SPANISH SAVINGS BANKS AND THE COMPETITIVE COOPERATION MODEL (1928-2002) *

FRANCISCO COMÍN
Universidad de Alcalá [a]

RESUMEN

Este artículo examina la relación existente entre la naturaleza de las Cajas de Ahorros y su éxito en términos de cuotas de mercado durante el siglo XX. Analiza los factores clave que han posibilitado este éxito competitivo de las Cajas de Ahorros, tales como: su capacidad para promover el ahorro, cooperar con la política económica del gobierno, adaptarse a circunstancias cambiantes, operar en áreas geográficas concretas y cooperar entre ellas. Finalmente, el artículo se centra en el factor men-

* Received 04/16/2007. Accepted 09/16/2007. This article is an advance of the main conclusions of a book I am currently writing to be published in 2008 with the title *Historia de la cooperación entre las Cajas de Ahorros. La Confederación Española de Cajas de Ahorros, 1928-2003 [History of cooperation among savings banks. The Spanish Confederation of Savings Banks, 1928-2003]*. Eugenio Torres Villanueva helped with the investigation upon which I base this book. I consulted the archives of the Board of Directors as well as the historical archives of the CECA; José Manuel Neira heads the latter. I also used Ángel Pascual Martinez Soto, Ximo Cuevas and Francisco Hernangomez's unpublished historical series. Enrique Fuentes Quintana's invaluable comments were a great help as were those of Juan Quintás, Manuel Lagare and Victorio Valle. Pablo Martín Aceña, Ximo Cuevas Eugenio Torres and Ángel Pascual Martínez Soto read the first draft. Their advice was well received and I would like to thank all of them. Likewise, I would like to express my thanks to three anonymous referees whose comments helped to improve this paper substantially. Logically, any mistakes are the sole responsibility of the author.

[a] Departamento de Fundamentos de Economía e Historia Económica, Facultad de Ciencias Económicas y Empresariales. Pza. de la Victoria 3, 28802 Alcalá de Henares (Madrid). francisco.comin@uah.es.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

cionado en último lugar. Se recurre al modelo de cooperación competitiva para explicar el destacado papel desempeñado por la Confederación Española de Cajas de Ahorros para hacer posible la alianza estratégica entre las Cajas de Ahorros españolas.

Palabras clave: Cajas de Ahorros, Bancos comerciales, cooperación competitiva, política económica, Asociación de Cajas de Ahorros, España, Europa.

ABSTRACT

This paper explores the relationship between the nature of Spanish savings banks and the extent of their market success during the twentieth century. It deals with the key factors which have made such a good performance possible, including their ability to promote private saving, to cooperate with government economic policy, to adapt to changing circumstances, to operate in particular geographical areas, and to cooperate with one another. Finally, the paper deals in depth with this last factor. The competitive cooperation model is used to explain the outstanding role of the Spanish Confederation of Savings Banks in making the strategic alliance between the Spanish savings banks possible.

Keywords: savings banks, commercial banks, competitive cooperation, economic policy, savings banks association, Spain, Europe.
JEL Classification: G21, N24.

1. INTRODUCTION

From the standpoint of banking history, the success story of savings banks in Spain is virtually unique, not only in Europe, but in the world [1]. The fact is that the savings banks are winning market share from the Spanish banks and are just as efficient as the latter [2]. The performance of Spanish savings banks is all the more remarkable in that Spanish commercial banks are among the most efficient in the world, as can be seen in their international growth, not only in Latin America but also in the USA and the EU. This article attempts to explain the role of coope-

[1] Only the Norwegian savings banks have as successful a record as the Spanish. See Pampillón (1994), Pampillón (2003, pp. 62-78).

[2] See Pérez (2003, pp. 60-198), Pérez and Doménech (1990), Cals Güell (2005).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

ration among savings banks in Spain and the outstanding influence of the Spanish Confederation of Savings Banks (*Confederación Española de Cajas de Ahorros* —CECA—) on the expansion of the market share of savings banks in Spain since the foundation of this body in 1928.

It is worth studying the case of the savings banks in Spain to investigate the reasons behind their capacity to compete with commercial banks. We now know the business strategies undertaken individually by the main savings banks. In fact, there are numerous, excellent studies of the history of large, medium sized and small savings banks [3]. These studies analyse the most relevant characteristics of their performance as both financial institutions and charitable organisations. They also show how the various savings banks developed their areas of activity. However, such studies make little mention of the collective strategies used by the associated savings banks grouped within the *Confederación Española de Cajas de Ahorros (CECA).* This is a serious oversight as this association was a fundamental instrument for the collective performance of the savings banks. The collective strategy of the savings banks was key, first, to ensure their survival and then later, to reinforce their growth. Therefore, there is a gap in our knowledge of the Spanish financial sector and more specifically in the area of the savings banks. This paper is based on research that aims to fill this gap. The success of the savings banks in Spain was collective because the entire sector gained market share from commercial banks. Some savings banks grew more than others and specific studies show us why. Some merged while others were taken over but none disappeared. We cannot say the same about commercial banks. In the very few cases where savings banks did have problems, the other savings banks used the CECA to rush to their aid. It is therefore important to explain that collective success through their strategy of association. The reputation of each and every Savings Bank depends on the reputation of the sector, so mutual solidarity is fundamental to explain their evolution in the 20th century, especially from the time the CECA was created in 1928. In general, the published histories of certain savings banks do not consider ths point. There are also excellent studies that analyse the historical evolution of the savings sector jointly using the aggregate accounts of all of the savings banks [4]. These studies do not analyse the collaboration strategy used by the savings banks in depth either. This oversight could be unders-

[3] A large amount of space would be required to quote all the studies, so I will only mention the most important ones: Forniés, Torres and Rubio (1976), González Enciso (1998), López Yepes (1979), López Yepes and Titos Martínez (1993), López Yepes and Titos Martínez (1995), López Yepes and Titos Martínez *et al.* (1999), Maixé (2003), Nadal and Sudrià (1983), Oribe (1979), Pérez Menéndez (1987), Titos Martínez (1987) and Valdaliso (2007).

[4] The studies by Martínez Soto (2000), Pérez (2003), Martínez Soto and Cuevas (2004), Martínez Soto, Cuevas and Hoyo (2005), Titos and Piñal (1993) and Cals (2005) stand out.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

tandable because until very recently no historian had used the minutes of the CECA board meetings and assemblies with any significant amount of scope. These collective matters are the first thing one notices when one takes the time to read said minutes thoroughly.

Individual study of the savings banks, without considering their cooperative strategies, does not help towards providing a correct image of the whole savings sector. The joint strategies of the savings banks' sector —usually cooperatives since the creation of the CECA— are not analysed in these historical studies. This disregard is a handicap because from the time of its creation, the CECA played an important role as a lobby as well as supplying financial, advertising, marketing, networking, technological and other services to the sector. In my opinion, not even the specific success of the savings banks can be understood without considering their interaction and collaboration. Its importance is such that without their cooperation, through the CECA, the mere existence of the savings banks would have been in danger, as they are institutionally fragile entities. Consequently, they depended on government regulations. Until very recently, they had always had the government's protection and tutelage. Historically, the legislation regarding savings banks has been variable and has depended on the mood of the government and its economic and social policies. Therefore, the savings banks understood that their survival depended on their capacity to carry out an efficient defensive lobby against the attacks of the banks which tried to displace them from the market using changes in the legislation (forbidding them to carry out certain banking operations) or to take them over. They were not typically capitalistic entities. They were private Foundations rather than Limited Companies so they did not have owners or shareholders and their property rights were rather undefined. The pressure groups of the business world sometimes asked for them to be «privatised». In other words, commercial banks either asked for the savings banks to be sold to banks, as in Great Britain, or asked for both the laws and statutes to be changed so they could convert them into listed public companies whose shares could then be bought up by the bnks. In the countries where savings banks were not able to organise themselves adequately, they either became legal worries or disappeared completely [5].

The existing literature provides us with factors that explain the success of the savings banks in Spain. It correctly highlights a series of common characteristics the savings banks shared deriving from their condition as non-profit, charitable entities. Among others, the following factors are highlighted: proximity to the customers, territorial specialisation, inspiring confidence in their customers, use of their own strate-

[5] See Comín and Torres (2003) and Pampillon (1994 and 2003).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

gies and instruments to encourage saving and to attract low and middle income customers, dislike of risk investments, use of profits for social projects, flexibility to collaborate with economic policies of the governments, capacity to adapt to political circumstances and changing economic opportunities and specialisation in certain banking operations such as deposits and mortgages. However, in the explanations of the success of the various savings banks, little explicit mention of the cooperation among the savings banks to defend the interests of the sector and to supply services jointly is made. Recently various research papers have appeared underlining the importance of the collaboration among the savings banks through cooperation with the CECA [6].

Therefore, in this paper I intend to show that the savings banks had a predisposition for cooperation perhaps, because after 1921 they sensed that it was their only survival strategy. I also want to underline the importance of the CECA as an association of savings banks particularly in the period immediately following its creation and then as a service provider in the post 1965 period. The latter has already been dealt with by various authors [7]. More specifically, in this article I would like to analyse the relationship between the collaboration among savings banks through the *Confederación* and their business success, measured by their share of the market. First, I will try to show that the savings banks took business away from the banks over the 20th century. I will do that by reverting to the most useful indicator which is the savings banks' market share in obtaining savings through deposits and current accounts. Next, I will examine the full list of characteristics of the savings banks deriving from their institutional nature and which helps to explain this success in the growth of the market share. Finally, I will focus my analysis on the savings banks' tendency to collaborate with each other through the CECA, to show that this played a huge role in the success of the sector. An additional objective of this paper is to confirm Batiz-Lazo's hypothesis that the model of competitive cooperation is applicable to Spanish savings banks. From this test, notwithstanding, comes the conclusion that the «cooperative model» has been useful for the savings banks since 1928 but, on the other hand, the «competitive cooperation model» only worked from 1989 onwards. This paper will show that cooperation among the savings banks passed through various circumstances and historical stages which made it impossible to support the hypothesis of a lineal evolution of competitive cooperation from 1928 on. I cannot maintain that this cooperation was always competitive in the markets. For

[6] They include Quintás (2003), Comín and Torres (2003) and Batiz-Lazo (2004).

[7] See Forniés (1978), Comín (2004, 2005 and 2006), Quintás (2003) and Comín and Torres (2003 and 2005).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

most of the period of colaboration among the savings banks, from 1928 to 1988, we should speak of «collusive cooperation». Neither does the historical evidence permit confirmation of the affirmation that the savings banks were always successful in increasing their market share using that cooperative strategy.

Consequently, the article consists of three sections. The second section describes the historical performance of the savings banks, examining market share records for deposits and borrowed capital since 1850. The third section looks at the savings banks' characteristics which have made their good performance possible, focusing on their ability to foster private saving, to cooperate with government economic policy, to adapt to changing political, economic and financial circumstances, to specialise in certain geographical areas and to cooperate with other savings banks. This last aspect is analysed in more depth in the fourth section since it is a fundamental factor in the success of the savings banks, which channelled their cooperation through the *CECA* [8].

2. THE MARKET SHARE OF THE SAVINGS BANKS

To assess the progress of savings banks in the Spanish financial system we need to look at the historical series of their share of the markets in deposits and borrowed capital. The benchmarks referred to by the savings banks in their growth strategy were always the private banks (which possessed the largest market share) and, to a lesser extent, credit cooperatives. Especially from the 1960s on, ordinary meetings of the Board of Directors of the *Confederación Española de Cajas de Ahorros* (CECA) analysed the «statistical data» reflecting the evolution of deposits, borrowed capital, loans and securities portfolios for the savings banks as a group and for their banking competitors. The managers of the savings banks (who were members of the Board of Directors of the CECA) attached more importance to out-performing the banks than to whether the statistics were performing well or badly [9]. Market share was therefore their chief strategic indicator, against which the success or failure of savings banks was measured.

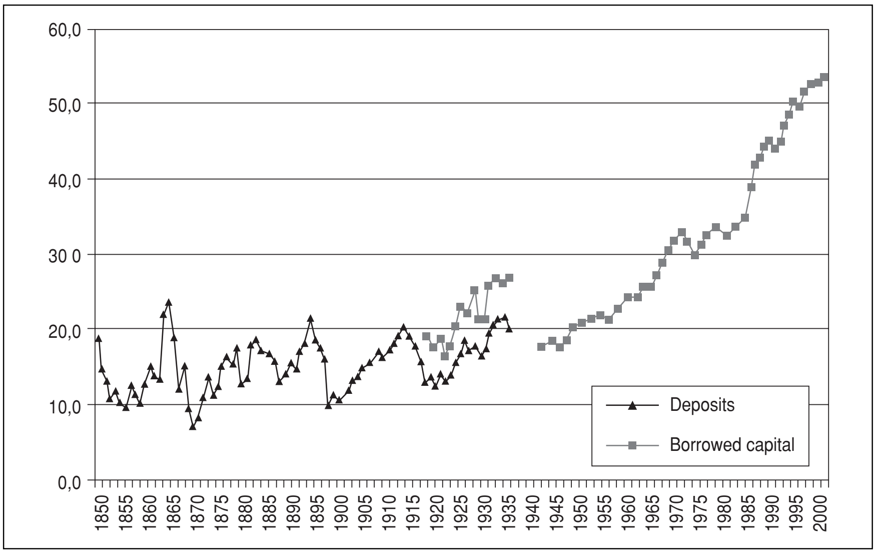
[8] For the history of the *CECA*, see Forniés (1978, pp. 163-177), Comín (2004, pp. 339-57), Comín (2005, pp. 27-47), Comín (2006), Comín (2007), Comín and Torres (2003, pp. 246-84), Comín and Torres (2005, pp. 48-64), Torres (2005, pp. 16-25).

[9] The main sources for the strategies of the savings banks and the CECA have been the collections: «Actas de las Sesiones de la Comisión Permanente», in *Libro(s) de Actas de la Comisión Permanente de la Confederación Española de Cajas de Ahorros*, 1928-2002, Madrid, Archive *Secretaría General de la CECA* [hereafter ASG], and «Actas de las Asambleas Generales de la Confederación Española de Ahorros, 1928-2002», ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

Figure 1 shows the market share of the savings banks as assessed on two bases: data from before the Spanish Civil War (which commenced in 1936) showing the savings banks' deposits as a percentage of all deposits in the banking system [10]; the post-Civil War series shows the savings banks' borrowed capital as a percentage of the total for the banking system [11]. The evolution of both series was very similar until the 1960s, when the savings banks began to expand their current accounts. Both series, however, show some divergences (in the period for which data are available on both) for which there are a number of explanations. The first is that the two series are based upon different primary sources. Another is that the deposits series does not include among the savings banks either the *Caja Postal* (state-owned) or other non-federated savings banks —in other words, it only takes into account savings banks which were members of the CECA. Moreover, this series treats the *Banco de España* (which was the bank of issue but was a private bank like the rest and the largest of them) as part of the banking system, and therefo-

FIGURE 1
MARKET SHARE OF THE SAVINGS BANKS (per cent)



[10] The source is Martínez Soto and Cuevas, *Estadísticas de las Cajas de Ahorros españolas (1840-1935)* (unpublished).

[11] The source of this series is F. Hernangómez, *Estadísticas de las Cajas de Ahorros y de la Confederación Española de Cajas de Ahorros* (unpublished).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

re its deposits are included in the divider. Before 1935 it was logical to include the *Banco de España* among the private banks since it was precisely that (it was nationalised in 1962), even though its deposits possessed particular weight in the banking system overall. During the nineteenth century, the deposits of the *Banco de España* generally accounted for more than half of the total; in the early twentieth century its importance began to decline, but as late as 1917 the deposits held by the *Banco de España* still accounted for 32 per cent; by 1921, when Cambó's Banking Act was promulgated, it was only 19 per cent, declining constantly thereafter until the years of the Second Republic (1931-1936) when it was between 7 and 10 per cent. The decline in the importance of the *Banco de España* in the years leading up to 1922 was a consequence of groth of private bank deposits; thereafter, however, the cause was an ostensible increase in savings bank deposits following a downturn during the First World War. This evolution of the share of the savings banks is depicted in the two series in Graph 1. The evolution of the two series is similar in the medium term, and the real figure for the savings banks' market share is probably somewhere between the two. The problem with the deposits market share series is that no figures are available for after the Civil War. Post-1918, I therefore opted to analyse the series based on borrowed capital, which is homogeneous.

In this borrowed capital series we find strong growth of savings banks' market share following a decline between 1918 and 1922. The gain in market share by the savings banks after 1922 accounts for the concern evinced by the private banks at savings bank expansion. The bank employers' association *(Consejo Superior Bancario)* sought to put a brake on competition from the savings banks by persuading the dictator Primo de Rivera to approve a decree in 1926 which was designed to hamper the latter's operations. In 1928 the savings banks' market share grew from 16.5 to 25.1 per cent; that same year the *Confederación Española de Cajas de Ahorros* was set up as an association for the purpose of lobbying on behalf of the sector and trying to counter pressure from the banks. In fact the CECA succeeded in having the 1926 decree reformed and a Savings Statute which was more favourable to the savings banks approved in 1929. The savings banks' market share dropped in 1929, but from 1930 to 1933 it recovered, rising to 26.7 per cent. That year saw the approval of a new Savings Statute, and also the creation of the *Instituto de Crédito de las Cajas de Ahorros* [Savings Bank Credit Institute], which was intended to serve as a coordinating body for the financial activity of the savings banks [12]. At the end of 1935, the market share of the savings banks stood at 26.9 per cent. The 1920s, then,

[12] See Fernández Ramos (2006).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

were good years for the savings banks, as were the early 1930s albeit to a lesser extent; in the space of ten years, their market share grew by ten points. In fact, before the start of the Civil War, the savings banks handled more than a quarter of the market in deposits [13].

As Figure 1 shows, all the inter-war gains were lost after the Civil War and the advent of the Franco dictatorship. Indeed, by 1942, the market share of the savings banks had fallen to 16.7 per cent, the same level they had attained in 1922 [14]. The savings banks did not begin to recover market share until 1946; from then until 1952 it rose to 21.3 per cent, remaining stable until 1956. Thereafter they saw renewed growth, from 22.4 per cent in 1957 to 24.7 per cent in 1962. Note that at this point they had not yet recovered their pre-Civil War level —in other words, the autarchy phase of the Franco regime was a poor one for the savings banks. Between 1939 and 1957, it was all the CECA could do to fend off the threats assailing the savings banks; indeed, the Ministry of Labour (under whose supervision they operated as charitable institutions) tried on several occasions to exert control over the savings banks' investments and all their social projects [15]. The savings banks' deposits did not regain their pre-war level until 1966; in other words, they took thirty years to recover from the economic disaster of the Civil War and the post-war period. Whatever the level of savings, the savings banks clearly fared much worse than the private banks during the period of autarchy.

The savings banks did not therefore break through their pre-war market share ceiling until the 1960s. Their growth in those years was influenced by a number of factors. The first was the economic policy of the new Franco government, which was more intent on economic growth and hence saw it as essential to raise the rate of saving. Franco's governments used the savings banks for that purpose and, as a result, things began to change for them in 1957 when they exchanged the oversight of the Ministry of Labour for that of the Ministry of Finance. Thereafter, they were treated more as financial institutions than as charitable organisations [16]. The Ministry of Finance was interested in enhancing the power of the savings banks to attract savings, subsequently forcing them to invest in the financing of whatever public and private enter-

[13] Based on the other series from Martínez Soto y Cuevas, «*Estadísticas...*», the market share of the savings banks would have been a fifth of the total.

[14] Compared with the Martínez Soto y Cuevas series «*Estadísticas...*», the decline in the Hernangómez series («*Estadísticas...*») is smaller. It should be remembered, however, that these are two unlike series and that had the first continued after the Civil War it would have given even lower post-war percentages.

[15] «Acta de la Sesión de la Comisión Permanente [hereafter ASCP], 7/4/1960», *Libro de Actas de la Comisión Permanente de la CECA* [hereafter LACP], 6, 143-51, Madrid, CECA, Archivo de la Secretaría General [hereafter ASG].

[16] ASCP, 11/12/1957, LACP, 6, 99-103, ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

prises the government determined, through mandatory investment coefficients [17]. The second factor in the development of the savings banks was economic growth in the 1960s; this drove growth in the income of wage-earners and the middle classes with nationwide industrialisation and urbanisation, and these were natural customers for the savings banks [18]. This development was good for the latter, which in 1971 achieved a market share of 32.7 per cent, another milestone in their historical progress. A third factor accounting for their growth was that the CECA began to provide them with certain financial and other services which had hitherto been provided by the ICCA, only less efficiently [19].

Between 1972 and 1981 the savings banks' market share remained practically stable at between 30 and 33 per cent. In other words, the economic and banking crisis prevented the savings banks from advancing positions. However, they did not lose ground either at a time when international banks began to operate in Spain, growing to absorb the ground lost by the bankruptcies of Spanish commercial banks in the economic crisis. The savings banks weathered the crisis better than the private banks, as seen in the fact that no savings banks folded and there was hardly any call on the Savings Bank Deposit Guarantee Fund to bail out savings banks, unlike the Bank Deposit Guarantee Fund [20].

Subsequently, the savings banks achieved very strong growth between 1981 and 1988, when their market share reached 44.5 per cent. With the recovery from the economic crisis and liberalisation of the financial system starting in 1977, the savings banks were able to win market share from the commercial banks. One particularly important government measure was Decree 2290 of 1977, which introduced organisational changes in the savings banks (democratisation of their Corporate Governance boards) and allowed them to undertake the same financial transactions as the banks [21]. In 1977 savings bank operations began to be brought into line with those of banks, so that they were able to compete in the market on equal terms. Between 1988 and 1991, however, the market share of the savings banks stagnated. There were a number of reasons for this. The first was the application in 1985 of the Savings Bank Governance Boards Act (Spanish acronym LORCA, *Ley de Órganos Rectores de las Cajas de Ahorros*), under which savings banks were forced to replace most of their senior managerial staff. The second was the abolition of the territorial principle, which intensified conflict between savings banks as they were allowed to compete in all regions of

[17] ASCP, 29/1/1964, LACP, 7, 185-97, ASG; ASCP, 24/10/1964, LACP, 7, 227-39, ASG.
[18] ASCP, 4/2/1960, LACP, 6, 134-43; ASCP, 17/2/1972, 8, 159-75, ASG.
[19] ASCP, 1/12/1971, 8, 149-59, ASG.
[20] Quintás (2003, pp. 1-26).
[21] ASCP, 19/10/1977, ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

Spain [22]. The third was that during those years, competition among savings banks sidelined cooperation; and in fact at that time there was some instability in the CECA (which underwent a severe crisis) and numerous disputes between savings banks. This explains why it was not until 1992, once a new equilibrium had been established among the savings banks and the Confederation organised to continue the strategy of cooperation among savings banks in a new context, that their market share saw significant new growth, reaching 50.2 per cent in 1994. Having achieved this position, the challenge was now to retain it. Nevertheless, after 1996 they continued to expand, if at a slower rate, peaking at 53.6 per cent in the year 2001. In other words, today the savings bankshave a larger share of the Spanish banking market than the private banks.

Over the long term, between 1965 and 2001 the savings banks doubled their market share in terms of family and business deposits, certainly a historic achievement. In fact this was one of the most important structural changes in the financial market in the last third of the twentieth century. Also, the expansion of the savings banks occurred largely in the wake of the advent of democracy and the Fuentes Quintana (Vice-Premier for Economic Affairs) decrees of 1977 which liberalised the financial system. This means that the savings banks also performed better in competitive financial markets than when their activity had been hampered by the financial constraints imposed by the Franco regime. During this period of growth the savings banks lacked any kind of legal advantage and received neither assistance nor subsidies from public bodies. The explanation for this gain in market share lies in the fact that savings banks enjoyed clear competitive advantages over Spanish and foreign commercial banks and credit cooperatives [23].

3. CHARACTERISTICS OF THE SAVINGS BANKS

The nature of the savings banks is at the root of some of the operational characteristics which have enabled them to compete with private

[22] «Acta de la Sesión Ordinaria del Consejo de Administración de la Confederación Española de Cajas de Ahorros» [hereafter ASOCA], 28/4/1986, ASG.

[23] Similar conclusions are reached if, instead of the market share of the deposits, other variables are used. These variables could be the share of bank offices or employment in the savings sector to compare with the total of the banking sector. Nevertheless, using the market share of some of the assets, such as credits, is not appropriate in the central period, from 1933 until well into the 1980s. The reason is that between these dates the asset operations of the savings banks were determined by the coefficients of obligatory investment fixed by the Ministry of Finance. savings banks did not have freedom of action to place their investments, so they could not compete with commercial banks in this field. See Comín (forthcoming).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

banks and lay the foundations for their successful gain in market share over the last few decades. These characteristics are: 1) their capacity to encourage and attract popular saving —i.e., manual workers, white-collar workers and the middle classes—; 2) their cooperation —more or less forced— with governments to channel these funds towards certain economic and social objectives, which undoubtedly encumbered them to some extent but also brought a number of undeniable advantages; 3) their flexibility in adapting to changing political, economic and financial circumstances; 4) their strong territorial roots in the various parts of the country; 5) their contribution to economic growth and social well-being, which strengthened the esteem and loyalty of their customers; and 6) cooperation and solidarity among the savings banks, which enabled them to achieve economies of scale (political, technical, financial and mercantile) without needing to merge to grow [24].

To start with, the capacity of the savings banks to encourage and attract popular savings was achieved thanks to a business strategy which successfully gained acceptance among the middle and working classes. The growth of the strong roots laid down in this segment of the financial market was made possible by the creation of new financial instruments to attract small savers (interest-bearing deposits and deposit pass-books), by novel commercial strategies (advertising campaigns promoting savings, and incentives such as prizes, lotteries and free gifts), and by their orientation towards charity and social spending as a way of distributing net profits after allocations to reserves. Indeed, the savings banks carried out an essential function in fostering and attracting savings, in a specialised manner, among the middle and lower classes by means of strategies normally associated with what came to be known as «retail banking» [25]. The savings banks certainly stimulated saving among the working and middle classes, drawing into the financial circuits a considerable portion of the population, who subsequently remained loyal to them. In the beginning this helped consolidate the social order due to the fact that savers viewed their deposits as a property that they had to defend, and the savings banks thus came to serve as counter-revolutionary institutions, as was intended when they were created in the nineteenth century. In the twentieth century the savings banks continued to help instil a culture of saving, through promotional messages and their methods of paying interest on deposits. In the mid 1960s the savings banks began to reach out to customers in the upper middle clas-

[24] See Cals Güell (2005), Comín (2008), Martínez Soto y Cuevas (2004) and Pérez (2003).

[25] In fact the savings banks developed techniques of their own to attract popular savings —savings pass-books, draws and prizes— and a communication strategy that was readily grasped by the targeted sectors. For an analysis of the nature and functions of the savings banks, see Revell (1989).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

ses by offering specific products (current accounts and cheque books) and through publicity tailored to the segment [26].

In second place, the savings banks were receptive to government guidelines and regulation from the outset, and they enjoyed some advantages in return. In the nineteenth century they were viewed as charity institutions and their activity was regulated by the government; in return they enjoyed certain fiscal advantages. In 1904 they began to cooperate with the government on social policy. In 1957 the government began to view the savings banks as financial institutions with the capacity to channel funding into public investment projects. Later, in 1977 it began to view them as an instrument through which to introduce competition in financial markets. To enable them to accomplish these financial tasks, in 1957 the government began allowing them to expand their operations to attract liabilities and started approximating their status to that of the banks —including taxation, so that the savings banks gradually lost their fiscal privileges. As for asset operations, the investments made by the savings banks were regulated by the state. From the time of the decree of 1835 until 1880, Spanish governments obliged the savings banks to invest their funds in the financing of the public pawnbroking establishments known as *Montes de Piedad.* Thereafter, they were allowed more freedom to invest, until 1933 when the Savings Statute forced them to invest a percentage of their deposits in public debt. During the Franco years the savings banks were obliged to invest most of their borrowed capital in public debt issues and bonds of private companies, and to grant loans to certain sectors. Only after 1977 was investment by savings banks liberalised, and hence until the 1980s the savings banks' asset operations were regulated, more or less strictly, by government-imposed financial repression. This caused the savings banks to exercise special prudence in their investments and constituted a guarantee for depositors; and the consequent solvency of the savings banks undoubtedly attracted more customers. They were able to indulg this aversion to risk over the long term because of their status first as beneficent institutions and later as private non-profit foundations, and thus they were sheltered from the temptation of risky speculative investments which wiped out some private banks in times of financial crisis.

To all of this we must add the consistent honesty of patrons, management and personnel, whose stability was essential to the efficient running of the savings banks. On the other hand their subjection to state —and post-1977 regional— regulation constituted a brake on their financial activity until compulsory investment coefficients disappeared in the 1990s. The way in which the political significance of the

[26] See Comín and Torres (2003).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

savings banks varied according to the historical circumstances is clearly illustrated by the list of Ministries —Interior, Labour and finally Finance— by which they were regulated and supervised over the years. They started up as entities created to contribute to public charity as a means of maintaining law and order, and as such they were controlled by the Ministry of Interior in the nineteenth century. Next they became instruments of new government social policies, and therefore were placed under the tutelage of the Ministry of Labour in the 1920s. And finally they came to be viewed as standard financial organisations whose chief function was to act as intermediaries between savers and the public bodies to which they were obliged to entrust part of their investments, rising from 30 to 60 per cent of borrowed capital in 1951 and then to 80 per cent after 1964. This is the reason why they eventually came under the wing of the Ministry of Finance.

In third place, the savings banks have shown a striking ability to adapt in response to the difficulties posed by changing economic circumstances, and above all by swings in government policy as regards their regulation. Spanish governments historically made the savings banks live in a perpetual state of insecurity, a situation which honed their capacity to survive. The flexibility with which savings banks have been able to adapt to shifts in the environment is reflected in their remarkable evolution. They began life as financial adjuncts of the old *Montes de Piedad,* designed to attract savings with which to finance the secured loans that these gave to the poorer classes in the nineteenth century. When in the late nineteenth century the deposits attracted by the savings banks began to exceed the capacity of the *Montes de Piedad* to absorb them, they were forced to start seeking alternative investments and began to specialise in security-guaranteed collateral loans, mortgage loans and acquisition of securities. Then, when the Welfare State began to take shape in the early twentieth century, the savings banks helped to finance social welfare activities, chiefly social insurance and cheap housing. Later on, during the autarchy period of the Franco regime, the savings banks were used to finance a state with a shoestring budget due to the absence of any modern tax reform; the savings banks were also used to finance a number of autonomous boards and public enterprises which received special funding, promised by the state but provided in a mandatory way by the savings banks. Also, under Franco the social projects of the savings banks were entirely controlled by the Ministry of Labour to finance the government's social policy. Growth in the sixties enabled the savings banks to expand their operations thanks to growing deposits and to diversify them through the new missions assigned them in the Development Plans set in motion in 1964 and subsequent years. And finally, with the advent of democracy and theconsolidation of the welfare state, which was at last

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

able to finance public investment and social and redistributive spending thanks to the reform of 1978, the savings banks were able to acquire the status of financial institutions, operating on equal terms with the banks —albeit while still retaining their charitable and social goals. They were then used to inject competition into the banking system, and it was thanks to that service that they achieved operational equality with the banks. Moreover, with political freedom the savings banks achieved sufficient efficiency to make rapid gains in market share. It was in situations of political freedom, which returned to Spain after the death of Franco, and competition in the financial market, introduced in 1977, that they historically performed best, as we have seen. However, their ability to compete was no improvised matter but something built up in the past. In fact the savings banks achieved a notable degree of financial solvency and managerial capacity while they were compelled to operate within very severe constraints, in the difficult years when they played second fiddle to the banks.

In fourth place, the territorial aspect has been fundamental in that the savings banks have always been identified with their towns and provinces of origin. Thanks to their geographical specialisation they have traditionally had a better knowledge of local markets and the peculiarities of savers in a particular region. Moreover, being closer to their creditors has enabled them to reduce the risks involved in lending. With their investments the savings banks have helped to lend cohesion to certain communities or regions and to stimulate economic growth there. This territorial function has been a constant regardless of whether the founders were private individuals or —most commonly— municipal or provincial bodies. In the savings bank sector the territorial principle applied until 1985 [27]. This meant that savings banks could not open branches outside their own areas of operation. During the Franco years, plans for expansion and for the opening of new branches required government approval and were confined to their own areas of operation. With the passage of time, however, the savings banks expanded their areas of operation through mergers and takeovers. As from 1985, they were allowed to open branches in certain provincial capitals outside their own areas and finally, in 1989, they were given freedom to expand anywhere within the national territory. As a result, they were able to extend their operations to other regions, but even today the two largest savings banks, which operate throughout the country, still tend to specialise in their traditional areas.

In fifth place, the savings banks have mobilised large volumes of funds and have expanded Spain's financial markets. In that sense they

[27] ASOCA, 18/3/1985, ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

have been instrumental in stimulating the country's economic growth and social well-being. As we have seen, application of the savings banks' resources made it possible to finance the consumer needs of the poorer classes in the nineteenth century; it enabled them to contribute to the funding of social welfare and government spending between the beginning of the twentieth century and the 1970s through acquisition of public debt and compulsory investment coefficients; and later on the savings banks' credit operations enabled people to acquire consumer durables and housing, made resources available to small and medium enterprises and helped towns to expand their fixed and cultural assets. All this helped improve the image of the savings banks among customers and has been one of the keys to their success.

In sixth place, the most important factor in the success of the savings banks has been mutual cooperation. Since the foundation of the CECA in 1928, through cooperation they have managed to lobby effectively to influence government legislation. Moreover, since the creation of the ICCA in 1933, cooperation has enabled the savings banks to achieve economies of scale and to network for commercial, financial, advertising and technological purposes. Such collaboration was not easy to achieve, and indeed it was attained despite the heterogeneous nature of the savings banks in terms both of size and balance-sheet structure and of competitive strategies, especially following the onset of liberalisation with the advent of democracy [28]. The origins of the CECA can be traced back to 1904 but it did not come into being until 1928. The creation of the National Banking Council (*Consejo Superior Bancario* —CSB—) was one of the factors that triggered cooperation among the savings banks. The CSB was an official association of banks created by Finance Minister Cambó by virtue of the Banks Organisation Act of 1921 *(Ley de Ordenación Bancaria)*. This Act was intended to turn the *Banco de España* into a genuine central bank, but it stopped short, failing to set up the necessary tools with which to implement a modern monetary policy independent of the Ministry of Finance; it did not define open market transactions and it lacked the autonomy to set interest and exchange rates. The banking crisis of the 1920s showed that the *Banco de España* also did not act as a lender of last resort, allowing several floundering

[28] The creation of an association of savings banks came later in Spain than in other European countries, where savings bank associations began to spread in the late nineteenth century; national associations (or federations) of savings banks came into being in the following years: Germany in 1884, Great Britain in 1887, Sweden in 1900, Austria in 1905, Denmark in 1905, Finland in 1906, the Netherlands in 1907, France in 1911, Italy in 1911 and Norway in 1914. See Wysocki (1996, pp. 9-25). For the history of savings banks in European countries, see L. Américi (2002, pp. 5-19), Bonin (2005, pp. 93-108), Hertner (1996, pp. 193-227), Mura (1996, pp. 105-31), Ross (2002, pp. 21-39), Ross (2005, pp. 82-91), Ó Gráda (2001).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

banks to go to the wall. It did come to the aid of the Banco Central in 1924, but that was because the dictator Primo de Rivera forced it to, the board of directors of the *Banco de España* having earlier decided the opposite [29]. The Banks Act of 1921 was successful in legally compartmentalising the financial system, establishing a strict division between banks and savings bnks which lasted until 1977. However, it placed the banks at a distinct advantage, allowing them to carry on running sections known as «*cajas de ahorros*». Moreover, the Act discriminated against the financial activity of the savings banks, another factor that stimulated the tendency of the latter to associate. The Cambó Act legalised the banks' cartel, organising it officially as a new, quasi-public body called the *Consejo Superior Bancario* (CSB). Like any organised cartel, the CSB sought to corner the market for members of the oligopoly, leading rapidly to the establishment of an aggressive corporate strategy against the savings banks; these were proving highly competitive, particularly in the wake of the bank crashes of the 1920s, which handed the banks' customers to the savings banks on a plate. The response of the latter was naturally to imitate the banks and organise corporatively. But in this sector of savings, the movement towards association did not at the outset enjoy official support; it was a spontaneous —and defensive— movement, initially centred on regional federations, which subsequently confederated. The movement for association of the Spanish savings banks was supported by the International Savings Bank Institute founded at the First International Savings Congress in Milan in 1924, which several Spanish savings banks attended [30]. Ultimately, however, the fundamental event giving rise to the creation of the CECA was the Royal Decree-Law of the Military Directorate (1926). Inspired by the CSB, it forbade savings banks to undertake certain transactions, from the opening of current accounts to transfers of funds. To try and prevent this decree from taking force, the savings banks created the CECA. Thus, with the creation of the *Confederación Española de Cajas de Ahorros* in 1928, the banking market became a competitive «duopoly» of associations in which the struggle between the two cartels was extremely bitter until very recently. This antagonism passed through various phaes, and the savings banks progressed from a very difficult initial situation to one in which they progressively gained ground until they won equal status

[29] According to Martín Aceña (1984). For the history of Spanish commercial banks, see Comín and Martín Aceña (1996, pp. 75-123), Pérez (1997), Pons (2001, pp. 679-703), Pons (2002), Martín Aceña and Pons (2005, pp. 645-675).

[30] There were representatives from the *Caja Postal* and the *Cajas de Ahorros* of Madrid, Barcelona, Saragossa and the province of Guipúzcoa. For an overview of savings banks in the world in the 1930s, see Instituto Internacional del Ahorro, «las Cajas de Ahorro en el mundo», *Etapa*, 6 (1938, pp. 359-67).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

with the private banks in 1977. In other words, the CECA took half a century to win back the operational equality that the savings banks had lost in 1926. The CECA played an essential role, first of all in recovering lost ground and the business that the banks had initially tried to wrest from the savings banks, then later in expanding the range of their activities as financial institutions. At the outset, the CECA concerned itself mainly with lobbying to defend the savings banks' traditional sphere of activity against the aggressive inroads of the banks in popular savings, and with the efforts of the CSB to prevent the savings banks from engaging in a number of commercial activities without which no banking business was properly balanced. Following the creation of the ICCA in 1933, the savings banks began to cooperate in the financial sphere [31].

From this author's point of view, this last aspect of cooperation was essential to the success of the savings banks, and it is therefore discussed in more detail in the following section.

4. THE COMPETITIVE COOPERATION MODEL

Conventional economic theory holds that economic resources may be allocated either through market competition or through the internal hierarchy of the enterprise. But economic history and more complex theoretical studies have demonstrated that there are mixed forms of resource allocation combining market and firm. Examples include quasi-integration of companies through long-term contracts and competitive cooperation agreements between firms which formally retain their independent legal status. Competitive cooperation among financial institutions is normally a response to external changes in markets, produced mainly by major reforms of regulatory policy and to technological innovations. In some circumstances it is possible to achieve greater competitive capacity by means of competitive cooperation through renewable agreements than by means of quasi-integration, which requires long-term agreements between companies. Also, competitive cooperation is particularly efficient in contexts where political factors make inter-company integrations difficult or impossible. Moreover, competitive cooperation is an especially suitable organisational form for situations where markets are in any way geographically compartmentalised; such cooperation can sometimes be a good alternative to geographical expansion through integration with other entities located in different geographical areas, and it is also less costly and less risky than opening branches [32].

[31] See Comín and Torres (2003).
[32] See Bátiz-Lazo (2004, pp. 23-56).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

Competitive cooperation is one of the more imaginative entrepreneurial responses to be developed in the twentieth century; it expanded fastest in the second half of the century, but even so it never came into very wide use. Competitive cooperation consists of the sealing of strategic alliances between several institutions, financial or otherwise, which agree to act in concert in certain activities in order to attain the critical mass they need to compete in the market. The fundamental reason for agreements of this kind is that such entities cannot attain that threshold of efficiency on their own. These agreements are temporary and can embrace numerous different aspects, from cooperation in research to joint contracting of services and simultaneous marketing of jointly-developed products. Cooperation among companies makes it possible to improve information resources, share business experience, and also reduces the risk element in certain kinds of investment, for instance in technologies characterised by a high degree of uncertainty and rapid innovation. Among other things, these inter-company agreements make it easy for partners to learn from one another, thus facilitating the development of a capacity to adapt to changing circumstances and contexts. Cooperation can help to get round legal and technical restrictions affecting access to markets, and to challenge firms operating in markets that would otherwise be unassailable. In markets with imperfect competition and monopoly or oligopoly situations, competition can be neutralised by a number of factors: 1) the existence of legal, technical or promotional barriers; 2) conditions favouring collusion among companies and a reduction in their numbers through mergers; 3) the existence of high sunk costs, constituting high exit barriers deterring potential competitors from entering the market. Cooperative competition, then, can serve to break down some of the barriers to both entry to and exit from a market. In the first case this is done by cooperatin to attain a size that will enable the partners to achieve efficiency in the spheres of technology or promotion. In the second case it is done by strategic planning to anticipate the competitive advantages, or share the risks, of investments in technology. Of course cooperation can also be a means of securing advantages in negotiations for changes in the law that will break down the legal barriers to competition.

Like any other kind of market organisation or strategic business arrangement, the practicality, and above all the success, of competitive cooperation requires that a number of conditions be met. One fundamental prerequisite is that the partners have clear objectives and shared expectations. In this way the benefits can be clearly set forth and the costs of the agreements fairly distributed. The greater the similarity between the partners, the simpler it will be to reach similar levels of commitment between them. This is essential in that the degree of success of

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

the cooperation will depend on the commitment made by the parties involved. This explains why alliances for defensive purposes are more likely to succeed than those envisaging offensive cooperation in the face of competition. And again, cooperation is more likely to succeed if the organisations concerned have had some kind of previous contact, or better still some previous shared activity. Finally, the formation of cooperative alliances can provide a bridge for the promotion of mergers entailing business integration [33].

Although only briefly outlined here, this is the model that Bátiz-Lazo (2004) uses to provide a convincing explanation for the success of the Spanish savings banks since 1994. However, the reality of competitive cooperation is far more complex when viewed from the broader historical viewpoint. In fact, the historical process which culminated in the success of the savings banks was not an uninterrupted one but a succession of steps forward and steps back. Also, the negotiations among them were considerably more complex than all those highly attractive theories might lead one to suppose. Cooperation among savings banks in fact began even before the creation of the CECA, and these previous experiences indubitably contributed to the success of the creation of the CECA in 1928 for the purpose of lobbying to break down the legal entry barriers imposed by the state in 1926 at the instigation of the banks. savings banks began to collaborate financially with the creation of the ICCA in 1933, whose object was to facilitate cooperation to achieve mobility of savings between different areas and to enhance their capacity to negotiate in capital markets. And finally, cooperation in the offer of services and in technological innovation came in the 1960s.

On the other hand, competition among themselves to obtain deposits or credits in the market did not always accompany associative cooperation among savings banks in Spain. On the contrary, until 1989 institutional collaboration between savings banks was accompanied by some collusive agreements (at local, provincial, regional and national levels) to divide the markets up and to avoid competition in winning over customers. Until that year, we would therefore have to speak of «collusive cooperation» or of «total cooperation» in all ambits. Between 1928, when the CECA was created, and 1977, the Spanish financial system was highly regulated by the state including questions of territorial expansion where the main competitive elements of savings banks and commercial banks were located. After the Civil War, they could not compete on prices because the government fixed the interest rates. The financial institutions could not increase them to attract customers to open accounts. Under Franco's regime, savings banks and commercial

[33] See Bátiz-Lazo (2004).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

banks payment of interest rates above those legally stipulated implied the application of «extra rates». This was penalised by law. The savings banks barely used them, not even to compete with the banks [34]. So opening offices outside their area was their main way to compete. However, the savings banks could not open offices outside their area which made it impossible for them to win over customers from outside their area or territory. Their investment activity was also highly regulated by the obligatory investment coefficients established by the government from 1933 on. Therefore, they were barely able to offer credits in the free market. In other words, there was no competition in this area [35]. With the liberalisation of interest rates at the beginning of democracy, in 1977, competition between commercial banks and savings banks increased and from that time on, they began to compete through prices. The savings banks amply discussed these new questions derived from financil liberalisation in the heart of the CECA [36]. Meanwhile, nevertheless, the markets where the savings banks operated were territorially shared, the question of interest rates did not cause large discrepancies between the savings banks.

In short, until 1988 the possibility for savings banks to open offices was limited territorially. Their mercantile operations were initially limited to the local or provincial markets where their main office was located. Except on rare occasions, they were restricted to operating in their provinces or regions of origin. The situation started to change after Franco's death and at the beginning of the transition to democracy. The liberalisation of the financial system and the performance of the savings banks, from 1977, thanks to the work of Enrique Fuentes Quintana, not only allowed the financial institutions to start competing and opening offices but also permitted modifications in interest rates. Although the savings banks were allowed to open offices in the big cities of their corresponding region, and in Madrid, as of 1975, this liberalisation was insufficient. Therefore, until 1988 savings banks' activities took place according to the principle of territoriality which did not allow them to open offices and branch offices (and, consequently, compete) outside the areas marked by their regional Federation and by the CECA [37]. This divi-

[34] See «Acta de la Sesión de la Comisión permanente de 20 de febrero de 1964», *Libro de actas de la Comisión permanente de la CECAB,* n.º 7, fols. 197-205, ASG.

[35] See Titos and Piñal (1993) and Comín (2006).

[36] See, for example, «Acta de la sesión ordinaria del Consejo de Administración de la Confederación Española de Cajas de Ahorros, 25/9/1978», and «Actas del Consejo de Administración de la confederación Española de Cajas de Ahorros, 20/2/1979», ASG.

[37] Following the investigation that I carried out we now know the complicated organisation of the Spanish savings banks. However, we still know nothing about the cooperative strategies adopted within the regional Federations, which in some cases were cooperative and in others competitive.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

sion of the national market among the federations of savings banks intensified under *franquismo*. Franco regulated and controlled the concession of permits to open new offices through the expansion plans approved by the government [38]. Prior to 1975, savings banks could not open offices outside their own province and therefore, there was no competition between the savings banks of one region or province and another. In general, there was no competition between the savings banks of the same province or region either because the Regional Federations divided up the provinces and the zones among the partner savings banks. In the provinces and cities where there was more than one Savings Bank they would try to reach collusive agreements. Competition between the savings banks was not the normal situation. Perhaps the most noticeable exception was that of theCatalonian and Balearic Federation where some of the savings banks competed among themselves in the various provinces [39].

With the liberalisation of the financial market in Spain, in 1977, that territorial principle was destined to disappear. The regional compartmentalization of the performance of the savings banks made no sense when Spain entered the European Economic Community in 1986, especially bearing in mind that the intention was to allow foreign banks to operate in all parts of the EEC in 1992. The large savings banks tried to convince the others that it was best to start adapting to face the total financial liberalisation imposed by the EU. However, the small savings banks wanted to protect their territorial markets. One of the biggest crises that the CECA underwent as an association of savings banks was precisely between the years of 1985 and 1988 when they discussed the break-up of the territorial principle. The big savings banks wanted to open offices all over Spain while the small savings banks wanted to keep their areas of activity out of the reach of competition of the other savings banks. The association of savings banks was on the verge of breaking up because the positions seemed irreconcilable. This question is central to an understanding of the explicative validity of the model of competitive cooperation.

The transition from a historical situation with collusion in the markets to one of commercial competition among savings banks is of vital

[38] See «Acta de la Sesión de la Comisión permanente October 24, 1964», *Libro de actas de la Comisión permanente de la CECAB*, n.º 7, pp. 227-239, «*Acta de la sesión de la Comisión permanente* March 14, 1967», *Libro de actas de la Comisión permanente de la CECAB* n.º 7, pp. 367-383, ASG.

[39] See the articles on savings banks in the various Spanish regions in numbers 105/106 of *Papeles de Economía Española*, written by Titos Martínez on Andalusia, Germán Zubero on Aragón, Manera on the Balearic Islands, Carnero and Nuez on the Canary Islands and Coronas on Castilla and León.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

importance. A major transformation in the type of cooperation among the savings banks took place in the second half of the 1980s which, until now, has been ignored by researchers. According to the President of the CECA himself, until 1985 «territoriality» (meaning reserving the local markets for the various savings banks), was considered to be an integral part of the «nature itself of the savings banks». However, after financial liberalisation in 1977, territoriality underwent a crisis. Within the sector, the large savings banks, whose strategy was to keep on growing both inside and outside their territories to reach a national dimension and power to compete with the big banks in equal conditions, attacked territoriality [40]. Moreover, given the delay in reaching an agreement in the CECA regarding the freedom of territorial expansion of the savings banks, the large savings banks began to expand (perhaps to exert pressure) into other territories and provinces without establishing offices (this was not permitted by the agreement signed by the savings banks in the CECA at its founding). On the contrary, they did it through the creation of public companies of financial services in other provinces. They were not savings banks but they had been created by the savings banks. On the other hand, the large savings banks sold financial products through other smaller savings banks in other provinces. They also tried to expand into other territories, through the acquisition of certain Rural Savings Cooperatives which had declared bankruptcy. This also caused bitter discussions between the savings banks in the heart of the CECA. I pose these questions because the matter of collaboration is not as simple as it might seem when applied to simple models [41].

Finally, the big savings banks democratically imposed their policy in the heart of the General Assembly of the CECA in 1988. The savings banks agreed that from 1989 they could open offices without restrictions throughout Spain. This brought an end to the principle of territoriality or the distribution of the market and the savings banks began to compete commercially with each other, initiating a new stage of history. Nevertheless, despite beginning to compete fiercely in the market, the savings banks decided to continue cooperating via the Association of savings banks. They continued to collaborate not only to form a lobby but also to share the production of all types of services. The fundamental change was that from then on hiring the services of the CECA would

[40] Territoriality was amply discussed in 1985; see «Acta del Consejo de Administración de la Confederación Española de Cajas de Ahorros de la Sesión extraordinaria», 18/3/1985. The debate was still lively in 1987; «Acta de la sesión ordinaria del Consejo de Administración de la Confederación Española de Cajas de Ahorros», 22/6/1987, ASG.

[41] For the tense discussions between the savings banks see «Acta de la Sesión ordinaria del Consejo de la Administración de la Confederación Española de Cajas de Ahorros», 19/1/1985; ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

be totally free for the savings banks. Another decisive change was that the CECA would bill its services to the savings banks according to production costs. Therefore, competitive cooperation among Spanish savings banks only took place after 1989. For the previous period, at best, we should speak of «collusive cooperation» [42]. The new situation created by the beginning of commercial competition among savings banks radically changed the role and the organisation of the CECA, changing its statues and regulations. It also changed the way the CECA was financed, its relationship with the savings banks and the relationship of the savings banks with each other. They were able to associate freely with each other and with the CECA at their convenience to develop businesses and/or specific services. To summarise, it can be said that it was necessary to create a new CECA in order to face the new challenges of liberalisation and the new demands of the savings banks which now competed in the markets. The redefinition of the CECA also required many meetings and discussions on the part of the savings banks. An agreement and a new balance were finally reached, but it was not an easy process [43].

At the same time it is important to note that the model of cooperation (collusive cooperation at the beginning) adopted by the savings banks in 1928 has not always been successful in improving their market share, for instance during the period of autarchy under the Franco dictatorship, as we have seen. Nonetheless, there is every reason to believe that had the CECA not existed, the savings banks would have fared much worse during those years. It is definitely true that ever since the savings banks adopted the model of competitive cooperation in 1988, their success in gaining market share has been inexorable. In other words, the history of the Confederation should be seen not as progress along a clear path leading inexorably to success for the savings banks, but rather as a trail that had to be blazed, in which there were undeniable advances, but there were also setbacks.

This formula of cooperation with competition has opened the way to questioning the generalised myth that size was the key factor in the success of the banks. Given the possibility of cooperation, other factors like quality of management and customer care have surely been more influential. It is true that retail banking offers significant economies of scale, which some savings banks have managed to achieve through mergers. However, since they encountered insurmountable political obstacles in the legal impossibility of inter-regional mergers, the savings

[42] See Comín and Torres (2003) and Comín (2008).

[43] See, for example, «Actas de la sesión ordinaria del Consejo de Administración de la Confederación Española de Cajas de Ahorros», 25/4/1990; ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

banks were forced to deal with this barrier through «virtual mergers» or competitive cooperation, which materialised through the Confederation. Moreover, however big a savings bank may be, it can still achieve greater economies of scale through competitive cooperation with smaller savings banks; in this way the cost of some services can be reduced to less than that achieved by even the largest banks [44].

This is what happened from 1994 when the big savings banks began to become the biggest customers (due to their greater size) of the services supplied by the CECA: financial, technological, assessorial, investment banking, treasury, national and international markets *etc.* When Juan Quintás arrived to the CECA, in 1994, he started to apply a new strategy regarding the supply of services to the savings banks. The problem was that, until then, only the small savings banks used the CECA's services. It was more profitable for the large savings banks to either produce the services themselves or subcontract them to other financial or service companies. The new Director General plotted a strategy so that the large savings banks would also be enticed to use the financial services, means of payment and technological services. To do so, he established a new price fixing system which rewarded both the large volumes hired as well as the increase in demand of services compared to the previous year. By doing this, he managed to attract the medium and large savings banks to hire these supplies from the CECA. To do this he had to offer them prices lower than those any other supplier in the market could offer. The final objective was to increase the scale of production and the reduction of the prices that they charged the savings banks for these services. The new strategy allowed larger volumes of business and consequently, reduced the production costs of the services and the prices that they charged the savings banks even more. This subsequently increased the demand even more. The new strategy was thus able to make the virtual circle in the supply of services sought by the CECA a reality. This was one of the keys to the recent success of the competitive cooperation model of the savings banks. They joined forces to reduce production costs. These services are produced together by the CECA, but they are commercialised by individual savings banks competing with each other with their own brands, to their customers [45].

---

[44] See Quintás (2003), ASOCA, 19/11/1997; «Acta de la sesión extraordinaria monográfica del Consejo de Administración de la Confederación Española de Cajas de Ahorros», 23/5/1990, ASG; «Acta de la LXII Asamblea general de la Confederación Española de Ahorros», 12/12/1990, ASG; ASOCA, 20/2/2002; and «Acta de la LXXXVI Asamblea general ordinaria de la Confederación Española de Cajas de Ahorros», 11/12/2002, ASG.

[45] See «Acta de la sesión ordinaria del Consejo de Administración de la confederación Española de Cajas de Ahorros», 17/11/1994, and «Acta de la sesión ordinaria del Consejo de Administración de la Confederación Española de Cajas de Ahorros», 15/12/1994; ASG.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

In any case, despite these qualifications, all the characteristics noted as conducive to the success of the cooperation model have at some point emerged in the history of savings bank cooperation. Throughout their history the savings banks have shared a number of characteristics which eventually served as a basis for cooperation. Since the 1920s they have had certain obvious common objectives as regards defending themselves against the discrimination introduced by the banking laws starting in 1921. However, they were never a homogeneous group, and as such they never all had the same degree of commitment to the CECA. Moreover, their objectives began to diverge as soon as the barriers to competition with the private banks were removed in 1977, and even more so with the introduction of freedom of geographical expansion in 1989. As a result, cooperation has at times been difficult. Indeed, the CECA was forced to adopt flexible policies in order to satisfy the whole savings sector as far as possible. Because of the diversity of this sector, it was sometimes difficult to cater for the wide range of interests determined by the differences in size, type of foundation and area of operation of the savings banks. Nonetheless, the Confederation always sought to approach and address the interests of all its members by promoting solidarity among them. On occasions this meant that all the savings banks had to give up some of their objectives, but such solidarity made it possible to keep them together and improve the situation of one and all. This union was the key to the strength with which they gradually achieved institutional, legal and operational equality with the banks. It was through competitive cooperation that the savings banks progressively wrested market share from them [46].

The CECA has always had a tendency to act defensively which has contributed to the success of cooperation among the savings banks. They have never adopted an aggressive policy towards external elements unless they felt threatened. The CECA —with the legal and judicial means at its disposal— defended itself and the savings banks against pressure from the state and public bodies, from the banks —private, public and foreign— and from credit cooperatives. However, before taking any action the savings banks have always tried to negotiate and reach an understanding with these agents. They also negotiated with those companies which, taking advantage of the investment obligations imposed on savings banks in 1957, sought to fix interest rates well below the market, to the detriment of the latter. The CECA also strove to defend its members against the ambitions of politicians and public institutions who sought to channel the savings banks' investments and social projects in directions politically advantageous to themselves. The savings banks have always striven to control their own investments and the way that

[46] See Comín (2008).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

their social projects are applied, so that these would directly benefit their customers and the areas in which they operate. The CECA acted as intermediary between the savings banks and the government, smoothing over whatever problems arose, although always on the side of the former.

This last observation is of course a tautology, given that the CECA has always been exactly what the savings banks wished it to be. The CECA has never imposed anything on its members, basically because it has never had the means to do so. Indeed, when the savings banks began to place difficulties in the way of the Franco government's plans to control their investments in 1957, it became quite clear that the CECA was unable and unwilling to impose any conditions on them. By 1962 the government saw no other option but to award official status to the ICCA, with powers of inspection and control over the savings banks. However, the ICCA disappeared in 1971. Whenever an attempt has been made to impose something on a savings bank through the CECA, it has been because the majority of the savings banks represented in the association have so decided. Persuasion has always been the CECA's only weapon in dealing with the savings banks and the government. The function of political and institutional intermediary performed by the CECA has been important in that the savings banks have always constituted an «ownerless» sector. The vagueness of their property rights has placed them in a vulnerable position vis-à-vis the public authorities ever since their foundation in the nineteenth century. Their dependence on the various public authorities has changed with the passage of time, but generally speaking the activity of the savings banks has always been regulated and supervised by the central government through a succession of ministries. Finally, since the transition to democracy, savings banks have also become subject to intervention by the autonomous communities.

Competitive cooperation among the Spanish savings banks has been defined as a «virtual merger» in the field of production of services [47]. Through such cooperation they have succeeded in securing the financial and technological advantages that go with mergers and yet are still able to retain their independent legal personalities and their regional idiosyncrasies. As such, this virtual merger allows them to compete with one another using different commercial strategies. The virtual merger in the supply of financial and technological services was intensified starting in 1994; since then, savings banks have been able to freely take up the services offered by the CECA which has introduced price differentials for savings banks depending on the volume of business done. Recent years have also seen the culmination of the CECA's strategy of changing its area of specialisation, from «wholesale banking» to «service providing» for

[47] By Quintás (2003).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

savings banks. During this last period the Spanish savings banks, beset by uncertainties and characterised by high demands in terms of investment and exceptional expenses, opted to intensify their strategic cooperation in response to the emergence of dynamic competitive environments [48].

5. CONCLUSIONS

One of the virtues historically displayed by the savings banks has been a capacity to adapt to political and economic change, a capacity which may have been at least partially the result of a readiness to share information and experience, particularly during the twentieth century. In an ever-changing political and economic environment, evolution has been a must rather than an option if the savings banks were to survive and prosper. Clearly the CECA has also been an outstanding factor in this capacity to adapt, through its coordination and training functions and its representation of the savings banks. The model of competitive cooperation is helps to explain the success of the savings banks in Spain. However, as has been explained in this paper, it is necessary to make a few assessments that do not allow us to apply it mechanically to all of the historical situations. Associated cooperation (with collusion or competition in the market) had certain advantages for savings banks from 1928 on. The success of cooperation among the savings banks in Spain was underpinned by the functionality that association in the CECA provided for the sector through the services it supplied. Firstly, thanks to their unity and their organisation in the CECA, they succeeded in augmenting their power to lobby the government. Secondly, the association of savings banks made it possible to organise production in the savings sector. This consisted, on the one hand, of defending the sector of activity operated by the charity (or popular) savings banks against intrusion by bank savings operations and cooperatives which did not offer customers the same deposit guarantees as the genuine savings banks —the latter were after all under the authority of the government, which imposed on then a number of restrictions that gave depositors more security. Secondly, cooperation through the CECA enabled savings banks to achieve the economies of scale and networking possible in some services [49]; the first common services were «interchange» network) services, overseas transactions and transfers, subsequently expanding to take in means of payment, financial services and, lastly, technological services. Thirdly, the association of savings banks acted as a «Bank of savings banks» —i.e., as a lender of last resort to help savings banks experien-

[48] Comín (2008).

[49] See Comín and Torres (2003).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

cing liquidity problems or structural difficulties. To perform this service, in 1933 the savings banks created the *Instituto de Crédito de las Cajas de Ahorros* (ICCA); its functions in this respect were taken over by the CECA in 1965, a situation that was consolidated following the disappearance of the ICCA in 1971. Until 1965, then, the representative bodies of the Spanish savings banks were structured on the European model, characterised by two kinds of association: an associative type, or lobby (CECA), and a financial type (ICCA). However, from that year on, Spanish savings banks took a unique path, merging the two types of activity in a single association —the CECA.

Nevertheless, as we have seen, the application of the competitive cooperation model must take the historical circumstances into account for two reasons. The first is that the savings banks in Spain did not always accompany associated cooperation with competitive strategies in the markets. On the contrary, over the majority of historical time, this associated cooperation involved some commercial strategies such as monopolies, or at least, collusion in the various territories. The savings banks divided the markets up according to their traditional areas of activity. Before 1988 they did not have the freedom to compete with other banks because there were agreements with the savings banks themselves and institutional restrictions on the establishment of offices outside their traditional territories. Strictly speaking, competitive cooperation between savings banks only really took place after 1989. Since then, the Spanish savings banks have had to come up with new ways to compete because the traditional methods were no longer valid. The question of whether the managers of both savings banks and the CECA were aware of these theoretical models or, on the contrary, whether they adopted the competitive cooperation strategy spontaneously is one which requires further research.

The second reason was that cooperation between savings banks did not always bring with it an increase in market share. In CECA's initial stages, in 1928 and subsequent years, when the mechanisms of cooperation among savings banks were not developed, they could not adopt anything more than a lobbying policy. This was important because it allowed them to contain the loss of market in the critical stages as had occurred during the Franco regime. The reorganisation of the CECA, between 1964 and 1971, strengthened it as a lobby and service provider by creating new financial cooperation instruments, advertising, marketing and in other service technologies [50]. The financial liberalisation from 1977 onwards, the work of Enrique Fuentes Quintana (Deputy Prime Minister of Economic Affairs) left the savings banks in an excellent situation to compete with other financial institutions. However, they were still una-

[50] See Comín (2006 and 2007).

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

ble to compete with each other because of the old territoriality pact. In short, until 1989, while the territorial principle remained operative, cooperation among savings banks within the CECA was not competitive, inasmuch as they were unable to open branches outside their own demarcations; the issue of competition among savings banks or the sharing of regional markets was circumscribed to the Regional Federations of savings banks each within its own purview; competition among savings banks has intensified since 1989, when they were finally allowed to expand freely anywhere in the country.

SOURCES

«Actas de las Sesiones de la Comisión Permanente», in *Libro(s) de Actas de la Comisión Permanente de la Confederación Española de Cajas de Ahorros,* 1928-2002, Madrid, Archive *Secretaría General de la CECA* [ASG].

«Actas de las Asambleas Generales de la Confederación Española de Ahorros, 1928-2002», ASG.

BIBLIOGRAPHY

Américi, L. (2002): «Preparing the people for capitalism: relations with depositors in a French savings bank during the 1820s», *Financial History Review,* 9, pp. 5-19.

Bátiz-Lazo, B. (2004): «Strategic Alliances and Competitive Edge: Insights from Spanish and UK Banking Histories», *Business History,* 46, pp. 23-56.

Bonin, H. (2005): «Las estrategias de expansión de las cajas de ahorros francesas durante los siglos xix y xx», *Papeles de Economía Española,* 105-106, pp. 93-108.

Cals Güell, J. (2005): *El éxito de las Cajas de Ahorros. Historia reciente, estrategia competitiva y gobierno,* Barcelona: Ariel.

Comín, F. (2004): «La Confederación Española de Cajas de Ahorros entre 1971 y 1976», in *Estudios en homenaje a Luis Ángel Rojo,* II, Madrid: Editorial Complutense, pp. 339-357.

— (2005): «El nuevo papel de la CECA y las Cajas ante las mayores exigencias de financiación del Estado (1957-1963)», *Papeles de Economía Española,* 105-106, pp. 27-47.

— (2006): «Los Planes de Desarrollo, la CECA y las Cajas de Ahorro (1964-1970)», in *Homenaje a Ernest Lluch,* Barcelona: Fundación Ernest Lluch (forthcoming).

— (2007): «Las Cajas de Ahorros tras la liberalización del sistema financiero (1977-1985)», in *Historia de la propiedad, crédito y garantía,* Salamanca: Colegio de Registradores de la Propiedad (forthcoming).

— (2008): *Historia de la cooperación entre las Cajas de Ahorros. La Confederación Española de Cajas de Ahorros, 1928-2003,* Madrid: CECA (forthcoming).

— (forthcoming): «The reasons for the success of savings banks in Spain (1850-2002)» (unpublished).

Comín, F., and Torres E. (2003): «Una historia urgente de la Confederación Española de Cajas de Ahorros», *Papeles de Economía Española,* 97, pp. 246-284.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

— (2005): «La Confederación Española de Cajas de Ahorros y el desarrollo de la red de servicios financieros de las Cajas de Ahorros durante el siglo XX (1900-1976)», *Papeles de Economía Española,* 105-106, pp. 48-64.

COMÍN, F., and MARTÍN ACEÑA P. (1996): «Rasgos históricos de las empresas en España», *Revista de Economía Aplicada,* 12, pp. 75-123.

— (eds.) (1996): *La empresa en la historia de España,* Madrid: Civitas.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS (1928-2002): *Libros de Actas del Consejo de Administración de la Confederación Española de Cajas de Ahorros,* Archivo de la Secretaria General de la CECA, Madrid.

FERNÁNDEZ RAMOS, J. C. (2006): *Historia del Instituto de Crédito de las Cajas de Ahorros en el período 1933-1962,* Madrid: Universidad Complutense de Madrid.

FORNIÉS, J. F (1978): «El nacimiento de la Confederación Española de Cajas de Ahorro y su vinculación con la política financiera nacional», *Cuadernos Económicos de ICE,* 6, pp. 163-177.

FORNIÉS, J. F.; TORRES, M. M., and RUBIO, A. (1976): *Historia de la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, 1876-1976,* Zaragoza.

GONZÁLEZ ENCISO, A. (dir.) (1998): *Caja de Ahorros y Monte de Piedad Municipal de Pamplona. 125 años de Historia. 1872-1997,* Pamplona: Caja de Ahorros Municipal.

HANSEN, S. A. (1996): «Denmark», in J. MURA (ed.), *History of European Savings Banks,* Bon: Deutscher Sparkassenverlag GmbH, pp. 53-73.

HERNANGÓMEZ, F. (2003): *Estadísticas de las Cajas de Ahorros y de la Confederación Española de Cajas de Ahorros,* unpublished.

HERTNER, P. (1996): «Italy», in J. MURA (ed.), *History of European Savings Banks,* Bon: Deutscher Sparkassenverlag GmbH, pp. 193-227.

INSTITUTO INTERNACIONAL DEL AHORRO (1938): «Las Cajas de Ahorro en el mundo», *Etapa,* 6, pp. 359-367.

LÓPEZ YEPES, J. (dir.) (1979): *La Caja de Ahorros y Monte de Piedad de Valencia. Su historia y su obra, 1878-1978,* Valencia: Caja de Ahorros de Valencia.

LÓPEZ YEPES, J., and TITOS MARTÍNEZ M. (1993): *Historia de la Caja de Ahorros de Badajoz, 1889-1992,* Badajoz.

— (1995): *Historia de la Caja de Ahorros y Monte de Piedad de Madrid (1702-1970),* Madrid: Caja de Ahorros de Madrid.

LÓPEZ YEPES, J., TITOS MARTÍNEZ, M. *et al.* (1999): *Cien años de Caja Cantabria,* Santander.

MAIXÉ, J. C. (2003b): *El ahorro de los gallegos. Orígenes e historia de Caixa Galicia,* A Coruña: Fundación Caixa Galicia.

MARTÍN ACEÑA, P. (1984): *La política monetaria en España, 1919-1935,* Madrid: Instituto de Estudios Fiscales.

MARTÍN ACEÑA, P., and PONS, M. (2006): «Sistema financiero», in A. CARRERAS and X. TAFUNELL (coord.), *Estadísticas Históricas de España,* Fundación BBVA.

MARTÍNEZ SOTO, A. P. (2000): «Las Cajas de Ahorros españolas en el siglo XIX: entre la beneficencia y la integración en el sistema financiero», *Revista de Historia Económica,* XVIII, 3, pp. 585-628.

MARTÍNEZ SOTO, A. P., and CUEVAS, J. (2003): *Estadísticas de las Cajas de Ahorros españolas (1840-1935)* (forthcoming).

— (2004): «La expansión y consolidación de las Cajas de Ahorros en el sistema financiero español, 1880-1936», *Revista de Historia Económica,* XXII, 1, pp. 65-110.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press

Martínez Soto, M. A.; Cuevas, J., and Hoyo A. (2005): «La historia económica de las Cajas de Ahorros españolas. Una perspectiva institucional y regional (1830-2004)», *Papeles de Economía Española,* 105-106, pp. 6-15.

Mura, J. (1996): «Germany», in J. Mura (ed.), *History of European Savings Banks,* Bon: Deutscher Sparkassenverlag GmbH, pp. 105-131.

Nadal, J., and Sudrià C. (1983): *Historia de la Caja de Pensiones. La Caixa dentro del sistema financiero catalán,* Barcelona.

Ó Gráda, C. (2001): *An Institutional Import: Irish Savings Banks c. 1820-1860,* Dublin: Centre for Economic Research, Working Paper 01/17, Department of Economics, University College.

Oribe, A. (1979): *100 años al servicio de Guipúzcoa. La Caja de Ahorros Municipal de San Sebastián (1879-1979),* San Sebastián: Caja de Ahorros Municipal de San Sebastián.

Pampillón, F. (1994): *Las Cajas de Ahorros de la Comunidad Europea: evolución y perspectivas futuras,* Madrid: UNED.

— (2003): «Los modelos históricos europeos de Cajas de Ahorros», *Papeles de Economía Española,* 97, pp. 62-78.

Pérez, F. (2003): «Presente y futuro de las Cajas de Ahorros en el sistema bancario español», in *Presente y futuro de las Cajas de Ahorros,* Fundación Caixa Galicia y Analistas Financieros Internacionales, pp. 60-198.

Pérez, S. (1997): *Banking on Privilege. The Politics of Spanish Financial Reform,* Ithaca: Cornell University Press.

Pérez, F,. and Doménech, R. (1990): *La productividad de los Bancos y Cajas de Ahorros españolas en los ochenta: Comparación internacional,* Madrid: Fundación Fondo para la Investigación Económica y Social.

Pérez Menéndez, M. A. (1987): *Caja de Ahorros de Asturias. Historia de cien años, 1881-1980,* Oviedo: Caja de Ahorros de Asturias.

Pons, M. A. (2001): «Oligopolio y tipos de interés en la banca española, 1942-1975», *Revista de Historia Económica,* 19 (3), pp. 679-703.

— (2002): *Regulating Spanish Banking, 1939-1975,* Aldershot: Ashgate.

Quintás, J. R. (2003): «Las Cajas de Ahorros Españolas en el siglo xxi: Modernización y Capital Social», *Perspectivas del Sistema Financiero,* 77, pp. 1-26.

Revell, J. (1989): *El futuro de las Cajas de Ahorros. Estudio de España y del resto de Europa,* Madrid: Fundación FIES.

Ross, D. M. (2002): «"Penny banks" in Glasgow, 1850-1914», *Financial History Review,* 9, 21-39.

Ross, D. (2005): «Pobreza y cajas de ahorros en Escocia a mediados del siglo xix», *Papeles de Economía Española,* 105-106, pp. 82-91.

Titos Martínez, M. (1987): *Historia de la Caja General de Ahorros y Monte de Piedad de Granada (1891-1986),* Granada.

Titos Martínez, M., y Piñar J. (1993): *Ahorro popular e inversión privilegiada. Las Cajas de Ahorros en España, 1939-1975,* Madrid: Caja de Madrid.

Torres, E. (2005): «Intervencionismo estatal y cambios en el marco regulador de las Cajas de Ahorros durante el primer franquismo (1939-1957)», *Papeles de Economía Española,* 105/106, pp. 16-25.

Valdaliso, J. M. (2007): *BBK (1907-2007). Cien años de compromiso con el desarrollo económico y el Bienestar de Bizcaia,* Bilbao: BBK.

Wysocki, J. (1996): «Introduction», in J. Mura (ed.), *History of European Savings Banks,* Bon: Deutscher Sparkassenverlag GmbH, pp. 9-25.

https://doi.org/10.1017/S0212610900000112 Published online by Cambridge University Press