at all simple. It is not enough to analyze what happened during the war and in the post-war period, it is necessary to understand the cooperation and coordination tradition of the Alcoi textile firms through history and what forces historically brought them to a greater integration. It is possible to conclude that the steps toward a more intense coordination were taken before the war. One important aspect was, from the end of the 19th Century, the power of the labour and union movement and, even before, the loss of competitiveness of the local industry in the domestic market. Finally, in the Republican period, there was a major institutional change that further stimulated the increasing power of the labour movement. The Republican legislation granted the workers a significant role in labour negotiations, and, in Alcoi, this fact resulted in the development of a defensive strategy on the side of the entrepreneurs and managers which strengthened their ties and increased network integration and coordination.
When the war ended, it was also an institutional change which made businessmen react with a higher degree of coordination: the traumatic experience of collectivization served to agglutinate the interests of most firms. Franco’s corporatist regulation specified that all unions and employers’ associations would have to integrate into one organisation, a monopolistic union. In 1940, Alcoi employers’ association became a limited company in order to maintain control over the firms and –only partially– over the assets of the association. This way, Franco’s interventionism on the inputs market encouraged managers to integrate into management some processes they had previously neglected and which the Unions, in the collectivisation period during the war, had paid attention to.

In fact, in our case, and despite the importance which adaptation to institutional changes has historically had in the degree of integration of the entrepreneurial network, the influence of the war experience in the greater integration of the post-war period is obvious, even though businessmen never acknowledged this connection. The employers’ association considered that the cumulative funds in the blocked current accounts derived, on one side, from the usurped goods, and on the other, from the business profits of the collectivized companies. However and even if they acknowledged this benefit, the entrepreneurs did not value it because, as they said, it was a consequence of their own money and factories. In this sense, the initial “investment”, not the unions’ good administration of the industry, would be the reason behind that benefit. This lack of recognition was related to the lack of reconciliation typical of the Spanish post-war period and particularly in the circumstances regarding the unblocking process. Managers and producers found in their corporate organization the appropriate political instrument for the recovery of their funds as well as to speak with a single voice in front of the new régime economic administration; ultimately the distribution of the inputs market depended on these economic and political institutions.

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