Governance in Spanish Savings Banks. A Historical Perspective

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March 2011

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Abstract. Abstract. During the previous three decades, mutual financial firms have been experiencing a process of demutualization, and some of the non-for-profit banks have become publicly listed companies. Hence, the persistence of the Spanish Savings Banks constitutes an interesting case study. In line with recent literature, this paper attempts to reach a better understanding of the factors that have contributed to the persistence of these entities in the long run and to the maintenance of a very specific model of corporate governance. Regulatory influences, politics and political institutions have proved to be key elements of a model which has proved capable of delivering successful outcomes in increasingly competitive conditions. Nonetheless, the financial crisis would seem to have exacerbated the stresses and strains within this model and, in combination with the pressure of increasingly globalized markets, the Spanish Savings Banks find themselves in a new scenario.

Keywords: corporate governance, stakeholder regime, savings banks

JEL Codes: G34, N24, N84

1. Introduction

In the 1980s and 1990s there was an intense process of financial deregulation. On the one hand, there was the demutualization of the building societies, life insurers and general insurers. On the other, some of the non-for-profit banks became PLC's. These institutions included the trustee savings banks in Great Britain and the *casse di risparmio* in Italy, while in France the *caisses d'epargne* merged to form a single cooperative group. These transformations had a strong impact on the structure of the market, on the competitiveness of the financial industry and on the behaviour and performance of financial firms in general. In the cases cited above, the intense regulatory change affected the type of property and the corporate governance of these organizations. This phenomenon was global in nature and various countries and continents were affected including, of course, Europe, but also, North America and Australia. For more than a century, many of these financial firms had played an important role in the insurance and banking industries and hence, it should not be surprising that these processes have awakened such intense interest in researchers, policy makers and those working in the industry.

Along these lines, the insurance industry has also provoked much interest, and even more so in recent times, since the firms working within the sector are mutual or stock companies with long histories behind them.[1] However, the central thesis offered by this paper involves banking. In the banking industry not-for-profit firms also compete with for-profit organizations. As Franklin Allen and Douglas Gale show, the industries where the two types of firm compete are particularly interesting when it comes to corporate governance.[2] These are some of the features that characterize the Spanish case. The *cajas de ahorros* (hereafter savings banks) became totally integrated in the financial system without losing their status as not-for-profit firms and, at the same time, maintaining the basic features of their corporate governance. The financial reforms began in earnest at the end of the 1970s but the savings banks maintained their sectorial status. The persistence of their peculiar form of governance structure constitutes an interesting case for study, particularly since the current financial crisis appears to be curtailing this historical continuity.

On the one hand this paper attempts to facilitate a better understanding of the factors that have contributed to the longevity of this model of organization and the maintenance of a very special form of corporate governance. On the other, it analyses why the model, which has been capable of delivering successful outcomes in increasingly competitive conditions, has finally succumbed to the pressure of increasingly globalized markets. This analysis is based on historical evidence and a close look at the literature which has tended to focus on the insurance industry.

The savings banks in Europe were entities that were established in order to capture savings. This set them apart from the credit cooperatives and other mutual banks which aimed to provide better access to credit for their associates.[3] The savings banks, because they were non-profit entities, financed their capital via donations and adopted this institutional set up precisely in order to protect their ‘commercial’ clients, that is, their depositors. This occurred simply because the donations only took place at the outset of the savings banks’ activity. Subsequently they became ‘commercial non-profit’ institutions. As Henry Hansmann indicates, ‘the savings bank industry is unusually interesting: it is a unique clear example of an industry in which nonprofits arose, from the beginning, primarily as a response to asymmetric information on the part of paying customer rather than to protect donors or other third-party payors (such as the government)’.[4] Numerous authors agree that the emergence of not-for-profit and mutual firms was a response to situations of serious market failures. Specifically, the savings banks appeared as a consequence of problems related to asymmetric information, in contrast to some mutual insurance companies (property and liability insurance), which appeared as a kind of protection against specific oligopolistic structures.[5] Within this framework, one of the key factors in the long term was the impact that the changes in the regulatory structure had on these entities. The persistence of institutions like the savings banks obliges the analyst to consider the role played by regulation in the control of the financial system and, as a result of this influence, just how these organisations responded to these stimuli.[6]

Mark Casson suggests that the organisational structure adopted by firms may be analysed as though this were a rational response to information costs. As these costs change, the pressure exerted obliges the intermediaries to adapt and, in consequence, organisational change takes place.[7] This model has been successfully used by Monica J. Keneley as a means of analysing the demutualization of life insurers in Australia during the 1990s.[8] The present paper considers the role of regulation from the same perspective, that is, as a factor that restricts or distorts the way the market behaves. By extension this model can also explain the evolution of firms that are subject to specific property and governance structures.[9]

However, one other factor that cannot be ignored within the framework of a long run analysis, a factor which is closely linked to institutional criteria, is the role of politics and political institutions. Douglass C. North and Mary M. Shirley have recently underlined the overwhelming influence of politics and political institutions as determinants of financial development.[10] Peter Gourevitch and James Shinn highlight that it is these factors, within the broader context of regulation, that are relevant for corporate governance. They situate features of this scenario within the framework of the political system whereas other authors have done so within the context of the 'legal family'.[11] Stephen Haber looks at the role of the political framework and compares the financial systems of the US and Mexico. He studies the long term success or failure of policies that attempt to restrict competition via banking law and finds that this depended, to a large extent, on the degree of openness of the political system itself. The approach taken by these authors in considering the intensity of the relationships between political institutions and financial development creates a highly consistent framework for analysing the case in hand. The evolution of the Spanish Savings Banks is intimately linked to certain regulatory and political cycles, stages of development which have tended to dramatically influence the contemporary history of Spain. These cycles may be separated into five distinct periods: the General Primo de Ribera

Dictatorship (1923-1930), The Second Spanish Republic (1931-1936), The Civil War (1936-1939), The General Franco Dictatorship (1939-1975) and democracy (from the constitution of 1978).

Savings banks' documental records constitute an invaluable source of evidence. The *Banca Privada* Section in the Bank of Spain Archive (ABE, BP) offers a special view of the relationship between the Public Administration, the banks and the savings banks. In addition, documents with the CECA Secretariat and the excellent Collection of regulatory norms from the different savings banks, housed in the Caixa Galicia savings bank archive, and in the Bank of Spain Library, were also of special interest. Relevant information was also obtained from historical series in; the Statistics of Bank of Spain Newletters (BEBE), the CECA (Annual Reports and Statistical Yearbook) and the Spanish Statistical Yearbook.

Consequently, section two looks briefly at the history of savings banks.-Section three analyses the ownership structure of Spanish savings banks in order to highlight certain features of analytical importance. Section four studies regulatory influences during the interwar period. Section five compares the contradictions that exist between the systems of corporate governance administered during the dictatorial political regime (1939-1975) and the evolution of same during the democracy. Section six offers some concluding remarks.

2. Brief historical background

This work has been carried out within the framework of leading economic research into the history of the savings banks up to the present date. From the work of Braulio Antón Ramírez in 1876 and José G. Ceballos in1929,[12] the first contributions within the field were provided by researchers that succeeded in placing the savings banks within the broader context of Spanish historical development.[13] More recently, Angel P. Martínez

Soto and Joaquim Cuevas have focused on the institutions' dual roles as both charitable and financial institutions and, against this backdrop have analysed their consolidation and expansion until the Spanish Civil War.[14] There have also been many important parallel contributions within the field, some of which have been from the perspective of corporate history and the regional character of the savings banks.[15] Bernardo Bátiz-Lazo was able to link specific strategic developments in savings banks such as the collaborative alliances, in particular, with regard to IT outsourcing.[16] Finally, Francisco Comín has succeeded in linking the different historical stages of the above collaboration and successes of the Spanish savings banks, measured as a proportion of market quota (deposits and credits).[17]

Spanish savings banks have remained largely private organisations, constituted as foundations. They are commercial non-profit firms, operating as financial entities, without de facto owners.[18] Given their charitable and social character, they dedicate a proportion of their profits to investments which are in the public interest (*obra social* - social works, hereafter 'social dividend'). The savings banks first came into existence in 1834 and their number peaked at 133 savings institutions in 1928.[19] This was the year in which a savings banks' association with 76 affiliated members was created; the Spanish Confederation of savings banks (Confederación Española de Cajas de Ahorro, CECA). A process of amalgamation reduced the number of these entities to 45 independent savings banks in 2008.[20] In the last thirty years, using CECA as hub, the savings banks have managed to integrate the additional burdens of increased costs and the risk of profit reinvestment with enough efficiency.[21]

3. Savings banks, ownership and why it matters

There would appear to be some confusion within the literature when it comes to qualifying an area of fundamental interest like the Spanish savings banks' property structure and governance. It is worthwhile clarifying some of the idiosyncratic aspects of Spanish savings banks such as statutory self-governance, the weakness of their mutual profile, and what sets them apart from government-owned banks.

The 29 June 1880 law officially recognised the statutory and regulatory autonomy of the savings banks.[22] During the interwar years this process of regulation culminated in the *Estatuto de las Cajas Generales de Ahorro*, the savings bank law (Decree of 14 March 1933), which set out the legal framework for the savings banks up until the 1977 reforms (Fuentes-Quintana Reform, Royal Decree 2290/1977). In short, right up until the Governing Organs of the Savings Banks Act (*Ley de Órganos Rectores de las Cajas de Ahorros*, LORCA, Law 31/1985 of 2 August), their statutes and self-regulation constituted the basic mechanisms by which these banks were controlled and regulated. These norms outlined their governance structures and the extent of their power, subject, of course, to the general regulation of the State.

A feature of Spanish savings banks that distinguished them from their US and European counterparts was the weakness of their 'mutual' profile. The old-established statutes of the savings banks gave the depositors a relatively important role as the beneficiaries of social dividend and as representatives in the organs of governance working alongside other interested parties. The first of these gradually disappeared in favour of the society as a whole and the second, as will be shown below, has always been of limited importance.

Finally, recent empirical literature tends to place the savings banks under the same umbrella as the government-owned banks.[23] Strictly speaking, it is not possible to consider the savings banks as government corporations. This approach has its roots in the circumstances surrounding the period immediately prior to the deregulation that began in 1977. During the Franco dictatorship, the controls exercised with respect to the savings banks' investments and governance were responsible for accentuating the public nature of their activity in practice, if not necessarily in a legally formal sense.[24] During the financial reform that was taking place in parallel with the process of institutional democratization, the above confusion was fed by the role of local and regional public administration as represented on the savings banks' governing boards and with respect to their demands for finance. However, neither the LORCA, nor the subsequent legislative developments have transformed the essential nature of these institutions as private foundations. Very recently, the reforms brought about by the 2010 (Royal Decree-Law 11/2010, of 9 July) and those that are taking place now in 2011 are changing the profile of these entities dramatically, since they facilitate the conversion of the savings banks into commercial banks using the participation of private capital.

The fact that the savings banks had no proprietors as such and no inalienable property rights is important for two reasons. Firstly, these factors conditioned the structure of their organs of governance and secondly, they were important because these features have remained intact over a long period of time. The structure and composition of the organs of governance of each savings bank were freely defined by its own statutes.[25] The role of certain private individuals in the formation process of the savings banks was clearly reflected in the case of the Jumilla (Murcia) savings bank, created in 1901. In the presentation of their statutes it was stated that:

> 'In order to carry out certain improvements for the benefit of the people, the official protection of funds is not absolutely necessary. Similarly, financial support from the State or provincial or municipal authorities is not absolutely necessary. When there is the capacity to put into action a country's living forces and elements, all that is required is private initiative.'[26]

In other cases, in spite of the fact that there were savings banks that came into existence under the protection of the local authorities, the statutes made it clear that the citizens chosen to form part of the banks' governing bodies should be completely independent. The San Sebastián savings bank, created in 1879 is a good example:

> 'This establishment was legally considered to be an association created and regulated by and through the City Council, by the free will of the persons taking part and with the funds it obtains through loans, deposits and other means which will be explained in the following sections.'[27]

Within this context it is difficult to find relevant, broad-ranging statistics, but, it may be possible to generalise without inordinate speculation. The structure of the governing bodies of the savings banks has been made up of the bank's founders, local authorities, and a swathe of representative groups (professionals, local businessmen, priests and savings banks employees and depositors). This basic composition was reflected in the organs of governance, via which the vacant posts were covered by a system in which the board voted to designate who was to occupy a given seat. This is one of the characteristics of the non-profit firms whose boards of directors are essentially self-appointing.[28] The peculiarities inherent in each case were the consequence of the statutory self-governance that characterized the savings banks. With respect to the number of organs of governance, the nineteenth century tradition seems to have established two: a supervisory organ, normally the assembly, and the board of directors. The structure of the Assembly was usually reflected in that of the Board.[29]

The members of board, since they have no effective property rights, are unable gain access to the surplus that might accumulate due to the successful administration of the organization. The way in which residual earnings had to be distributed was not regulated until the Statute of 1933. This new regulation established that 25 per cent of residual earnings should be placed in reserves (retained earnings), another 25 per cent in voluntary reserves and asset depreciation, and the remaining 50 per cent should go towards social dividend (1933 Statute, art.43-44). However, the members of the banks' organs of governance did have the power to control the running of the organization. The variety of the groups that had a presence within these organs of governance brings us back to the idea of stakeholders. In the case of the savings banks, agency problems and the focus of shareholder value[30] have little relevance to companies in which these factors do not exist and, the stakeholder approach, while having many advantages, lacks theoretical maturity.[31] It must be admitted that the wealth of literature on corporate governance increasingly takes into account the participation of workers, clients and suppliers within the government of the organizations, together with the traditional governance of owners and managers or directors. Consequently, from this point of view, savings banks might be considered as providing a model for an alternative way of organising businesses.[32]

The managerial system adopted by the savings banks in the nineteenth century was very simple. The board of directors directly controlled the banking staff. It was, in effect, a functional structure which did not differentiate between controlling and executive bodies. Business activity was administered from a single office which was divided into two sections: the savings section (deposits) and the loans section (*monte de piedad*).[33] The framework, within which the savings banks were run, characterised fundamentally by flows of asymmetric information, effectively solved the problems of administering residual control rights and managed to bypass problems that might have arisen because of the absence of an ownership structure. The potential costs of monitoring the staff were reduced via the use of two instruments.[34] On the one hand, the central office manager took part in the board's debates, but he did not have a vote. The second of these instruments was a device by which one member of the board was placed in charge of the operational activity of the central office each week according to a rota – 'the appointed member for the week'.

Another direct consequence of the fact that the savings banks had no owners was a lack of capital. This was an endemic feature of entities that operated as ‘commercial non-profits’ however, in the case of the savings banks, their commercial activity was limited, since their only means of obtaining capital came from the accumulation of reserves. Essentially, it was this that set them apart from the rest of their non-profit counterparts. These organisations were capable of accumulating large surpluses (endowments) that allowed them to protect themselves from the vicissitudes of the market.[35] Consequently, the savings banks had to rely on other means of protection in order to subsist in the long term. The historical evidence highlights the extent of the impact of a protective regulation in each of the political periods of both the last and the present century.

4. Late regulatory influences

Until the 1920s, there was no consistent regulation of the savings banks industry. At this juncture, the regulatory stimulus began to be characterised by profound changes in institutional and political arenas as a consequence of the establishment of the General Primo de Ribera dictatorship (1923-1930). The new regime carried out an antiparliamentary repressive policy within the framework of rigorous interventionism with respect to economic policy. A corporative State came to dominate, a process which was similar to those taking place in other European countries like France and Italy.[36] Within this framework, there were new regulatory developments that affected the savings banks and the banks. The culmination of this process took place after the fall of the monarchy within the republican period (1931-1936).

Prior to these legislative changes, from the end of the nineteenth century, the savings banks were progressively diversifying. The most forward-thinking savings banks opted to promote a share portfolio and, subsequently, more innovative credit products. Mortgages were slowly introduced by some Spanish savings banks. Later, during the first third of the twentieth century, numerous savings banks decided to reinforce this credit activity by increasing mortgage lending, loans against promissory notes, by offering new deposit products such as fixed term savings accounts and current accounts.[37] The Catalonian savings banks, particularly the Caja de Pensiones de Barcelona and Sabadell, and the Basque and Galician savings banks, together with some of those from Andalusia, Valencia and Aragon used this strategy in order to diversify its clientele.[38] The profile of the savings banks, as described by Henry Hansmann, as the only place where the poor could deposit their savings,[39] ceased to be an accurate description in the 1930s. In short, the savings banks were reducing financial exclusion by providing financial services to the working classes and to other social sectors, services which the commercial banks were not prepared to offer them. These features, linked to the fact that the savings banks were local in nature, and non-profit orientated, explains why their clientele were so faithful.

Spanish banking changed significantly in the first decades of the twentieth century. On the one hand, commercial banks became more efficient before WW1 as a result of increased competitiveness,[40] and the Banking Act of 1921 further increased their market power. On the other, regulation affecting the savings banks, which was passed between 1926 and 1929 during the dictatorship, reduced the scope of their operations. The legislation established mandatory investment rates in public debt and created an official registry of savings banks, measures which effectively curtailed the autonomy of these entities.[41] The Republic of Spain suspended this legislation in 1931. The new Savings Bank Statute (1933) created a legal framework that favoured the savings banks, protecting them from competition from the commercial banks and strengthening their status as non-profit banks with social aims while consolidating their financial activity.

The restrictions imposed by this changing regulatory framework were bound to generate a certain amount of commercial and institutional tension between commercial banks and savings banks.[42] The creation of the Banking Council (*Consejo Superior Bancario*, CSB) as an umbrella organisation for, what was effectively, a banking cartel in 1921, and the CECA in 1928, served to institutionally formalize both lobbies in the Spanish banking market. Finally, in 1933, the creation of the Savings Banks Credit Institute (*Instituto de Crédito de las Cajas de Ahorro*, ICCA), as a wholesaler of retail finance, with clearing functions for savings banks, served to highlight the sectorial conflict.[43] In short, this regulatory framework restricted competition and provided protection for the savings banks as financial entities with social aims. It also guaranteed privileged resources for public finances by establishing that 30 per cent of customer deposits had to be invested in government securities. A precedent became established which the Franco dictatorship served to reinforce, which involved placing these entities in a privileged position via favourable legislation that served to compartmentalize their activities within a captive market for various decades. Two features of the savings banks that remained unscathed by the new legislation were their legal status as non-profits and their statutory self-governance.

{please place Table 1 near here}

During this period of intense regulation, new savings banks emerged within the Spanish savings market. From 49 entities in 1900 the number rose to 133 (including some mutuals) en 1928, of which 76 were affiliated to the CECA in the same year.[44] Table 1 presents the structure of a significant sample of those social groups that backed the savings banks which existed in 1900 and 1927. It is interesting to highlight the importance of private individuals and associations and, in consequence, the secondary role of public institutions, in both of the years cited. Between these two dates, the percentage fall in the weight of private owners (aristocracy, yeomen, industrialists and merchants) within the group of banking promoters was offset by a comparable increase in the numbers of cultural associations and unions. As a result, it may be affirmed that most of the savings banks that came into existence prior to the Spanish Civil War, were deeply rooted in the civil society and were characterized by a private ethos inherent in their foundational philosophy. These characteristics might lead us to suppose that they define, albeit somewhat generically, the social base of the savings banks, which were made up of those interested parties that participated in their governance. A closer look reveals the relative paucity of weight that the public administrations held in the composition of these bodies.

As a result of business diversification, a new executive organ was introduced which acted as an intermediary between the board of directors and the central office, which was somewhat similar to an executive board. From that time onwards, the board of directors was to meet only once a year for its Annual General Meeting and for audit purposes. However, the principal factor in fomenting increased managerial dynamism was the professionalization of the central office manager (henceforth the chief executive officer, CEO), who became a salaried figure with a contract and statutory executive powers.[45] The accentuation of the business profile of the savings banks generated increasingly serious agency problems derived, specifically, from their particular property structure. There was much confusion between the organs of control and those of executive management in the Spanish savings banks. This set the pattern for the idiosyncratic nature of the governance structure of the savings banks for the subsequent decades.[46] It was only a regulatory framework which restricted competition and segmented the banking market which subsequently allowed the savings banks to carry out their activity without duress.

5. Political drivers of corporate governance after the Spanish civil war

The end of the civil war was followed by a sharp rise in the severity of financial regulation. Table 2 reflects the intense regulatory pressure exercised by the Franco dictatorship regime after 1940. The new administration had a vested interest in establishing the savings banks as entities that were capable of capturing private savings and as a vehicle for financing the emission of public debt and other financial assets. This legislation simply reflected the financial policy of an interventionist State incapable of securing the necessary fiscal income to finance itself. The state's strict tutelage of the savings banks only provoked the cohesion of their regional and national corporative organisations. The assemblies organised by the savings banks' regional federations and the CECA itself, acted both as a chain of transmission for government mandates and, as a check on the abuse of certain political mandates. These tended to treat the savings banks as public agencies.[47]

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During the post-war years the government put pressure on the savings banks to ensure the sustainability of the sector. In less than six years, approximately 30 per cent of the savings banks had been absorbed by others. Many of these were very small, their financial survival hanging by a thread and, in most cases, their management procedures were obsolete and unprofessional.[48] Figure 1 shows how this policy favoured a certain re-dimensioning of the savings banks in the 1940's and 50's. The policy managed to put a brake on a historical trend that involved the steady fall in the concentration and the progressive segmentation according to the size of these institutions. However, in the three following decades, there were only three savings banks that disappeared due to mergers, such that concentration levels again fell, with the medium level and small savings banks gaining weight in the overall proportion of these institutions. There was little direct competition between the banks and the savings banks in the financial system at this time. The market was overburdened by state products, and the government essentially consigned each type of institution to one sphere of influence or another. Both banks and savings banks were operating in captive markets. The economic development of the 1970's and the protection provided by the system for the savings banks favoured the growth of their market share (deposits and credits). Between 1941 and 1970 their share of deposits grew from 15.1 per cent to 33.1 per cent of all of the deposits in the banking system (see Figure 1).[49]

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Most of the factors connected to the governance and organisation of the savings banks were not regulated by laws as such. However, the administrative interventionism and antidemocratic bases of the State favoured the publication of multiple decrees that the affected the savings banks' operations and the way in which their organs of governance were run. Firstly, throughout 1947 various government decrees were established which stealthily impinged upon the traditional independence of the savings banks. Specifically, these norms affected the composition of the board of directors, the fact that they had to inform the Ministry of Employment when appointing their presidents, directors and the general manager , appointments which the Ministry could then veto if it felt so inclined. The number of Board members was limited, irrespective of the savings banks' statutes, as indeed was the length of their tenure.[50] Further, a governmental decree was passed which allowed the state to appropriate a proportion of the savings banks' profits. These funds went to create the "National Social Dividend" (Obra Social Nacional) which was freely administered by the State. During the Franco years, the government procured 15 per cent of those savings banks' profits which, according to the Statute of 1933, should have been used for its own social dividend.[51]

Secondly, there was a move to set up new savings banks under the tutelage of public administration. Table 1 shows how, between 1927 and 1975, there was sharp growth in the number of savings banks established under the auspices of local authorities. This change took place when the savings banks promoted by the provincial authorities (*Diputaciones Provinciales*) began to emerge during the years of the Franco dictatorship. The number of savings banks increased until there was a maximum of 88 in 1975. The appearance of these savings banks eventually led to a greater balance between those which arose from the private and public sectors, although the savings banks that are more deeply rooted in the civil society still predominate.

Finally, government interventionism hindered the capacity of the organs of governance to act efficiently, and this reinforced the figure of the Chairman-CEO a post which was typical in the savings banks. The independence of the savings banks gradually declined during this period. The corporate governance of the savings banks was also seriously affected as bad practice became endemic, which naturally had a negative effect on how savings banks ran. The inherent democratic tradition, manifest in the existence of stakeholder delegates, as representatives of interested parties which were often deeply rooted in the local communities, became somewhat blurred. The boards of directors became politicised, affected by Francoist corporatism which replaced the representative components i.e. the old democratic unions and local administrations, with members of vertical Francoist trade unions and non-democratic corporations.

With the deadweight of old regime's strictures still in place, the reforms that began when General Franco died were of supreme importance. After the creation of the

1978 Constitution, Spain became integrated within the framework of the rest of the Western democracies. The reforms began just one year earlier, reforms that aimed to bring about the modernization of the economy and which affected the whole of the financial system and the savings banks. The analysis of the savings banks and their corporate governance from 1978 onwards is of particular interest. During this period of over three decades, in which there has been a stable democracy, there have been profound reforms to the financial system. These reforms have taken place against a backdrop in which the world economy has been going through a process of globalization.

The main aim of the financial policy undertaken by the Ministry of Economic Affairs Enrique Fuentes Quintana was the progressive deregulation of the financial system and an attempt to bring it closer in line with European standards. Spanish economic growth required a much larger banking system. After the crisis and banking reconversion at the beginning of the 1980's, policy makers aimed to place the savings banks on an equal footing with the commercial banks (see Table 3 for regulatory details).[52]

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The LORCA and the 798/1986 Royal Decree of 21 March established that the administration, management and control of the savings banks corresponded to the General Assembly, the Board of Directors and the Control Committee (the Remuneration Committee, Investment Committee and the Audit Committee, the latter being specific to the savings banks, and chosen by the Assembly and its members). As Alvaro Cuervo states, on many occasions, some of these committees, particularly the investment committee have a decisive influence on the role of the Board of Directors, creating a 'paper screen' which leads to the risk of encouraging irresponsible behaviour by the CEO.[53] These circumstances highlight some of the difficulties involved in exercising control over the managers from the organs of governance made up of stakeholders (including public administrations).

The reform of the organs of governance in the mid nineteen eighties defined a representative structure that was later modified, as a consequence of regional legislation, as one in which the weight of public representation was increased, and varied between 25 and 75 per cent. Finally, national Law 44/2002 incorporated certain aspects of European legislation which reduced the weight of public presence on the organs of government. After these adjustments, the average representative structure for the set of savings banks as a whole has become more balanced: the public sector has an average representation of 34 per cent, which rises to 41.5 if the percentage corresponding to the public founders is taken into consideration. The deviations from the average are high and correspond to both the large and small savings banks. Only 22 per cent of the savings banks have a level of public representation in their Assemblies which is lower than one third.[54] Some entities have developed a more diversified representative structure in their governance bodies. As is the case of the 'La Caixa', one of the foremost savings entities in the country, one means of doing so would involve reducing public participation (21 per cent) and by augmenting the presence of cultural and social institutions. With respect to business participation, there also appears to have been strong politicization in the decision taking of the savings banks through the influence of regional governments. Sometimes this influence has manifested itself in a push to ensure that certain projects remain within the regional territory and, in others, by supporting certain rescue packages.[55]

The Spanish case reflected certain critical aspects that affect corporate governance in a stakeholder regime. Without doubt, the structure of the organs of governance means that the risk of politicization will remain. The legislation initiated during the democratic regime was not capable of preventing the growing participation of public administrations, probably as a consequence of the inertia of the Franco period, which served to dampen the tradition of the savings banks as independent depoliticised entities. There are many contradictions that arise during this period. Firstly, it would appear to be logical that the regional governments, which have supervisory powers, should not have administrative powers as well, since this would establish a glaring conflict of interests. Secondly, much of the decision making process undertaken by public administration representatives became politicized. As some authors claim, the risk management derived from these decisions affects the stakeholder system and, as a result, it should be the interested parties who set out to debate the underlying implications of these policies.[56] Thirdly, there remained the problem of how to control the managers? In this regard, it would almost certainly be prudent to introduce an element of market dynamics within the savings banks' organs of governance and to increase the number of stakeholders.[57]

These latent contradictions within the savings banks' system of governance became more acute as the savings banks grew through a period of successive mergers and an expansionist policy that protected them from the competition of the commercial banks (for an indication of the asymmetry between them, see Table 3). Figure 1 shows how from the 1980's onwards the savings banks increased their market quota until this reached more than half of all of the total deposits in the financial system in a period of spectacular growth.[58] This expansion has revealed a new problem inherent in the savings bank system, namely that, in an ever more competitive and open environment, they find it difficult to find capital and are harshly exposed to the pressures of the markets.

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Table 4 provides a long term view of the evolution and structure of the main components of the savings banks' capital. Together with the growth in capital and reserves, the increase in the savings banks' volume of trade has obliged these institutions to incorporate new capital instruments which are distinct from the shares issued by companies with a traditional property structure.[59] The instrument that has done most to providing the savings banks with permanent resources has been that of subordinated financing, which has swiftly grown to approach the levels occupied by equity. However, preference shares have not been an overriding success and have yet to provide the same levels of resources as subordinated financing. This data reflects the uncertainty that surrounds the capitalization of the savings banks which is the main focus of any potential reform in these institutions. Recent events linked to the world financial crisis which broke out in 2008 have placed this problem in sharp relief. The savings banks have found themselves dangerously exposed to high levels of credit held against real estate. The pressure of international markets and the fall of wholesale credit have left them with grave problems with respect to their capitalization. The results are on the table and the reforms of 2010 clearly did not go far enough (Royal Decree-Law 11/2010, of 9 July).[60] Finally, the government has had to moot the privatization of those savings banks that find themselves in serious difficulties (Royal Decree-Law of Financial System Reinforcement Plan, 18 February 2011). This latest legislative move, which is still a green paper, aims to carry out radical changes affecting their structure as non-profits by allowing the entry of private capital.

6. Conclusions

Historical evidence reveals two quite remarkable features of the Spanish Savings Banks. Firstly, they have, at least until 2011, survived with their model of corporate governance, in spite of the changing influences of regulation, politics and political institutions. Secondly, a glance at their growing market quota, (deposits and credits) vis-a-vis the banks, proves that they have been capable of obtaining successful results in competitive conditions.

This paper focuses the analysis of the Spanish Savings Banks' governance structure by following the recent approaches taken by Stephen Haber, Douglass C. North and Barry R. Weingast. Taking their reflections with respect to the relevant political institutions and financial development as a starting point, one can trace the role and impact of different political cycles. Different political frameworks have supported a variety of regulatory scenarios, and these have affected a system of governance based upon the different interested parties or stakeholders. During the long period between both dictatorships (Primo de Ribera and Franco) regulation became gradually tighter. There was a kind of regulatory favouritism that tended to create a kind of dichotomy that placed banks and savings banks in markets that were relatively isolated from each other. Perhaps the greatest changes occurred after 1947. It was at this time when, via the introduction of second order norms, that the savings banks found themselves subject to powerful restrictions with regard to their organs of governance. Effectively, these organs came under the control of the state, and the restrictions seriously hampered structures which had, up until that moment, been deeply entrenched within the civil society and which contained an important democratic component.

The modernization process and the deregulation which took place after the restoration of democracy were incapable of eliminating the barriers to entry that affected the whole of the banking sector. These criteria offer an interesting insight into the strength of the inertia that certain regulatory impacts have in the long run. The new regulations homologated the operational procedures of both the banks and the savings banks, which competed with each other in the same markets using their own products and networks, but which remained quite distinct with respect to their property and governance structures. In the savings banks, the idiosyncratic nature of these features served to accentuate the politicization and lack of control of the managerial boards. As a consequence, regulatory change did not lead to any substantial changes in information costs.[61] This scenario is in contrast with the cases of demutualization in the Australian insurance industry, analyzed by Keneley, which went through a profound process of deregulation. This is because the system maintained at least some of the asymmetry that had previously existed since the savings Banks can takeover banking networks, but not vice versa. However, external factors, a consequence of Spain's entry into the European institutions and globalization laid the savings banks bare to the strictures of international regulations, particularly those of the European Union, and the pressure of international wholesale markets. The opening up of the financial markets created new pressures for the organisational structure of the savings banks. Information costs were changing as a result of market globalization and the behaviour and performance of the largest and most competitive savings banks (BBK, Unicaja, Kutxa, Ibercaja and La Caixa).[62] These entities demonstrated a greater capacity to adapt and generally operated much more closely in line with market standards (the efficiency of the boards as supervisory bodies, greater transparency, and less politicization). However, the financial crisis, which began in 2008, meant that the problems mentioned above became an intolerable deadweight for the savings banks as a whole.

In short, the regulatory favouritism which some authors ascribe to the legislative treatment received by these not-for-profits Banks,[63] finally seems to have crumbled. The voluntary opening up of the Spanish financial system, in response, first to the arrival of democracy and, later, to globalization and a need to be more deeply integrated within

Europe, have made a dual system seemingly untenable. This phenomenology is leading to the transformation of these entities into organisations that may be more fully exposed to the full rigors of market control. Hence, there is evidence, in the case of the Spanish Savings Banks, that supports the hypothesis of Douglass C. North and Mary M. Shirley that political and financial systems tend to be congruent in the long run.[64]

Tables and Figures

Table 1. Promoters of Spanish savings banks in 1900, 1927 and 1975 (in percentage)

	Private owners	Local authorities	Trade unions and cultural associations	Catholic Church	NA
1900	50.8	20.0	10.8	4.6	13.8
1927	25.0	10.5	33.5	8.6	22.3
1975	48.0	41.3	6.7	4.0	-

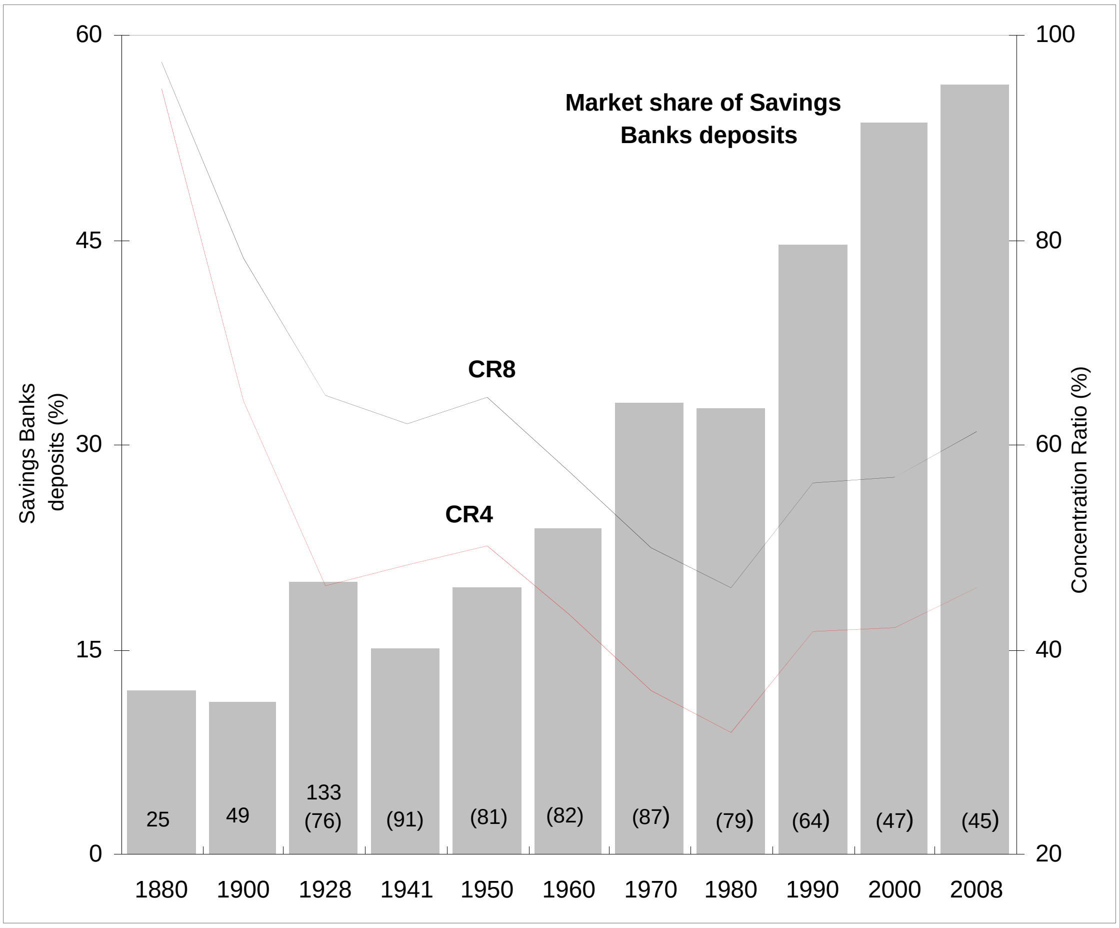
Sources: Titos, ‘Las cajas’, p. 217. CECA, Fuentes para la historia de las cajas de ahorro y montes de piedad españoles (III), Series Monográficas, 11 (Madrid, 1985), p.101. Ceballos, Libro del ahorro. CECA Statistic Yearbook (Madrid, 1983).

Table 2. Regulatory milestones and sectorial conflicts in Spanish Savings Banks during Franco dictatorship period (1939-1975)

Savings bank activity	Supervising Body	Regulation	Sectorial conflicts
Financial and social	Ministry of Employment and Ministry of Finance Ministry of Finance Bank of Spain	**1939-64:** • Banking status quo: entry barriers • Baking Law of 1946 • Control over part of the social dividend by the State **1947-77:** • Control over investments and obligatory investments: securities of the National Institute of Industry and privileged financing for private firms • Savings banks’ mergers (1940-63) • Economic Stabilisation Plan (1959) **1962:** • Banking Law • Reorganisation of the monetary authority • The ICCA became an official body with jurisdiction over the savings banks. Its clearing functions were absorbed into the public sector **1969-71:** • Weak liberalisation of interest rates and of the banking discount rate • Establishment of the savings bank and bank coefficient • Credit Law of 1971, puts savings banks on a par with banks • CECA assumes the clearing functions that pertained to the ICCA (disappears in 1971) • Withdrawal of the legal coefficient of liquidity and special discount credits in the Bank of Spain **1974:** • Modification of the Bank of Spain’s interest rate • Reduction of the investment coefficient	• Strong pressure to finance public investments of a social nature or investments established by the government as a special objective •Concern about the entities’ solvency • Government interventionism over the savings banks’ policies

Source: Bank of Spain Library and CECA Library; author

Figure 1. Ratio of concentration of deposits (top 4 and 8 savings banks), deposit market share and number of Spanish savings banks (1880-2008)



Notes: not including State owned Postal Savings Bank. Number of savings banks in CECA in brackets. In 1928 total number of savings banks (including some mutual banks) 133, of which 76 were affiliated in CECA.

Sources: Spanish Statistical Yearbook (1880-1935). Annual Reports of Caja Madrid (1880-1935). G. Tortella, La banca española en la Restauración, (Madrid, 1974), vol. 1., p. 490 and 499. P. Martin Aceña, La cantidad de dinero en España 1900-1935. Estudios de historia económica, no. 12 (Madrid, 1985), tables II-1, V-1 and Una estimación de los principales agregados monetarios en España: 1940-1962, Documento de Trabajo 8807, Banco de España (Madrid, 1988), table I.2.1 and IV.1. CSB, Boletín, Balances de la banca privada (1940-1962). BEBE (1963-2008). Annual Report of CECA (1932-2008) and CECA Statistical Yearbook (1981-2008).

Table 3. Regulatory milestones and sectorial conflicts in Spanish Savings Banks 1975-89)

Savings bank activity	Supervising Body	Regulation	Sectorial conflicts
Financial	Bank of Spain	**1975:** • Free opening of offices in each savings banks' area of influence. **1977:** • Savings bank mergers and takeovers (1976-1985) • The Fuentes Quintana Reform: granting of definitive equal status between savings banks and banks, reform of savings banks' bodies of governance **1981:** • Liberalisation of interest rates on active operations **1983:** • Savings banks can open offices abroad **1985:** • Spain joins the European Community • Law of the Governing Bodies of Savings Banks (LORCA): the participation of stakeholders is specified • Savings banks-banks investment coefficients are equalised **1987:** • Liberalisation of interest rates **1988:** • Freedom of territorial expansion granted to the savings banks **1989:** • Progressive disappearance of investment coefficients (until 1992)	• Multiple objectives, but solvency is the priority • Conflicts of interest grow among the parties • Asymmetry between savings banks and banks: savings banks can takeover banking networks, but the banks cannot purchase savings banks • What guarantees exist with respect to the independence of the management of savings banks vis-à-vis public administrations?

Source: Bank of Spain Library and CECA Library; author

Table 4. Equity and other instrument of capital in Spanish savings banks, 1962-2008 (in percentage of equity)

	Total Equity (000 of €)	Capital, reserves and others (%)	Social dividend fund (%)	Subordinated debt (%)	Preferred stocks (%)
1962	11 323	3.0	97.0	-	-
1965	37 233	55.2	44.8	-	-
1970	140 547	78.6	21.4	-	-
1975	404 794	67.1	32.9	-	-
1980	1 739 371	91.3	8.7	-	
1985	3 916 844	91.3	8.7	-	-
1990	8 465 869	90.2	9.8	-	-
1993	11 454 437	79.3	8.4	12.3	-
1994	12 599 654	80.8	7.9	11.3	-
1995	13 875 368	81.9	7.5	10.6	-

1996	15 853 179	82.6	7.1	10.3	-
1997	18 203 526	84.1	6.6	9.3	-
1998	20 255 548	80.7	6.4	12.9	-
1999	22 511 254	76.0	6.2	17.8	-
2000	25 103 838	72.9	6.0	21.1	-
2001	27 664 240	44.1	5.9	27.8	22.2
2002	30 340 200	40.5	5.6	32.6	21.3
2003	32 955 892	37.2	5.5	36.3	21.0
2004	36 041 092	34.8	5.3	39.2	20.7
2005	43 688 352	34.8	4.9	41.0	19.3
2006	49 444 416	31.3	4.9	45.2	18.6
2007	59 207 096	37.8	4.8	41.1	16.3
2008	63 855 968	29.7	4.7	50.3	15.3

Sources: BEBE and CECA.

Notes

[1] See M.J. Keneley, ‘Organisational capabilities and the role of routines in the emergence of a modern life insurer: The story of the AMP’, Business History, 51, 2 (2009); thereafter: Keneley, ‘Organisational’; and ‘The demise of the mutual insurer: An analysis of the impact of regulatory change on the performance of Australian life insurers in the 1990s’, Accounting History, 15, 1 (2010); thereafter: Keneley, ‘An analysis’. R. Pearson, ‘Mutuality Tested: The Rise and Fall of Mutual Fire Insurance Offices in Eighteenth-Century London’, Business History, 44, 4 (2002a); thereafter: Pearson, ‘Mutuality’. H. Hansmann, ’The Organization of Insurance Companies: Mutual versus Stock’, Journal of Law, Economics and Organization, 1, 1 (1985); thereafter: Hansmann, ‘The organization’.

[2] F. Allen and D. Gale,’Corporate governance and competition’, In X. Vives (Ed.), Corporate Governance: Theoretical and Empirical Perspectives (Cambridge, 2000); thereafter: Allen and Gale, ‘Corporate’.

[3] H. Hansmann, The Ownership of Entreprise (Cambridge, Mass., 1996), p. 262; thereafter: Hansmann, The Ownership. These should not be confused with the mutual savings banks in the USA, which are authentic not-for- profit banks. In spite of what the name would seem to suggest, they did not belong to their depositors (ibídem, p. 247).

[4] Hansmann, The ownership, p. 251.

[5] Hansmann, ‘The organization’, R. Pearson ‘Growth, crisis and change in the insurance industry: a retrospect’, Accounting, Business and Financial History, 12, 3 (2002b); thereafter: Pearson, ‘Growth’. M. Keler, The Life Insurance Entreprise, 1885-1910: A Study in the Limits of Corporate Power (Massachusetts, 1963).

[6] Changes in the regulatory environment have proved to be crucial to the demutualization process. The entities in Great Britain are a case in point, with far-reaching consequences for the financial sector. R. Martin and D. Turner, ‘Demutualisation and the Remapping of Financial Landscapes’, Transactions of the Institute of Geographers, New Series, 25, 2 (2000).

[7] M. Casson, ‘Institutional Economics and Business History: A Way Forward?’, Business History, 39, 4 (1997); and Information and Organization. A New Perspective on the Theory of the Firm (Oxford, 1997), p.76; thereafter: Casson, ‘Information’.

[8] Keneley, ‘Organisational’ and ‘An analysis’.

[9] See also J.R. Barth,G. Caprio and R. Levine, The Microeconomic Effects of Different Approaches to Bank Supervision, in S. Haber, D.C. North, and B.R. Wingast (eds.), Political Institutions and Financial Development (Stanford, 2008); thereafter: Haber et al., Political Institutions.

[10] D.C. North and M.M. Shirley, ‘Conclusions: Economics, Political Institutions, and Financial Markets’, in Haber et al., Political Institutions; thereafter: North and Shirley, ‘Conclusions’.

[11] P. Gourevitch and J. Shinn, 'Political Drivers of Diverging Corporate Governance Patterns', in Haber et al., Political Institutions. The point of view of legal family in R. La Porta, F. López-de-Silanes, A. Shleifer, and R. Vishny, 'Investor Protección and Corporate Governance', Journal of Financial Economics, 58 (2000) and 'What Works in Securities Law?', Journal of Finance, 61 (2006).

[12] B. Antón Ramírez, Montes de Piedad y Cajas de Ahorros. Reseña histórico y crítica de su orígen, […], (Madrid, 1876); and J.G. Ceballos, Libro del ahorro (Madrid, 1929); thereafter: Ceballos, Libro del ahorro.

[13] F. Vellosillo, La instauración de las cajas de ahorros en el siglo XIX y la ideología de la época. Boletín de Documentación del Fondo para la Investigación Económica y Social, vol. 4 (Madrid, 1972). J.F. Forniés, Las cajas de ahorros españolas en una etapa crucial de su historia: 1926-1939. Fuentes para la Historia de las Cajas de Ahorros y los Montes de Piedad españoles, Vol. 5 (Madrid, 1989). M. Titos, Una investigación sistemática sobre la historia de las Cajas de Ahorros españolas. Boletín de Documentación del Fondo para la Investigación Económica y Social, vol. 10 (Madrid., 1978) and 'La Caja de Madrid en el siglo XIX: ¿actividad asistencial o financiera?', Revista de Historia Económica 3 (1989).

[14] A.P. Martínez Soto, 'Las Cajas de ahorros españolas en el siglo XIX. Entre la beneficencia y la integración en el sistema financiero', Revista de Historia Económica, 18, 3 (2000). A.P. Martínez Soto and J. Cuevas, 'La expansión y consolidación de las cajas de ahorros en el sistema financiero español, 1880-1936', Revista de Historia Económica, 18, 1 (2004).

[15] Corporative histories are the heirs to the work by J. Nadal and C. Sudrià, Historia de la Caixa de Pensions, (Barcelona, 1981), among others we highlight some recent studies with more advanced methodological approaches: J.C. Maixé-Altés (dir.), M. Vilar, and E. Lindoso, El ahorro de los gallegos. Orígenes e historia de Caixa Galicia (1876-2002), (A Coruña, 2003); J.M. Valdaliso, BBK (1907-2007). Cien años de compromiso con el desarrollo económico y el bienestar de Bizcaia (Bilbao, 2007) and J.M. Benaul, A. Garrido and C. Sudrià, Caixa Sabadell. Finances i acció social, 1859-2009 (Sabadell, 2008). From a regional point of view, for an initial synthesis in A.P. Martínez Soto, J. Cuevas, and A. Hoyo, 'La historia económica de las Cajas de Ahorros españolas. Una perspectiva institucional y regional (1830-2004)', Papeles de Economía Española, 105-106 (2005).

[16] B. Bátiz-Lazo, Strategic Alliances and Competitive Edge: Insights from Spanish and UK Banking Histories, Business History, 46, 1 (2004); thereafter: Bátiz-Lazo, Strategic Alliances'.

[17] F. Comín, 'Spanish savings banks and the Competitive Cooperation Model (1928-2002)', Revista de Historia Económica – Journal of Iberian and Latin American Economic History, 25, 2 (2007); thereafter: Comín, 'Spanish savings'; and Historia de la cooperación entre las cajas. La Confederación Española de Cajas de Ahorro, 1928-2007 (Madrid, 2008); thereafter: Comín, Historia.

[18] According to the Spanish Constitutional Court, the savings banks do not have proprietors (Constitucional Court of Spain, 49/1988, 22 May). Also see Comín, 'Spanish savings' and M. Castilla Cubillas, Gobierno de las cajas de ahorros, (Madrid, 2006).

[19] Ceballos, Libro del ahorro, p. 596.

[20] As a consequence of savings bank reforms in 2010, their number declined to 18 entities (31-12-2010).

[21] Bátiz-Lazo, Strategic Alliances'; Comín, 'Spanish savings'; B. Bátiz-Lazo and J.C. Maixé-Altés, 'Organizational Change and the Computerization of British and Spanish savings banks, circa 1950-1985', in B. Batiz-Lazo, J.C. Maixé-Altés, and P. Thomes (eds.), Technological Innovation in Retail Finance: International Historical Perspectives. New York-London, 2011).

[22] The Spanish model was significantly different from the French and British model whose Savings Banks were strictly regulated, J.C. Maixé-Altés, 'Enterprise and philanthropy: the dilemma of Scottish savings banks in the late nineteenth century', Accounting, Business & Financial History, 19, 1 (2009).

[23] M. Illueca, L. Norden, and G.F. Udell, Liberalization, Corporate Governance, and Saving Banks, MoFiR working paper no. 17 (February, 2009) and V. Azofra and M. Santamaría, 'El

gobierno de las cajas de ahorro españolas', Universia Review (2004-II); therafter: Azofra and Santamaría, 'El gobierno'.
[24] This situation reached its zenith in 1964 (80 per cent of savings banks' investments were controlled by the government, Decree passed on the 26 March 1964).
[25] M. Titos, 'Las cajas de ahorros en España: entre el intervencionismo y la liberalización', Estudis d'Història Econòmica, 17-18 (2001); thereafter: Titos, 'Las cajas'.
[26] Caja de ahorros de la Cámara Agrícola de Jumilla, Jumilla, Tipografia del Comercio, 1901.
[27] Estatutos y reglamento para la Cajas de Ahorros y Monte de Piedad de San Sebastián, San Sebastián, Tipografía A. Baroja, 1879. Other however, sponsored by their councils place more of an emphasis on their municipal character (see Caja de ahorros de Vitoria, Vitoria, Hijos de Iturbe, 1902).
[28] Hansmann, 'The organization'.
[29] See the Collection of savings bank Statutes. Due to a lack of space, a systematic description of these groups has been omitted (A representative case is provided by; The Assembly of the Granada savings bank, Estatutos y Reglamentos, Granada, Tipografía Traveset, 1910).
[30] See J. Tirole, Corporate governance. Econometrica, 69, 1 (2001).
[31] See A. Grandori, 'Reframing Corporate Governance: Behavioral Assumptions, Governance Mechanism, and Institutional Dynamics', in A. Grandori (ed.), Corporate governance and firm organization: microfoundations and structural forms (Oxford, 2004). R.G. Rajan and L. Zingales, Power in the theory of the firm. Quaterly Journal of Economics, 113 (1988) and 'The governance of the new enterprises', in X. Vives, (ed.) Corporate Governance: Theoretical and Empirical Perspectives (Cambridge, 2000).
[32] J.K. Walton, 'New directions in business history', Business History, 52, 1 (2010).
[33] The loans which this provided via which advances were made against some kind of collateral in pawn, usually jewellery or clothes, A.P. Martínez Soto, 'Las cajas de ahorros españolas en el siglo XIX. Los orígenes del sistema (1839-1875)', Papeles de Economía Española, 97 (2003).
[34] According to M. Jensen and W. Meckling's analysis of firms with proprietors, the agency cost were essentially the costs of monitoring the managers (Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure, Journal of Financial Economics, 3 (1976)).
[35] Hansmann, 'The organization'.
[36] S. Ben-Ami, La Dictadura de Primo de Rivera (Barcelona, 1984).
[37] Caixa Galicia Archive (CGA), Secretary: Statute and Rule Collection.
[38] Ibidem and see some corporative histories of savings Banks.
[39] Hansmann, The Ownership, p. 248
[40] X. Cuadras Morató, A. Fernández de Castro and J.R. Rosés, 'Productividad, competencia e innovación en la banca privada española, 1900-1914', Revista de Historia Económica, 20, 2 (2002).
[41] Royal Decree, 9 April 1926, Royal Order, 7 August 1926 and Royal Decree, 21 November 1929.
[42] See J.C. Maixé-Altés, Competition and choice: banks and savings banks in Spain. Journal of Management History, 16, 1 (2010); thereafter: Maixé-Altés, 'Competition and choice'.
[43] Since this was reflected in the economic press, *El Economista*, 1933, pp. 406-8, See Maixé-Altés, 'Competition and choice'.
[44] Annual Reports of Caja Madrid (1900) and Ceballos, El libro, p. 101.
[45] There are numerous examples in the statutes and too many regulations to list here. These reforms were gradual, some of they were delayed until the 1940's and 50's (see Collection of savings bank Statutes).
[46] In fact, at the end of twentieth century, the design of the organs of governance, which was based on LORCA, (enacted in 1985), did nothing to strengthen the independence of the board of directors with respect to the management team, A. Cuervo, 'El buen gobierno de sociedades y las cajas de ahorros, Economistas', 98 (2003); thereafter: Cuervo, 'El buen gobierno'.
[47] ABE, BP, box 117, 561. See also Comín, Historia., p. 289.
[48] ABE, BP, box 80-81, 83, 104.
[49] In the 1970's the savings banks' market share of credit rose from 11 to 20 per cent (BEBE).

[50] Decree of 6 July 1947, 17 October 1947 and Order of 29 October 1948. A detailed commentary in Comín, Historia, p. 213-14.
[51] Ibidem. There was a extraordinary fiscal regime for the savings banks with a rate of 16 per cent, whilst corporation tax was 30 per cent (1957 Taxation Reform Law).
[52] M. Lagares, 'La Hacienda pública en las facultades de Ciencias Económicas y en la sociedad española durante la segunda mitad del siglo XX', in Fuentes Quintana, E. (dir.) Economía y economistas españoles. La consolidación académica de la economía, Vol. 7 (Barcelona, 2002) and A. Cuervo, La crisis bancaria en España 1977-1985 (Barcelona, 1988).
[53] Cuervo, 'El buen gobierno'.
[54] CECA and author.
[55] Cuervo, 'El buen gobierno'; Azofra and Santamaría, 'El gobierno'.
[56] F.J. Valero (coord.), A. Berges, A. Crespí, M.A. García Cestona, J. Maudos, E. Ontiveros, F. Pérez, and V. Salas, Presente y futuro de las cajas de ahorros (A Coruña, 2003), p. 166.
[57] Cuervo, 'El buen gobierno'.
[58] The transition from the twentieth to the twenty first century saw the savings banks' credit market share rise to 43.2 per cent (BEBE).
[59] During many years, the social dividend fund represented a substantial proportion of the banks' equity (these were deemed to be special resources), and this had a similar impact on capital and reserves.
[60] Fondo de Reestructuración Ordenada Bancaria, Fund for Orderly Bank Restructuring (FROB), January 2011. Available at http://www.frob.es/financiera/doc/20110115%20Presentacion%20FROB%20inversores%20span.pdf (accesed 23-2-2011).
[61] See Casson, 'Information', p. 76.
[62] Just the most solvent of the sector today (see FROB).
[63] See Hansmann, The Ownership, p. 262.
[64] North and Shirley, 'Conclusions'.