

Economic Integration Models and Processes of Political Union. The Contrasting Fates of Scotland and the Basque Country after 1707

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Aro Modernoan Europako monarkiek ekin zioten bateratze politikoaren prozesuak funtsezko prozesu ekonomikoak ekarri zituen. Osagai ekonomiko hori 1707tik aurrera Espainian eta Britainia Handian eman ziren aldaketa konstituzionaletan islatu zen bereziki. Artikulu honetan, euskal esperientzia eta eskoziarra alderatzen dira, eraldaketa kritiko hori aztertuz.

Giltza-Hitzak: Pentsamendu ekonomikoaren historia. Erreforma ekonomikoak. Ilustrazio eskoziarra. Ilustrazio espainiarra.

El proceso de unificación política en que se embarcaron las monarquías europeas durante la Edad Moderna implicó también procesos económicos cruciales. Dicho componente económico se manifestó particularmente en los cambios constitucionales que se dieron en España y Gran Bretaña de 1707 en adelante. Este artículo compara las experiencias vasca y escocesa en tan críticas transformaciones.

Palabras Clave: Historia del pensamiento económico. Reformas económicas. Ilustración Escocesa. Ilustración Española.

L'unification politique dans laquelle se sont embarquées les monarchies européennes à l'époque moderne a été doublée d'un processus économique crucial. Cet aspect économique est flagrant dans les modifications constitutionnelles effectuées en Espagne et en Grande-Bretagne, en 1707 et au-delà. L'article établit une comparaison entre le sort réservé aux expériences basque et écossaise dans un tel contexte d'évolution économique de fond.

Mots Clé : Histoire de la pensée économique. Réformes économiques. Siècle des Lumières en Écosse. Siècle des Lumières en Espagne.

Recent commentators have stressed that European monarchies like the British or the Spanish that were based on different models to the French or continental ones display a great deal of internal diversity; they have been referred to as “composite” or “multiple” monarchies. As J. G. A. Pocock¹ has recently pointed out, the complex processes of political and economic unification that Spain and Great Britain experienced after 1707 cannot be explained if the significance of the external dynastic factor is ignored. To some extent these processes were the result of the constitutional debates that became more lively throughout most of Europe after 1690 when the issue of the Spanish succession began to gather momentum. Nevertheless they were motivated by deeply rooted internal structural issues in both monarchies throughout the seventeenth century. As far as the main focus of this article is concerned, the most important thing is to indicate the clashes that arose between political and juridical aspects on the one hand and economic ones on the other –simplifying matters to an extreme.

J. Robertson has fully explained the dilemma created by the passing of the *Act of Union* in 1707, especially from the Scottish point of view. The bill was designed to resolve a critical problem for Scotland: the potentially contradictory relationship between the established political institutions and the conditions required for economic development or, in other terms, the political cost of creating a framework that facilitated economic growth². This dilemma was the result of a process that took place during the seventeenth century; a combination of different political and economic issues ended up confirming the position of Scotland as an economically and politically subordinate kingdom within the composite British monarchy³. In its search for commercial buoyancy the floundering Scottish economy turned to agriculture, but with little success, and even less in the linen industry. Scotland lacked colonial outlets for its products and was prevented from trading with its natural partner, England, by the rigid internal customs barrier. The country experienced an early agrarian change, especially in the wheat and legume sectors, but it was not sufficient. Modest local demand, the difficulties in accessing the English market and exporting on a large scale hindered the growth of the linen industry. A number of factors played a decisive role in the immediate fate of the Scottish economy in the sixteen nineties: in 1660 England and Scotland imposed high protective duties on imports from the other countries and the Scots were excluded from trading directly with British colonies by the English Navigation Act. In addition the “glorious revolution” of 1689 had little impact on political and economic conditions in the kingdom within the monarchy. By

1. “Empire, state and confederation: the War of American Independence as a crisis in multiple monarchy”. In: ROBERTSON (ed.). *A Union for Empire. Political thought and the British Union of 1707*, Cambridge, Cambridge University Press, 1995; pp. 324-325.

2. ROBERTSON, J. “The Scottish Enlightenment at the limits of the civil tradition”. In: I. Hont and M. Ignatieff (eds.). *Wealth and Virtue. The Shapping of Political Economy in the Scottish Enlightenment*, Cambridge: Cambridge University Press, 1983; pp. 137.

3. ROBERTSON, J. *The Case for the Enlightenment. Scotland and Naples, 1680-1760*, Cambridge, Cambridge University Press, 2005; pp. 60 y ss.

the time the nineties arrived these factors had reduced Scotland to a mere province, poor and commercially and economically dependent on England. Things got worse: a diabolical combination of severe famines in 1695 and 1698 swept away between 10 and 15 percent of the Scottish population and an attempt to set up a Scottish colony in Darien, Panama, between 1698 and 1700 was a dismal failure. At the turn of the new century it became apparent to the generation of Scots responsible for rethinking the future of their country that Scotland's economic weakness was not just due to commercial factors but was also yet another consequence of its political subordination. In the words of J. Robertson⁴, all in all

the country would only flourish within a political framework which allowed the Scots to trade under the same conditions as the English. More and more Scots saw a new political relationship with England as the prerequisite for a fresh economic start.

It is common knowledge that the perception of this political and economic dilemma depended on which side of the border the commentator came from. At the beginning of the eighteenth century English public opinion was generally in favour of the absorption of its northern neighbours and there was little opposition to an economic union. At the same time in Scotland, however, a strong body of opinion against economic union emerged. It had been mainly driven by the writings and patriotic speeches of A. Fletcher and J. Hodges. B. P. Levack⁵ nevertheless describes this opposition as "defensive, weak and unconstructive", in short, unable to provide a viable alternative to complete economic integration.

However the solution that was finally adopted amounted to absorption: it lay halfway between a "perfect union" and A. Fletcher's federalist alternative and was in fact pluralist in so far as it combined the dissolution of some of the previous institutions and the retention of others. The Scottish parliament disappeared, absorbed by the new parliament of Great Britain in Westminster, the central institution of the new political system. The *Act of Union* revolved around the idea of the King and Parliament: in other words, unlike Spain and France where the crown functioned as the principal link, British unionism was parliamentary rather than dynastic⁶. However, at the same time, Scotland managed to retain not only the administration of the Presbyterian Church and its education system but also, as J. W. Cairns⁷ has demonstrated, its private law and law courts. This was mainly due to the political impossibility of rec-

4. *The Case for the Enlightenment.*, op. cit.; p. 173.

5. *The Formation of the British State. England, Scotland, and the Union, 1603-1707*, Oxford, Clarendon Press, 1987; pp. 154-155.

6. FERNÁNDEZ ALBALADEJO, Pablo. *Materia de España. Cultura política e identidad en la España moderna*, Madrid: Marcial Pons, 2007; pp. 23-24.

7. "Scottish law, Scottish lawyers and the status of the Union". In: Robertson, J. (ed.). *A Union for Empire. Political thought and the British Union of 1707*, Cambridge: Cambridge University Press, 1995; p. 248.

onciling them with English legislation. At the same time economic and financial compensations were especially significant. Scotland achieved monetary union with England; this meant the same value for coinage all over Britain and the same standards for Scottish and English mints. Customs barriers fell and Scotland was able to transport goods and trade freely throughout Great Britain and the empire. And, henceforth, the same financial regulations would govern the Scottish economy and treasury. Together with all this, some compensatory measures were introduced to curb the immediate damage that unification would cause the Scottish economy. There were tax exemptions for certain sectors of industry and compensation was offered for a variety of reasons: the rise in taxes and duties, Scottish participation in the English National debt, financial loss due to the standardization of the currency, as well as those who had lost money in the Darien scheme⁸. In any case, these compensatory measures were exceptional and temporary and, as such, did not jeopardize the spirit of the economic content of the treaty: Scotland did not achieve any level of economic autonomy within the Union. The monetary union, the abolition of customs duties and the removal of trade barriers established freedom of trade and parity of laws and rights. As in Wales in the early sixteenth century, the British Parliament became the sole authority for the economic policy of the whole the island which became the largest free trade zone in Europe. Thus, although the Scots lost political power through the *Act of Union*, they made compensatory economic gains. The economic union was not the result of a gradual process but rather of a single act. The decisions adopted in 1707 highlight the fact that once the Scottish Parliament had been dissolved it was no longer possible to dissociate the political and economic union of the two countries.

It is another matter, however, to assess the results that this “problematic and uncompleted experiment in the creation and interaction of several nations” would yield in the passage of time⁹. According to J. Morrill¹⁰, the *Act of Union* encouraged Britishness but not a British State. C. Kidd¹¹ has provided us with a detailed explanation: given that all legislation began life in a parliament dominated by the English, it would have been difficult to achieve the political objective of creating two united but not uniform countries, of creating a concept of national identity that led to integration and that was not exclusively Anglo-British which is in fact what happened in the decades following 1707. On the other hand the strictly economic results of the Act were undeniably positive. Whilst assessment of its effects on Scottish internal and external trade in the short term may still be object of debate, these days no-

8. LEVACK, B. P. *The Formation of the British State*, *op. cit.*; pp. 138-139.

9. POCOCK, J. G. A. “The Limits and Divisions of British History: In Search of the Unknown Subject”. In: *American Historical Review*, n. 87, 1982; p. 318.

10. “State formation and nationhood in the Atlantic Archipelago, 1500-1720”. In: *Identities: Nations, provinces and regions, 1550-1990*, Norwich, Isabel Burdiel, James Casey, School of History, University of East Anglia, 1999; p. 155.

11. *Subverting Scotland's past. Scottish Whig historians and the creation of an Anglo-British identity, 1689-c. 1830*, Cambridge: Cambridge University Press, 1993.

one disputes the fact that by the time the first four decades of the eighteenth century had gone by, Scotland ceased being an underdeveloped country and began to move in different directions to those prior to the Union¹². This was due to the fact that all the principal sectors of the Scottish economy –agriculture, linen, tobacco and livestock– experienced a period of appreciable pre-industrial growth which enabled the country to draw closer to income levels in other European countries although still well behind mighty England. As has been demonstrated by Smout¹³, this growth was especially strong during the third quarter of the eighteenth century. This coincided with the preparation and publication of the three most important Scottish treatises on political economy of the eighteenth century: *Political Discourses* (1752) by D. Hume, *Inquiry into the Principles of Political Economy* (1767) by J. Steuart and *Wealth of Nations* (1776) by A. Smith.

Nevertheless, on no account should we regard the Scottish Enlightenment as just a natural outcome of union and its economic benefits. It can only be completely understood by taking into account an unusual series of cultural, educational and ideological factors: the proliferation of enlightened societies, the influence of the five modern Scottish universities and the Scots' enthusiastic reception of the European Enlightenment, fully documented by J. Robertson¹⁴. A period of unusually strong economic and social growth intensified the effect of these factors. Only by studying this broader picture can we fully understand the unquestionable qualitative leap that Scotland experienced during the six decades that separate the rather visionary writings of A. Fletcher from Hume's *Political Discourses*. The former focused entirely on Scotland whilst the latter, writing in the middle of the century by which time the old problem of the potentially contradictory relationship between the political institutions and economic development had been overcome, was able to include the study of conditions in Scotland in a broader analysis of how society progresses in general and, more specifically, in economic terms¹⁵.

II.

The economic outcome of the process that began in Spain in 1707 was different from the British experience. The proclamation of the first of the *Nueva Planta* Decrees set the process in motion and similar legislation kept

12. SMOUT, T. C. "Where had the Scottish economy got to by the third quarter of the eighteenth-century?". In: I. Hont and M. Ignatieff (eds.), *Wealth and Virtue. The Shaping of Political Economy in the Scottish Enlightenment*, Cambridge: Cambridge University Press, 1983; pp. 45-48; ROBERTSON, J. *The Case for the Enlightenment.*, *op. cit.*; pp. 326-331.

13. SMOUT, T. C. "Where had the Scottish economy", *op. cit.*; pp. 70-71.

14. "The Scottish Enlightenment". In: *Rivista Storica Italiana*, 108, 1996; pp. 782-829; "The Enlightenment above national context: Political Economy in Eighteenth-century Scotland and Naples". In: *The Historical Journal*, n. 40-3, 1997; pp. 667-697.

15. ROBERTSON, J. "The Scottish Enlightenment at the limits of the civil tradition", *op. cit.*; p. 151.

it rolling until 1719. Under the Hapsburgs individual kingdoms had jurisdiction over trade, customs and currency matters but the new legislation marked the beginning of a radical transformation of this model. Especially affected were the territories that comprised the Crown of Aragon. Whilst not setting a completely universal standard, the *Nueva Planta* Decrees abolished the Crown of Aragon's public legal system and its political institutions and transferred jurisdiction in these matters to the Council of Castile; the established authority in Madrid would now take the most important decisions on economic and trading matters. Something similar occurred under the Act of Union: the private law in force during the period when Aragon had its own charter of rights was not repealed except in the Kingdom of Valencia where it was nevertheless able to survive under another guise. The politicians' aspirations of creating a unified national market demanded that the authority in Madrid abolish the local monetary systems and the "inland ports" or customs barriers between Castile, Aragon, Catalonia and Valencia.

Nevertheless the process R. García Cárcel¹⁶ has described as the transformation of the "horizontal" Spain of the Austrias into the "vertical" Spain of the Bourbons did not automatically lead to a completely integrated Spanish market. On the one hand, as recent Catalan, Aragonese and Valencian commentators have pointed out (J. Torras, A. Peiró, E. Giménez and G. Pérez Sarrión), this transformation was much more gradual than its initial rapid progress may have led one to believe. For a good part of the eighteenth century tolls and other restrictions on movement between these territories remained in force; they were levied irrespective of foreign duties. The right to mint currency was not totally abolished until decades after the *Nueva Planta* Decree and the new unified system of weights and measures was slow in coming into general use. And on top of all that, the taxation system never achieved uniformity. The early attempts of Felipe V's government to introduce some of the Castilian taxes into the Crown of Aragon as well as a number of modifications in traditional fiscal management, failed so completely that regional practices remained current. The tax system that prevailed in these regions maintained a perpetually dialectical and usually conflictive relationship with the Royal Treasury's guidelines. Nevertheless it did not differ radically from the system in force during the times when these regions had their own charters. And on the other hand the *Única Contribución*, *Catastro*, *Equivalente* and *Talla* taxes that were levied in Aragon, Catalonia, Valencia and Majorca respectively were significantly different from the provincial Castilian equivalents mainly because they were direct. This meant there were different tax rates for different territories and that industry and trade received differing levels of incentive. Nevertheless, the effect of this uneven tax system on regional growth rates is still a lively issue today.

16. *Felipe V y los españoles. Una visión periférica del problema de España*, Barcelona: Plaza & Janés, 2002.

And there was another problem apart from the regional differences in taxation. It has been readily identified by J. H. Elliott¹⁷: the asymmetry or rupture between the seat of political power and the centres of economic growth. Carlos II and the Habsburgs left a burdensome economic legacy: an impoverished, backward and commercially weak monarchy dependent on foreign powers. The first signs of recovery appeared before the War of Succession in the Mediterranean and Cantabrian areas. Agricultural techniques here were more advanced than in the interior of the country and trade began to recover its traditional vitality. Castile, having established itself as the seat of political power and economic decision making after the 1707-1711 conflict, now had to provide these new centres of Spanish economic growth with representation as regional economics had lost its voice. In the meantime, as E. Lluch¹⁸ has commented, support for the Habsburg economic model gradually subsided, even amongst a broad cross section of Habsburg supporters who had suffered fierce reprisals and had been exiled in Italy or Austria. Enthusiasm for this economic model finally disappeared altogether in the forties when the Archduke Charles's most important former supporters began to present their programmes for reform without questioning the Bourbon regime.

Together with all this, as an extraordinary measure, the *Nueva Planta* Decrees did not abolish the charters of Navarre and the three Basque provinces, Alava, Guipuzcoa and Biscay. This enabled them to retain their own institutions and charters, as well as all the political, administrative and economic rights that they included. There were internal differences between these four territories, the most important being that, unlike the Basque provinces, Navarre retained its status as a kingdom with its own parliament. Nevertheless the Basque and Navarrese charters established an economic system quite different from the one created in Castile by the Habsburgs and still in force there. The three main peculiarities were to be found in the customs system, the structure of the provincial treasuries and the provincial institutions' economic powers. As stipulated in their charters, the Basque Territories and Navarre retained their internal customs barriers against the rest of the territories on the Peninsula through a system of customs checkpoints and the so called "Ebro Cordon", the checkpoint that separated the Kingdom of Navarre from Castile and Aragon. As well as that, they enjoyed considerable fiscal and financial independence. This enabled them to manage public revenue and expenditure and make only meagre contributions to the central treasury; for this reason they were known as the "exempt provinces". Last of all, these territories' political organs –the Parliament of Navarre and the Basque Assemblies together with their respective executive organ known as the Regional Council– had considerable power over economic policy. This included regulating internal trade, promoting economic growth and managing certain areas of social policy that had considerable economic

17. *Imperial Spain 1469-1716* (1963), 5th Spanish ed., Barcelona: Vicens Vives, 1986; pp. 410-411.

18. *L'alternativa catalana (1700-1714-1740)*. Ramon de Vilana Perlas i Juan Amor de Soria: *teoria i acció austracistes*, Vic: Eumo, 2000.

repercussions such as health, education, public works and welfare. Legal skirmishes between the governments of the Basque territories and Navarre and the central administration over who had the final say on the application of the charter were a constant feature of eighteenth century political life. Nevertheless, the survival of the institutions established under the charters and their high degree of autonomy protected the pluralistic nature of the bodies responsible for economic policy during the Bourbon era.

Thus the economic unity achieved in the first Spanish Bourbon's "vertical", centralized and absolutist Spain was not only gradual but also incomplete. This was inevitable given the wide range of institutions and political interests involved and the disparate positions adopted, on the one hand, by the territories of the Crown of Aragon in favour of the Archduke Charles and, on the other, by Navarre and the Basque Territories in favour of Philip V during the War of Succession. However, for this very reason, the idea of economic union came into being in Spain not through a single act as in the case of England and Scotland but rather through a gradual process. The different taxation systems, the plural nature of the organs responsible for economic policy, the economic asymmetry between the territories and the survival of the internal customs barriers were sufficient reasons for maintaining that the first measure towards union adopted under the *Nueva Planta* Decrees would have to be followed by further centralization.

After the period from 1707 to 1719, the customs barriers undoubtedly posed the most serious remaining challenge: the creation of a free market economic community with a uniform trade and customs policy that completed the process begun by the *Nueva Planta* Decrees became an economic and political problem of the first order. The first results of the establishment of the new Anglo-Scottish economic block in 1707 were highly encouraging. They were a result of the Peace of Utrecht and the Spanish-British trade agreement of 1715 which spelt out the commercial terms with greater precision¹⁹. From the Spanish point of view, economic union seemed an essential component in the solution of the pressing problem of national underdevelopment. In fact, the political inertia of the first Absolutist Decrees brought about the relocation of the *Foral* customs barriers from the interior to the coast in 1717. However, they were returned to their original positions in 1722 as a result of the opposition of the *Foral* institutions, the social unrest created by price rises and the poor revenue their relocation generated. From that time on the most outstanding authors of the eighteenth century in Spain from Uztáriz and Ulloa to Campomanes and Jovellanos regarded the *Foral* customs barriers as the great fissure in the Spanish market; relocating these barriers was the only way to seal the fissure. The problem lay in how to carry out this relocation as it involved fundamental political issues: the inland *ports* were essential components of the economic system defined in the Basque and Navarrese Charters.

19. MCLACHLAN, J. O. *Trade and Peace with Old Spain, 1667-1750* (1940), 2nd ed., New York: Octagon Books, 1974; pp. 68-69.

III.

It was not until the seventeen sixties that there was a suitable environment for seeking a solution to the Spanish internal market's lack of uniformity. It was significantly different from the political and economic environment of the first half of the century: it emerged from the different reform processes undertaken in the House of Austria's former dominions rather than just being an initiative that represented the government's desire to centralize. Between 1766 and 1768 authors such as T. de Anzano in Aragón, F. Romà y Rosell in Catalonia, E. Ramos in Valencia and the Count of Peñaflores in the Basque Country began to publish works that dealt with regional economic problems for the first time in the entire century. These writings were just the starting point for the rebirth of the peripheral regionalism that was fundamental to Charles III's reforms and that was to be personified by enlightened groups from the Basque Country, Aragón, Galicia, Valencia and Catalonia.

In purely economic terms, these groups were able to establish regional schools of thought on the subject which, especially after 1775, coalesced into the Economic Societies for Friends of the Country. Whilst none achieved the brilliance or importance of the economic movements that sprang up in the Italian states –Beccaria and Verri in Milan and Genovesi and Filangieri in Naples– the provinces played an undoubtedly important role in the emergence of political economy in Spain, first described by E. Lluch²⁰. Thus it was not just the result of economic reform theory and legislation emanating from the centres of power –the King, the Council of Castile, the Secretariats, mainly the ones for the Indies and the Treasury, and the Board of Trade. Scholars have even detected significant regional differences between the mainly agrarian stream of thought dominant during the Spanish Enlightenment and championed by enlightened Asturian and Castilian commentators and its industrialist counterpart dominant in Catalonia²¹. And indeed it was through these authors, whose thinking had been shaped by local economic conditions and bodies and who were responsible for most of the literature on the subject, the translations and the economic reforms in late eighteenth century Spain, that Political Economy achieved the status of an intellectual discipline, public attention and its role as “the most important of the connecting discourses of the Enlightenment”²².

The Basque Society for Friends of the Country provided the first initiative in this process. Founded by the Count of Peñaflores it was a pioneer amongst Spanish economics societies and one of the most emblematic bodies of the Spanish Enlightenment. It was modelled along the lines of similar societies in Dublin, Brittany and Berne and ten years later its suc-

20. *El pensament econòmic a Catalunya (1760-1840)*, Barcelona: Edicions 62, 1973.

21. LLUCH, Ernest. *Las Españas vencidas del siglo XVIII. Claroscuros de la Ilustración*, Barcelona: Crítica, 1999; pp. 130-131.

22. ROBERTSON, J. “The Enlightenment above national context”, *op. cit.*; pp. 672-673.

cess inspired Campomanes, Treasurer of the Council of Castile, to use it as a prototype for similar societies set up all over the kingdom. However its creation between 1765 and 1766 by a group of Basque aristocrats can only be explained by the tremendous political and economic vitality of the Basque *foral* bodies in eighteenth century Spain: it was the result of Enlightened thought and was closely linked to the *foral* Assemblies and Regional Councils of the three Basque provinces²³. Nevertheless it amounted to somewhat more than just an attempt to adapt a number of ideas and reforms from the European Enlightenment to the *foral* framework. These ideas and reforms were incorporated in a programme that represented the first historic attempt to unite the three *foral* provinces around a single body as well as establish some form of preferential relationship with Navarre, the fourth *foral* territory of the Spanish monarchy. As a kingdom, Navarre had a completely independent political structure that was difficult, if not impossible, to incorporate in the internal structure of the Society for Friends of the Country. Thus its foundation represented a first step along the path between a purely provincial vision –the essence of the *fueros* or special rights– and a “national” one, based on the development of economic, cultural and linguistic elements common to the three Basque provinces and a potentially new position for them in the political structure of the Bourbon monarchy.

In addition to all this the Basque Society played a fundamental role in the emergence of political economy in Spain. Good examples of this are the numerous treatises, translations and economic reforms achieved under the auspices of the Society from 1765 to 1794, when the Society’s activity finally began to decline during the French Revolutionary War. Throughout these three decades it attempted to formulate economic policy aimed at bringing the three Basque provinces closer together. The underlying perception of the *foral* politicians who were directing this movement was that economic development based on provincial markets no longer had any future. development had occurred mainly in the coastal provinces of Guipúzcoa and Biscay where trade and industry based on the foundries and the local iron and steel industry were sustaining economic growth as the agriculturally driven cycle had come to an end by the seventeen sixties. This meant complementing the production strengths of each province, lowering the trade barriers between them and co-ordinating their growth agendas. Thus, the birth of the Basque Society set the stage for the first attempt at creating a completely unified Basque market.

At first, this process sought to define the *foral* provinces’ economic status within the Spanish monarchy without dealing openly or directly with the major issue of the *inland ports*. There was certainly no lack of awareness in the inner circles of the Basque Society that they constituted a major obstacle to local economic growth. Their economic programme was industrially based. Mid-eighteenth century Physiocratic and French liberal agrarian doctrine

23. ASTIGARRAGA, Jesús. *Los ilustrados vascos. Ideas. Instituciones y reformas económicas en España*, Barcelona: Crítica, 2003; pp. 48 y ss.

formed its theoretical foundations whilst the ideas of the more industrially minded members of the Gournay group –mainly F. V. de Forbonnais– provided the structure. It thus acknowledged the importance of excise duties in the protection of local industry against foreign manufactures and their role in creating domestic growth rather than limiting it. Be that as it might, the *foral* nature of the Basque Society and its close political ties to the Basque Regional Councils and Assemblies made it difficult, if not impossible, to approach this thorny issue in the Society's early years. For this reason the Society's early proposals for reform, those formulated between 1765 and 1778, were aimed at expanding and unifying the Basque market without changing the identifying features of the *foral* economic system²⁴. The system depended on inland excise duties and *foral* taxation for its survival. In addition, the Crown maintained the Basque monopoly on iron production in the peninsular and colonial markets; as has been mentioned, this was the most important local industry. The Crown also allowed the principal Basque trading ports, Bilbao and San Sebastian, to engage in colonial trade on the same conditions as other Spanish ports. It had even approved the foundation of the Guipúzcoa Caracas Company in 1728 in San Sebastian, a prosperous entity that enjoyed the privilege of being able to trade with Venezuela.

IV.

The coordinates that controlled the development of the Basque Society's economic programme changed substantially at the end of the seventies. The patient presentation of a series of reforms that until now had refrained from explicitly questioning the *foral* framework became a pressing plea to make a decision on its relevance. This change came about as a result of a number of measures introduced by the central government between 1778 and 1779 aimed at bringing the *foral* tax and excise systems into line with national legislation. The government took its first step in 1778 and re-launched the offensive initiated in 1765 in support of its so called programme for *free trade* with the overseas colonies. This programme put an end to Cadiz's long standing stranglehold on trade with these colonies and increased the number of ports in the peninsula entitled to deal directly with them; Bilbao and San Sebastian, however, were excluded. One year later, the Royal Treasury deemed all goods manufactured in the *foral* territories and imported into the rest of the kingdom as subject to "foreign tax duties". This was a very significant step: not only did it attempt to alienate the Basque ports but to also virtually eliminate the Basque-Navarrese excise system. It laid a kind of *economic siege* to the entire *foral* zone which now received exactly the same treatment as a foreign country until "they introduced customs duties in their sea ports". The central government regarded these measures as perfectly reasonable: it was unacceptable to allow the Basque ports to continue to trade on the same conditions as other ports whilst they continued to enjoy tax advantages and, what was worse, the current system encouraged illegal

24. ASTIGARRAGA, Jesús. *Los ilustrados vascos, op. cit.*; pp. 151-179.

trade and smuggling. These decisions were based on principles that sought to unify the internal market and thus maximize the benefits of *free internal trade* as well as create a single tariff zone and facilitate the application of protectionist policies throughout the entire monarchy. In fact, this was the fundamental idea behind the new universal customs duty approved by the government in 1778, the first one to be introduced in the eighteenth century in Spain. What about the administration of the tax system? These measures were no longer solely motivated by taxation arguments as they had been between 1717 and 1722 when customs rights were overhauled; politicians now sought to seal the fissures in the Spanish system.

As could be expected, these decisions aroused intense debate at the heart of the Basque and Navarrese communities and the principal political and economic organs of both made their voices heard²⁵. In some ways, the dilemma of 1778-1779 that confronted these communities bore a resemblance to the one resolved by Scotland seven decades earlier: how government could create a suitable mechanism for the stimulation of economic growth and the changes that this would bring to the political and administrative framework.

The Consulates of Commerce of Bilbao and San Sebastian took the first initiatives in the three Basque provinces. These two bodies, the main defenders of Basque commercial interests, requested permission from the *foral* institutions for Basque ports to engage in *free trade* with the colonies even though it entailed accepting changes in the *foral* customs duty system, in particular the payment of customs duties on goods consigned there. Failure to accept these changes would have extremely negative consequences: they would be obliged to go through the authorized ports in order to trade with the Indies and pay the price in the form of increased costs, long delays and loss of competitiveness in the American market. In addition to that the measure came at a bad moment for both ports. In Bilbao, where traders were trying to prevent the shift of commercial activity to the nearby authorized port of Santander, the most serious impact of the measures was on the main channel for the export of Basque iron. And given that Basque iron had lost more and more ground in Northern European markets as the century had progressed, the colonies constituted almost the only viable alternative destination. The situation was different in San Sebastian. The opening up of colonial trade between 1765 and 1778 was accompanied by the first measures to abolish the monopoly enjoyed by the Caracas Company, the head office of which was located in San Sebastian. Thus authorization and direct trade with the colonies was seen as the only possible alternative given the more than likely imminent disappearance of the company.

The Basque *foral* institutions took up a very different position: they refused to accept the Consulates' requests. Whilst acknowledging that the non authorization of Basque ports would damage their commercial interests,

25. ASTIGARRAGA, Jesús. *Los ilustrados vascos*, op. cit.; pp. 180-197.

they pointed out that it would not prevent them from continuing to trade with the American colonies. On the other hand, the consequences of acceding to their request were extremely damaging: in short, it would mean accepting the same conditions as a normal customs system and therefore amount to an attack on the *Fuero*, their ancestral charter of special privileges. The most plausible explanation for this is that powerful members of the Basque nobility were behind the positions defended by these institutions; the internal customs duty system represented a huge advantage for them. As landowners, the system enabled them to buy foreign consumer goods without having to pay the corresponding customs surcharge.

The Basque Society intervened in the affair and attempted to persuade the *foral* institutions to accept a solution similar to the one suggested by the Basque Consulates. No single body was better placed to undertake the role of mediator in the matter. Policy co-ordination between the four *foral* territories was non-existent in the eighteenth century. The Society, on the other hand, not only possessed representatives in the four *foral* territories but also brought together both business people and, in particular, the nobles associated with the political bodies in these territories. How do we explain their support for the inclusion of the Basque ports in the *free trade* system despite the changes in *foral* customs that this entailed? Because of the fact that the Society had encountered obstacles in developing its economic programme during the preceding fifteen years. The most significant one had been the absolute impossibility of industrializing within a system like the *foral* one. And there were two main reasons for this: the customs cordon made it impossible to purchase raw materials in the interior, produce manufactured goods from them in the Basque Country and then sell them back to the same internal market. These goods, due to the unsophisticated state of Basque industry, were only viable in not very competitive markets like Spain and the American colonies. On the other hand, as it was impossible to protect local industry with a customs barrier foreign manufactured goods entered Basque Country without restrictions. Such goods were normally of superior quality as was the case with the French ones. Thus, the *inland ports* represented an unassailable obstacle to the development of Basque industry. This was a particularly serious state of affairs as agriculture had ceased to expand and the Basque iron industry was the only alternative for the creation of growth. For this reason the Basque Society chose to assess the central government's decisions in terms of their implications for Basque industrial development instead of their impact on the *fueros*, the ancestral charter of special privileges, as the *foral* institutions had done. The Society maintained that it was absolutely essential that the ports trade with America on equal terms even if this might mean an updating of the *fueros* and the cession of some of the advantages that these ancestral rights allowed the Basque provinces. In any case, nothing would convince the *foral* institutions to accept the changes. After two years of debate and an intense campaign by the Basque Society to influence public opinion through articles, addresses and awards articulating its position, the *foral* institutions ratified their support of the *status quo*. The *foral* system thus became an obstacle of prime magnitude to the development of the economic programme underwritten by the enlightened Basques.

V.

The Basque Enlightenment was quick to draw attention to the manifest benefits England and Scotland were obtaining from the treaty of 1707. In 1763, fifteen years prior to the outbreak of the customs duty debate that we have just described, the first text of the Basque Enlightenment with a fundamentally economic content, *Plan for an Economic Society or Academy of Agriculture, Science, Useful Arts and Commerce*, written by the Count of Peñafiorida with the assistance of enlightened circles in Guipúzcoa, made direct allusion to the economic advantages that the two kingdoms involved in the treaty were obtaining from the new British market. These advantages were best exemplified in the increases in agricultural and textile production based on quantitative data for the third quarter of the eighteenth century during which period these increases were more apparent than ever:

In short, agriculture, and trade made such palpable progress in these kingdoms [England and Scotland] that, whilst in previous years they were obliged to import produce from France and other countries, they were now able to provide their former suppliers with their surplus quantities of grain. Records for England reveal that 14,000 muids of grain were exported to France alone during 1748, 1749 and 1750 which amounts to 14,000 a year. And trade in the linen sector alone has increased every year, an almost unbelievable result [...] The quantity of linen consigned for sale in Scotland from the first of November 1756 to the same day the following year amounts to 9,764,408 yards valued at 415,111 pounds, 9 shillings sterling [...], the surplus for the preceding year is 1,217,255 yards, valued at 33,789 pounds, 8 shillings sterling [...] and [...] Scottish linen production has increased a hundred fold in the last fourteen years²⁶.

The members of the Guipuzcoan Enlightenment who had been trying to organize an economics society in their province in 1763, the immediate forerunner of the Basque Society founded only two years later, attributed these unquestionable economic triumphs to the important developments in government that had taken place in England and Scotland, mostly in the creation of modern, enlightened institutions:

[...] they built their respective academies and very quickly achieved the positive results they had promised themselves. The land was covered in abundant, delicious corn, lush meadows and all manner of bountiful Nature's products²⁷.

Thus, as early as 1763 the pioneers of the economic Enlightenment in the Basque Country perceived both England and Scotland as more advanced politically and economically. The economic enlightenment in the Basque Country was just getting under way and therefore lagged some considerable distance behind the Scotland of Hume, the Naples of Genovesi and the

26. MUNIBE, J. M^a de. Conde de Peñafiorida: *Plan de una Sociedad Económica o Academia de Agricultura, Ciencias y Artes Útiles y Comercio* (1763), ed. en San Sebastián: Juntas Generales de Guipúzcoa, 1985; pp. X-XI.

27. MUNIBE, J. M^a de. Conde de Peñafiorida: *Plan de una Sociedad Económica*, op. cit.; p. XI.

France of Gournay and the Physiocrats. They regarded Scotland as a model for the Basque Country. For this reason we can talk about a “Scottish connection”, the influence of which was felt in a variety of areas during the Basque Enlightenment.

This connection first made its influence felt at the Royal Seminar of Bergara, the Basque Society’s centre for teaching and research. This centre, founded in the Guipuzcoan town of Bergara in 1776, led the way in the modernization of scientific research in the Spain of Carlos III. The first chairs of chemistry, metallurgy and mineralogy in Spanish history were established at this institution in 1778 and enabled members of the Basque Enlightenment to join the most reputed circles of Europe in the study of natural sciences. This is demonstrated by the significant number of foreign scientists that joined the Basque Society, some of whom worked for the institution itself. Even though the most important links were with French scientific institutions, those in Paris in particular, William Robertson and Robert Black were also “corresponding members” of the Basque Society. This says a great deal for the cutting edge profile of its cultural programme and its ability to attract prominent figures of the European Enlightenment. Robertson was a member from 1778 to 1793; his membership was probably related to research into the history of the three provinces. The Society had been promoting such research since 1765 although without a great deal of success. Black, a member between 1779 and 1786, was no doubt drawn to Bergara because of the centre’s pioneering role in the development of chemistry and related sciences.

One of the main aims of the Bergara Seminar’s scientific activities was to assist the process of technological renovation especially in the mining and iron and steel industries. Enlightened Basques had been attempting to modernize these sectors since 1765 by importing and applying the new techniques that were being used in more developed European nations. Scottish technology was used in two sectors. The Basque Society incorporated contemporary Scottish and Irish techniques in an ambitious project to set up a company for the salting, smoking and processing of fish products. The most significant results of the “Scottish connection” in terms of technological transfer, however, took place within the four walls of the Bergara Seminar itself. In return for financial assistance from the Spanish Ministry for the Navy the Seminar’s faculties of chemistry, metallurgy and mineralogy were to develop ways of modernizing the Spanish armament industry. The Count of Peñaflores and the directors of the Seminar proposed the foundation of a School of Metallurgy in Bergara similar to the one in Freiberg (Saxony) and set up an ambitious scholarship scheme for study in European institutions especially in France and central and northern Europe. The scheme contained some secret clauses obliging scholarship holders to conduct industrial espionage for the Spanish Ministry for the Navy; in 1777 a new war with England seemed imminent and the Ministry urgently needed to modernize cannon manufacturing techniques in the kingdom’s two most important factories situated in Liérganes and La Cavada in Cantabria. Under the auspices of the Bergara Seminar two scholarship holders, I. Montalvo and J. J. Elhuyar, were sent to conduct industrial espionage at

the Scottish armaments factory in Carron, one of the most advanced Scottish manufacturers of the time. The details of this scheme have come to light recently²⁸. Thanks to a series of manoeuvres, one of which was the inclusion of some of the factory's managerial staff as foreign members of the Basque Society, one of the scholarship holders, I. Montalvo, succeeded in infiltrating the factory in 1780 and obtaining the required information on cannon production techniques. Despite Montalvo being posted to the Jimena armaments factory by the Ministry for the Navy, this information had practically no impact on the improvement of Spanish production techniques.

Added to all this, the main effect of the "Scottish connection" during the Basque Enlightenment was, logically enough, the appearance of the most important texts of the Scottish economic Enlightenment in the Basque Country and the rest of Spain as well. No research whatsoever has been conducted into the influence of J. Steuart and almost nothing is known of D. Hume's impact; A. Smith has received somewhat more attention. As far as the Enlightenment in the Basque Country is concerned, its scholars played a pioneering role in disseminating Hume's *Political Discourses* between 1776 and 1777. A few years prior they had done the same with Ch. Davenant's famous discourse, *Of the Use of Political Arithmetick, in all Considerations about Revenues and Trade* (1698). N. de Arriquirbar, one of the Basque Society's most outstanding economics commentators²⁹, had translated the text in 1772. It was the first translation of a leading British economist made during the Spanish Enlightenment³⁰. And it was two of the most brilliant enlightened Basques of the late eighteenth century generation, Manuel de Aguirre and Valentín de Foronda, that were the first, according to the information we have at our disposal, to systematically use the opening two essays of Hume's *Political Discourses* in 1776 and 1777 in Spain. From this moment onwards, this work began to arouse a great deal of interest in other circles of the Spanish Enlightenment³¹. M. de Aguirre wrote a "Discourse on Luxury" in 1776 in which, without making a single mention of Hume, he plagiarized "*Of Refinement in the Arts*", the second essay from the Scot's treatise³². A year later, Valentín de Foronda did something similar in his discourse entitled "Dissertation on the honourable nature of business": he plagiarized "*Of Commerce*", the essay which introduced the *Political Discourses*³³.

28. PELLÓN, I.; ROMÁN P. *La Bascongada el Ministerio de Marina. Espionaje, Ciencia y Tecnología en Bergara (1777-1783)*, Real Sociedad Bascongada de Amigos del País, 1999.

29. ASTIGARRAGA, J.; BARRENECHEA J. M. "Estudio Preliminar" to N. de Arriquirbar, *Recreación política. Reflexiones sobre el Amigo de los Hombres en su tratado de población, considerado con respecto a nuestros intereses (1779)*, Vitoria: Instituto Vasco de Estadística, 1987; pp. 18-2.

30. SMITH, R. S. "English economic thought in Spain, 1776-1848". In: *The South Atlantic Quartely*, n. LXVII, 1968, spring; p. 306.

31. ASTIGARRAGA, Jesús. *Los ilustrados vascos, op. cit.*; pp. 126-129, 141-146.

32. AGUIRRE, M. de. "Sobre el lujo" (1776). In: A. Elorza (ed.), *Cartas y Discursos del Militar Ingenio al Correo de los Ciegos de Madrid*, San Sebastián: 1974; pp. 167-174.

33. FORONDA, Valentín de. "Disertación sobre lo honrosa que es la profesión del comercio" (1777). In: *Miscelánea o Colección de varios discursos*, Madrid: B. Cano, 1787.

The real importance of the discourses by Aguirre and Foronda must be assessed in the context of the appearance of a new generation of enlightened scholars in the final quarter of the eighteenth century in Spain. They began an open minded and direct examination of the relationship between morality and economics, the problems of achieving a balance between public well being, political liberty and the State's power and, finally, the obstacles the *Ancien Régime* placed in the path of long term economic and commercial progress. The Basque Society disseminated both discourses, which fell outside the mainstream of the Spanish Enlightenment when published: up until this time the advocates of luxury used the classic mercantilist arguments that supported public and private expenditure regulated by the State. The rather conservative concept of the "noble trader" had dominated the debate over trade; Coyer, a Frenchman, had developed the idea and it had also received exposure thanks to the Basque Society. And indeed both discourses immediately met with extreme hostility. Aguirre, whose work constituted one of the most well reasoned arguments in support of luxury of the entire Spanish Enlightenment, was reported to the Inquisition. Foronda aroused immediate antipathy amongst the most recalcitrant of the Basque nobility who felt they were being singled out by references to their titles as "antique pedigrees" and by the attacks on assets acquired by the practice of primogeniture. Despite this, the Basque Society used Foronda's discourse during the customs debate of 1778-1780 to demonstrate the contribution of trade to long term economic development and therefore its support of the reform of the *foral* customs system. It was published in 1778 in the *Extractos*, the Society's annual journal where it appeared amongst the documents the society used to explain its position in the customs controversy. Thus Hume's ideas were put to a purely political purpose: the support of enlightened arguments in favour of economic development. On the other hand it is highly likely that these early appearances of *Political Discourses* in Spain led to an era of greater exposure for the book and its application to other areas of the Spanish Enlightenment. The first readers of Hume's work in Spain undoubtedly used French translations; an anonymous author first translated the work into Spanish in 1789. This version, however, was heavily edited, much more so than the Italian one³⁴, which, due to the strict censorship laws, only contained eight of the original twelve essays³⁵.

VI.

In the meantime, the debate over the customs system in the Kingdom of Navarre took place in the 1780-1781 *Cortes*. It also had the task of assessing the economic policies endorsed by sectors of the local Enlightenment which

34. VENTURI, F. "Scottish echoes in eighteenth-century Italy". In: I. Hont and M. Ignatieff (eds.), *Wealth and Virtue. The Shapping of Political Economy in the Scottish Enlightenment*, Cambridge: Cambridge University Press, 1983; pp. 353-354.

35. ASTIGARRAGA, J.; ZABALZA, J. "La fortuna del *Essai sur la nature du commerce en général* (1755), de Richard Cantillon, en la España del siglo XVIII". *Investigaciones Económicas*, n. 7, 2007; p. 16.

also included a thorough review of this system³⁶. The policies had been elaborated and endorsed by two *foral* politicians who belonged to the nobility and possessed close ties with the Basque Society: the Marquis of San Adrián and F. J. de Argáiz. The former was the founder and president of the Economics Society of Tudela, a similar institution to the Basque Society. It was founded in 1778 in Tudela, the southern capital of the kingdom. F. J. de Argáiz, probably the most influential navarrese politician of the period from 1775 to 1790, was the organizer of the navarrese group of the Basque Society throughout the seventies; this group had its base in Pamplona, the capital of the kingdom.

Throughout the eighteenth century, a double customs belt encircled Navarre: an external one comprising the Castilian-Aragonese customs authorities and the so-called "little customs" in Guipúzcoa and Álava, and an internal one consisting of posts that collected the "standard" duties. Export duty was 5% and import duty 3.5%, no distinction being made between manufactured goods and raw materials. Inhabitants of Navarre received exemption from import duties and a substantial discount on the export of goods such as wine, wool and iron.

Although, as we shall see, there were proposals of mixed formulas, the first alternative put forward by the *Cortes* referred to the possibility of relocating the internal customs barriers situated all along the River Ebro to the Pyrenees. This amounted to putting the Navarrese market on the same footing as the Castilian one and levying duties on the import of foreign goods in compliance with current Castilian legislation. This relocation was detrimental to navarrese consumers, who currently enjoyed the benefits of the free trade zone between Navarre and France; the introduction of the Castilian duties would mean a rise in indirect taxes and subsequently internal prices. Nevertheless, the proposal would have a more direct impact on others, mainly those who lived off trading with south eastern France and considered that relocating the customs barriers to the border would lead to a change in the balance of trade. Such was the case of business people in the valleys situated near the border, Baztán and Roncal, as well as in Pamplona: they basically lived off the commissions derived from exchanging Castilian and Navarrese wool for foreign textiles and foodstuffs. By the same token, there is no doubt that there were two other groups that used the *inland ports* to their advantage: the smugglers that took advantage of this access to France to make money from illegal trade with Aragon and Castile and the landowners and tithe farmers who were able to speculate more effectively in grains in a closed and unpredictable market.

It was relatively easy to identify the groups that obtained the most benefit from the customs barriers in the Pyrenees. On one hand there were the entrepreneurs of local industry who saw the duties as a form of protection against the more developed French sector and as a vehicle for opening up

36. ASTIGARRAGA, J. "Estudio Preliminar" to *Ilustración y economía en Navarra (1770-1793)*, Vitoria: Gobierno Vasco, 1996; pp. LIX-LXXXVIII.

new markets to obtain raw materials and place manufactured goods from Navarre. On the other were the landowning nobility who needed the Castilian and Aragonese markets to sell their surplus production. This was particularly the case in the Ribera, the region in the south of the kingdom; agriculture there had made huge strides. However, a substantial part of these surpluses were diverted to Basque ports. Whilst their participation in colonial trade was at risk, the aforementioned "foreign duties" imposed by the central government on products from Navarre as well as the high duties that France levied on the imported textiles made matters even worse.

Parliamentarians from the 1780-1781 *Cortes* of Navarre in favour of changing customs policy had a very clear strategy. At first, they took up an extreme position that exposed the anachronistic nature of the tariff system in Navarre. They maintained that a policy of agricultural and industrial growth that did not include changes to the *foral* customs system was not viable and advocated the relocation of the customs barriers in the Pyrenees without any compensations or concessions. The defenders of the *status quo* reacted immediately claiming that the *Fueros*, or Navarre's charter of ancestral rights, were indivisible and that the relocation of the customs barriers would be detrimental for consumers in Navarre. As the two standpoints appeared irreconcilable, Argáiz and San Adrián went on to advocate a compromise position involving the relocation of the customs barriers subject to a packet of wide reaching measures. They amounted to an equivalent of the compensatory measures adopted during the Anglo-Scottish union of 1707. They were aimed at the following areas: trade and customs exemptions that eased the detrimental effects of the relocation of the customs barriers on the sectors most directly hit (mainly the Pyrenees valleys); unlimited imports of common consumer goods from France; support for the unlimited export of wine and oil from Navarre as well as a ban on the import of similar foreign products; and, finally, compensation from the central government for the cost of the relocation of the customs barriers to the economy of Navarre. These funds were to be employed in the development of industrial companies, the creation of educational and beneficent institutions and the repayment of municipal debt. However this conciliatory measure did not meet with the *Cortes'* approval either. The supporters of the *inland ports* used the parliamentary regulations that required an absolute majority in each of the *Cortes'* three houses to defeat this measure. They used the same strategy to defeat other economic proposals formulated by the reformist sector to create a more suitable legislative framework for the Kingdom's economy. All the decisions were taken without the real ideological debate that enlightened figures such as Argáiz, San Adrián and the reformist nobility of Navarre sought. It would not seem possible to attribute the *Cortes'* inflexibility to any extremist tendency contained in the reforms. The theoretical bases for these measures were moderate ones reflecting the restrained nature of the economic enlightenment in Navarre. The agrarian principles that Argáiz and San Adrián attempted to apply in Navarre advocated market expansion as a key factor in agricultural development. Their ideas were based on authors such as the pre-Physiocratic Mirabeau, Accarias de Serionne and Necker as well as mercantilist writers with proclivities for the protection of manufactures along the lines of G. de Uztáriz and N. de Arriquiábar.

VII.

The final outcome of the Basque-Navarre customs debate that lasted from 1778 to 1781, was detrimental to the progress of the Enlightenment in Navarre and the Basque Country. Mention must be made of the first and immediate consequence, consistently pointed out by members of the Enlightenment: the worsening of the economic situation especially apparent in the loss of commercial presence and the slowing down of industrialization. These problems were probably intensified by the diversion of capital to speculation and smuggling. Meanwhile, in enlightened circles, the arguments used by the Basque Society in the debate had distanced them from the *foral* governments and councils who accused them of defending ideas that were detrimental to the *Fueros*, or charter of rights. This in turn led to a loss of social and political base for the Society. The time had come to change strategy. The loss of room for manoeuvre made their position at the head of the economic reform movement untenable. They abandoned their focus on the economic reformism that had played such a vital role in their public campaign from 1765 to 1780 and opted to direct their efforts at education and research through the Bergara Seminar; this became the focus for the enlightened movement's efforts at reform from 1780 onwards.

It seems no coincidence that a more audacious school of thought, more critical of the *Ancien régime's* mechanisms, thrust its way onto the scene at the end of the customs debate; it has come to be known as the *late* generation of the Spanish Enlightenment. This movement not only demanded more far-reaching economic reform but, for the first time, political change as well. It was in this very same ideological context that members of the Basque Enlightenment first directed openly harsh criticism at the local *foral* system. It was V. de Foronda who once again articulated the discontent felt by members of the Basque Enlightenment at the situation created after the customs debate. Once again he presented a soundly reasoned argument framed in unquestionably *anti-foralist* terms in favour of radical reform of the Spanish economy and the integration of the Basque Country and Navarre in the Monarchy as a whole based on a doctrinaire interpretation of liberal and free trade principles and the natural order of Physiocracy without delays or compromises. It was one of the most important economic treatises of the eighteenth century in Spain³⁷. Foronda's *Cartas sobre los asuntos más exquisitos de la Economía Política, y sobre las Leyes Criminales* (1789-1794) was the first work of the Basque Enlightenment to contain ideas lifted directly from Smith's *Wealth of Nations*. The impact of this work was limited due to its heavy reliance on the Quesnay school of liberalism.

In any case, Foronda's extremist stance on integration enjoyed only minority support amongst members of the Enlightenment in the Basque

37. BARRENECHEA, J. M. "Estudio Preliminar" to V. de Foronda, *Cartas sobre los asuntos más exquisitos de la Economía Política, y sobre las Leyes Criminales*, Vitoria: Gobierno Vasco, 1994; pp. LXXXVIII-C.

Country and Navarre. In general terms, enlightened thinkers in this part of the country favoured the moderate and pragmatic positions previously described. They advocated gradual reform of the *foral* system: they were in favour of moving towards integration but without completely renouncing the *Fueros*. This kind of *Enlightened Fuerism* or *Foralist Enlightenment* was just as far from *anti-Foralism* as it was from conventional *Foralism*. It constituted an eminent example of how important ideas from the European Enlightenment were absorbed and applied during the reform of the *Foral* economic system. It explored reasonable ways of modernizing the *Foral* institutions and reaching a new political and economic agreement with the Crown, albeit unsuccessfully. Nevertheless, as the *Foral* customs system was never modified and priority was given to a solution based on the structure of the provincial markets, it became impossible to redefine the *Foral* territories' relationship with the Spanish Crown. It also prevented making any progress towards the institutionalization of provincial conditions and the creation of a broader more integrated political structure within the plural framework of the varied Spanish Monarchy.

From another point of view, this inability to modernize the *Foral* structure can be considered as a failure of the Spanish Enlightenment as a whole. The leading members of the Spanish Enlightenment made repeated demands for the unification of the national market in the eighteenth century. But by 1780 what lay ahead was already quite clear. The nobility retained the political initiative; they remained entrenched in the *Foral* institutions and supported a rigid adherence to the system. In addition, the legacy for future generations could not have been worse: a deadlock in which it was impossible to hold a civilized debate over a customs system that jeopardized the economic development of the Basque Country and Navarre and that had turned into an "elusive phantom whose mere mention frightens us all out of our wits". Customs reform continued to hold an important position amongst the modernizing aspirations of the heirs to the Enlightenment. The positions of the Basque Society and the members of the enlightenment in Navarre were to encourage a second movement to protect traders and producers as they sought to participate freely in the internal and colonial markets; this was to lead down the long and winding road towards the transfer of the customs barriers. The enlightened attitude to the *fueros* of the Basque Society signalled the starting point for an important movement, the influence of which was to endure throughout the nineteenth century, or at least until 1839 when the *Foral* customs barriers were finally relocated on the border. Last but not least we should stress that the *Foral* territories would have enjoyed much more prosperous times in the period immediately following if all this had been achieved six decades earlier.

VIII.

The destinies of Scotland and the Basque Country during the eighteenth century were vastly different. They both possessed very similar profiles at the beginning of the century: smaller communities incorporated in larger composite monarchies, politically subordinated and economically dependent.

However, by uniting with England in 1707, the Kingdom of Scotland found a way round the critical dilemma that had begun to emerge above all after 1690: the compatibility between its political institutions and economic development. This is how the Scottish Enlightenment managed to fuse “progress and unification”, to quote C. Kidd³⁸. It is however true that this was achieved by burying Scottish national aspirations and subordinating its identity to a supposed common super-identity, Britishness, which in real terms proved to be far less inclusive than was expected.

In the Basque Country and Navarre, on the other hand, the first *Nueva Planta* Decrees, enacted in 1707, created a political climate that enabled these provinces to preserve two features of what had been a crumbling nation ruled by the Habsburg dynasty: their own *Foral* economic system as well as their traditional political rights. This in turn enabled the inhabitants of Álava, Guipúzcoa, Biscay and Navarre to preserve the identity that these economic and political conditions had created within the monarchy. However, as the passage of time would demonstrate, this was only possible whilst the *Foral* economic system remained relatively efficient. From the seventies and eighties on it became more and more apparent that the system would require modernization if it were to continue to guarantee economic growth. Undoubtedly one of the principal problems of the system, although not the only one, lay in the increasing difficulties that the internal *Foral* customs barriers were creating. The great structural developments that took place during the century were the first reason for these difficulties: by 1770 it was obvious that the agricultural sector had stagnated making it more and more difficult to maintain population growth. The industrial sector would have to fill the gap but the way the customs system was structured limited its capacity for growth.

In the second place, however, the central administration played no small part in resolving the situation. In order to introduce unity and uniformity into the Spanish market and, in short, to finish off the process that the *Nueva Planta* Decrees had initiated, some of the more characteristic economic privileges of the *Foral* system had to be eliminated: on the one hand, the administration brought a gradual end to the monopoly enjoyed by Basque iron in the Spanish and colonial markets; on the other, to avert the smuggling that originated in the *Foral* territories, it made their tariff duties the same as in the rest of kingdom; and finally it refused to facilitate the direct participation of the Basque ports in colonial trade whilst authorities persisted with their current customs policy. The result of all this was that throughout the eighties the *Foral* territories had to confront the same sort of dilemma that Scotland had succeeded in resolving with the Act of the Union in 1707: preserve their *Foral* privileges or allow changes to them that would lead to an institutional framework that would facilitate economic development. This was the real significance of the important debate (1778-1781) over the reform of the *Foral* customs system and the transfer of the customs barriers from the interior to

38. *Subverting Scotland's past*, *op. cit.*; pp. 270, 275.

the coast. As members of the Enlightenment from the Basque Country and Navarre persistently suggested, the only possible outcome for this debate was to allow reforms to the *Foral* system, even if it meant relinquishing prerogatives bestowed on the provinces. This was the only way to create a new framework that would facilitate economic development. Their failure was a failure for both the Basque and Spanish Enlightenments. It is not at all unreasonable to suggest that by the seventeenth sixties the members of the Enlightenment in the Basque Country and Navarre were perfectly positioned to redefine the economic and political role of the *Foral* territories within the monarchy due to the sophistication of their institutional and ideological ideas. However, by refusing to concede defeat all the *Foral* institutions achieved was to delay the resolution of the situation and, without doubt, leave a problematic legacy to the nineteenth century.