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**" THE INTRODUCTION OF THE GOLD STANDARD IN
PORTUGAL "**

António MENDONÇA



Resumo

A primeira metade do Séc. XIX constitui um período de profundas transformações políticas económicas e sociais em Portugal.

A crise do Antigo Regime prolongou-se com as invasões francesas, a Guerra Civil entre liberais e absolutistas e a fraqueza dos novos governos, praticamente até ao início dos anos 50.

Na segunda metade do século consolidaram-se as novas estruturas políticas e económicas que significaram para Portugal a entrada tardia no mundo das relações de mercado capitalistas.

O padrão-ouro foi introduzido no país em 1854 e durou até a crise de 1891. Constituiu uma expressão da nova ordem criada mas, também, um instrumento da dominação britânica em Portugal.

A vivência deste regime monetário foi coincidente com o período de relativo crescimento e de estabilidade dos preços.

Palavras-chave: Regimes Monetários, Padrão-Ouro, Portugal.

Abstract

The first half of the XIX century is a period of deep political, economical and social transformations in Portugal.

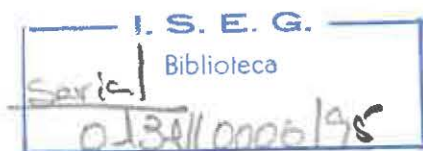
The crisis of the Ancient Society extended itself with the french invasions, the civil war between the liberal and absolutist forces and the feebleness of the new governments, until the 1850's.

The second half of the XIX century is the period of the consolidation of the new political and economical structures wich meant to Portugal the late entrance in the world of the capitalist market relations.

The Gold Standard was introduced in the country in 1854 and lasted until 1891. It was the expression of the new order but also an instrument of the british domination in Portugal.

This monetary regime coincids with a period of a certain growth and stability of prices.

Key-Words: Monetary Regimes, Gold Standard, Portugal.



'The Introduction of the Gold Standard in Portugal'

António MENDONÇA *

1. Introduction

This paper's main objective is to situate the introduction of the gold standard monetary regime in Portugal in the context of the transformations that took place in this country during the 19th century. It's also a reflection from the more relevant empirical works that try to bring us the economic reality of this century in Portugal.

In this sense, this paper is less a research result and more a starting point. Starting point for the investigation of the reasons who made a poor and resources under endowed country, being the second, in 19 July 1854, to follow Great Britain's steps in the adoption of gold standard regime, anticipating in more than twenty years the generality of the developed countries of the period. A starting point also for the investigation of the consequences that the functioning of this monetary regime, almost without interruptions during thirty-seven years, until 9 July 1891, meant to Portugal in terms of domestic economic development and of international integration.

The paper begins with a description of the most relevant events of Portugal History in the 19th century. Than it focuses the main characteristics of the economic growth in the same period.

Afterwards, the analysis concentrates in the foreign trade and the monetary circulation. In the first case we pretend to give an idea of the importance of foreign trade for the Portuguese economy of the period. In the second case we pretend to fix the changes in money supply, brought by the adoption of the gold monometallism.

The paper finishes with some concluding remarks.

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2. The 19th century in Portugal: a century of deep transformations

The end of the 18th century and the early 1800's are sealed by the crisis of the political, ideological, economical and social structures of what has been designated as "Ancient Regime"; i.e., the traditional society based on the absolutist monarchy and on the social stratification between the nobility, the clergy and the commonalty.

All this crisis is strengthened by factors somehow exogenous that reflect the global changes occurring in the international relations context of Portugal initiated with the America independence in 1776 and amplified by the French revolution of 1789.

Also conditioning this general picture was the ancient "Alliance" between Portugal and England, an alliance that in practice meant the subordination of the Portuguese politics to the British strategic interests.

In 1793-1794 Portugal and Spain joined England against France in the war of Rossilhão. Frustrated this military offensive, Spain negotiates separately peace with France and the two peninsular states initiate a breaking process.

In 1801 Portugal fights against Spain the "Guerra das Laranjas" (*Oranges War*). Encouraged by the French, this war had as main purpose to close the Portuguese ports to the British merchant and war ships. As a consequence Portugal lost to Spain the city of Olivença, in Alentejo, and saw recognized a certain neutrality in the conflict that opposed the two great European powers. It should be reminded that in the meantime these powers had signed the peace of Amiens in 1802. It followed a period of intensification of the economic and political relations with France, favoured by the reinforcement of the British partisans in the government.

In the 21 November of 1806, Napoleon proclaims the Continental Blockage that for Portugal meant, once again, the closing of his harbours to the British ships, besides the exigency of confiscation of the Portugal residents British citizens personal estates. It is in this conjuncture that arises the project of the removal of the Portuguese court to Brazil that would be accomplished in the 29 November 1807, in pursuance of the first French invasion, commanded by the ex-ambassador in Lisbon, general Junot. With the Royal Family went a cortège of 15 000 people, representative of the best nobility of the kingdom. Notice, that at the same time, in according with registers of the period, it is produced a great exit of

reach people with their capitals, from Lisbon and Oporto to England and Brazil.

The occupation of the Portuguese territory lasted until August of the next year, with the surrender of the French troops to the British army disembarked to help the Portuguese. In reality they just became to replace the French in the occupation of the territory.

In Mars 1809, a new invader army arrived, this time commanded by the general Soult. The troops entered by the North and they installed at the city of Oporto. They were defeated by the Angle-Portuguese forces, having the last battle take place already in Spanish territory.

In the Summer of 1810 a new invasion occurred, the third one, commanded by the marechal Massena. It felt in with great resistance of the people and of the Angle-Portuguese army and retired in Mars 1811.

Following these events became a period of British domination in Portugal and of persecution of the liberal ideas and of the French partisans.

In 24 August 1820 a military putsch initiates a dynamic movement of great changes at all levels of the Portuguese society. It was know as Revolution of 1820 and in its origins has been the dissatisfaction with the British domination in Portugal, the support of the liberal idea and the desire to integrate the country in the process of economic and industrial development.

About a year later, in 3 July 1821 and, as it seems, without great desire, the royal family returned into Portugal, leaving in Brazil the infant D.Pedro, who became the protagonist of the independence of this ancient colony and its first Emperor. In Portugal, his father, D. João VI accepted to initiate the constitutional monarchy.

However, until the beginning of the second half of the century, the situation in the country would be of generalized instability.

In 1822 the Brazil becomes independent and assumes the status of a separated economic entity in the international context.

Between 1823 and 1828 takes place a recovering process of the absolutist positions that culminates with the power assumption of D.Miguel the other son of D.João VI.

In Brazil, the Emperor D.Pedro, the brother of D.Miguel, abdicates in favour of his son in 7 April of 1831, and come to Europe with the objective of leading the liberal forces. Between 1832 and 1834 takes place a civil war that finished with the defeat of the absolutists and the arriving in power, as regent, of the ex-emperor of Brazil. However, the instability would continue with the disputes between the different liberal factions until April and May

1851, when a military putsch brings some order in the functioning of the institutions and opens a long stability period that would practically last until the end of the century. It was the initiation of the so-called Regeneration period, the name by which it would be known the definitive introduction of the capitalism in Portugal.

The legislative bases of the new period had been already erected in the decades 20 and 30, notwithstanding the referred political instability. Then, the bases of the liberalization of the economic activities were built - agrarians, industrial arts, industries and commerce. It was facilitated the access of the winner social groups to the agricultural propriety, through the public selling of the confiscated possessions of the religious orders. The tolls that existed in the interior of the country were extinguished. The Portuguese Commercial Code was approved.

The foundation of the first banking institutions needs to be also mentioned as a great contribute to the dynamisation of the market economy and the development of the capitalist relations: the Banco de Lisboa in 1821 and the Banco Comercial do Porto in 1835.

Between 1834 and 1836 many traders' associations were created, increasing thus the social and political influence of this class. Is still in 1834 that was extinguished the so-called Casa dos Vinte e Quatro that ruled all the artisan activity and its related teaching, trying with this measure to attempt the conditions for the freedom of industrial settlement. Succeeding this extinguishment were created in 1837 the Escola Politécnica de Lisboa and the Academia Politécnica do Porto. Their objectives were quite clear aiming the formation of technical staff for the industry, the transports and their infrastructures.

The entrance in the second half of the 19th century opens up a long period of stability, that prolonged itself until the beginning of the new century. This period also consolidated the transformations initiated with the liberal revolution.

In 1852 is created the Ministry of Public Works, Trade and Industry that, with its first holder, Fontes Pereira de Melo, would become the great stimulator of the economic transformations that definitely opened the country to the modern capitalist relations.

This ministry was responsible for the legislative reform, the modernization of the transports and communications, the development of the instruction, the creation of a set of incentives to the settlement of workshops and factories. This process would know its major development between 1870 and 1890.

In the context of these changes, it should be mentioned the inauguration, in 28 October 1856, of the first railway. It went from Lisbon to Carregado in a distance of 36 Km.

Between 1856 and 1886 the railway construction accentuated. It was constructed a total of 2153 Km that represents 60% of the total constructed in the century that goes on to 1986 (3616 Km).

It is also in 1856 that is inaugurated the first telegraph net that would be developed in strait connection with the railway.

Finally, the telephonic net began in the 26 April 1882.

3. Growth, Population and Prices in the 1800's: some comments

We consider the estimates made by Nunes, Mata and Valério (1989). Notwithstanding these estimates being consider as "scientific guesses" by the authors, they are the most credible ones due to the methodology used and they allow us to formulate some ideas.

Between 1833 and 1859 there was no more than three continued years of growth. It's a period of economic stagnation and decreasing of the *per capita* wealth. It's also a period where exists a rise of prices' trend.

These results are a little surprising because, after the second half of the 1830's, ended the civil war, the country faced a period of consolidation of the new constitutional government structures. The reasons may be found on the past inertia, the need of maturation of the new government measures and the lag in the process of adaptation of the economic agents. It needs to be also mentioned that 1850-1851 is a period of epidemics of yellow fever and cholera, and of a *oidium* plague in Portuguese vineyards.

The growth period seems to be the one between 1860 and 1888. In a total of 28 years only 3 had negative product growth. Remark that 1866-1867 represents crisis years, which was connected with the general fall in emigrants remittances from Brazil because of the Paraguay war. 1876-1877 are again crisis years, this time related to the financial crash that followed the boom on the emigrants remittances after the end of the Paraguay war, and also explained by the phyloxera plague on the Portuguese vineyards during the 1870's.

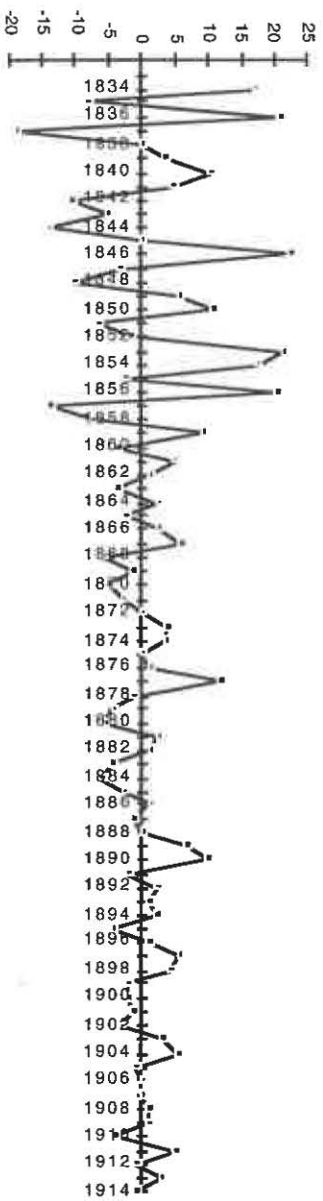
The years between 1878 and 1888 know continuous growth. It's the longest growth period of the entire 19th century in Portugal, which lasted until the new crisis of 1889-1890. If we remember that the gold standard ruled in Portugal from 1854 to 1890, it's evident a remarkable coincidence between the

Table 1 - Product, Prices and Population

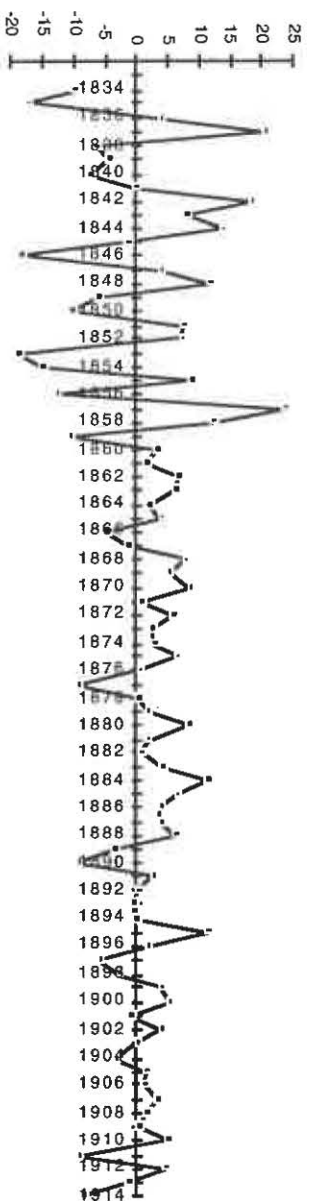
Years	GDP mp,cp	Price Index		GDPmp1914		Population		GDP per cap.	
	thousand contos	1914=100	Δ%	thousand contos	Δ%	thousand habit.	Δ%	1914 prices	Δ%
1833	220	53		415		3584		116	
1834	232	62	16,98	374	-9,85	3606	0,61	104	-10,40
1835	232	75	-8,00	309	-17,33	3627	0,58	85	-17,81
1836	222	69	20,97	322	4,01	3649	0,61	88	3,38
1837	217	56	-18,84	388	20,44	3671	0,60	106	19,72
1838	203	56	0,00	363	-6,45	3693	0,60	98	-7,01
1839	201	58	3,57	347	-4,40	3715	0,60	93	-4,97
1840	206	64	10,34	322	-7,12	3737	0,59	86	-7,67
1841	215	67	4,69	321	-0,30	3748	0,29	86	-0,60
1842	228	60	-10,45	380	18,42	3759	0,29	101	18,07
1843	234	57	-5,00	411	8,03	3771	0,32	109	7,69
1844	229	49	-14,04	467	13,84	3782	0,29	124	13,51
1845	226	49	0,00	461	-1,31	3793	0,29	122	-1,60
1846	226	60	22,45	377	-18,33	3804	0,29	99	-18,57
1847	227	58	-3,33	391	3,91	3816	0,32	103	3,58
1848	227	52	-10,34	437	11,54	3827	0,29	114	11,22
1849	225	55	5,77	409	-6,29	3838	0,29	107	-6,56
1850	224	61	10,91	367	-10,24	3850	0,31	95	-10,52
1851	225	57	-6,56	395	7,50	3861	0,29	102	7,19
1852	237	56	-1,75	423	7,21	3873	0,31	109	6,88
1853	234	68	21,43	344	-18,69	3884	0,28	89	-18,92
1854	234	80	17,65	293	-15,00	3892	0,21	75	-15,17
1855	248	78	-2,50	318	8,70	3901	0,23	82	8,45
1856	261	94	20,51	278	-12,67	3909	0,21	71	-12,85
1857	278	81	-13,83	343	23,61	3923	0,36	87	23,17
1858	289	75	-7,41	385	12,27	3960	0,94	97	11,22
1859	283	82	9,33	345	-10,44	3998	0,96	86	-11,29
1860	282	79	-3,66	357	3,43	4035	0,93	88	2,48
1861	301	83	5,06	363	1,59	4110	1,86	88	-0,26
1862	325	84	1,20	387	6,69	4149	0,95	93	5,69
1863	333	81	-3,57	411	6,26	4188	0,94	98	5,27
1864	348	83	2,47	419	1,99	4213	0,60	100	1,38
1865	353	81	-2,41	436	3,94	4238	0,59	103	3,33
1866	344	83	2,47	414	-4,90	4264	0,61	97	-5,48
1867	360	88	6,02	409	-1,29	4289	0,59	95	-1,87
1868	366	83	-5,68	441	7,79	4314	0,58	102	7,17
1869	380	82	-1,20	463	5,09	4340	0,60	107	4,46
1870	392	78	-4,88	503	8,45	4366	0,60	115	7,80
1871	385	76	-2,56	507	0,80	4392	0,60	115	0,20
1872	407	76	0,00	536	5,71	4418	0,59	121	5,09
1873	433	79	3,95	548	2,35	4444	0,59	123	1,75
1874	462	82	3,80	563	2,79	4471	0,61	126	2,17

Years	GDP mp;cp	Price Index		GDPmp191		Populatio		GDP per	
	thousand contos	1914=100	Δ%	thousand contos	Δ%	thousand habit.	Δ%	1914 prices	Δ%
1876	501	83	1,22	604	0,60	4524	0,60	133	0,00
1877	509	93	12,05	547	-9,33	4551	0,60	120	-9,87
1878	505	92	-1,08	549	0,29	4591	0,88	120	-0,58
1879	492	88	-4,35	559	1,85	4632	0,89	121	0,95
1880	502	83	-5,68	605	8,18	4673	0,89	129	7,23
1881	524	85	2,41	616	1,93	4715	0,90	131	1,02
1882	535	86	1,18	622	0,91	4757	0,89	131	0,02
1883	532	82	-4,65	649	4,29	4799	0,88	135	3,38
1884	557	77	-6,10	723	11,50	4842	0,90	149	10,51
1885	578	75	-2,60	771	6,54	4885	0,89	158	5,60
1886	608	76	1,33	800	3,81	4929	0,90	162	2,88
1887	623	75	-1,32	831	3,83	4973	0,89	167	2,91
1888	662	75	0,00	883	6,26	5017	0,88	176	5,33
1889	681	80	6,67	851	-3,56	5062	0,90	168	-4,42
1890	679	88	10,00	772	-9,36	5105	0,85	151	-10,12
1891	681	86	-2,27	792	2,63	5138	0,65	154	1,97
1892	699	88	2,33	794	0,31	5182	0,86	153	-0,54
1893	703	89	1,14	790	-0,56	5220	0,73	151	-1,28
1894	717	91	2,25	788	-0,25	5251	0,59	150	-0,84
1895	763	87	-4,40	877	11,31	5275	0,46	166	10,80
1896	787	88	1,15	894	1,97	5297	0,42	169	1,55
1897	782	93	5,68	841	-5,98	5331	0,64	158	-6,58
1898	792	97	4,30	816	-2,90	5365	0,64	152	-3,51
1899	806	95	-2,06	848	3,91	5407	0,78	157	3,10
1900	829	93	-2,11	891	5,07	5450	0,80	164	4,24
1901	811	92	-1,08	882	-1,11	5497	0,86	160	-1,95
1902	816	89	-3,26	917	4,01	5552	1,00	165	2,98
1903	843	92	3,37	916	-0,06	5613	1,10	163	-1,15
1904	859	97	5,43	886	-3,35	5670	1,02	156	-4,33
1905	864	96	-1,03	900	1,63	5720	0,88	157	0,74
1906	874	96	0,00	910	1,16	5758	0,66	158	0,49
1907	903	96	0,00	941	3,32	5800	0,73	162	2,57
1908	928	97	1,04	957	1,71	5840	0,69	164	1,01
1909	941	98	1,03	960	0,37	5883	0,74	163	-0,37
1910	947	94	-4,08	1007	4,92	5937	0,92	170	3,97
1911	906	99	5,32	915	-9,16	6004	1,13	152	-10,17
1912	936	98	-1,01	955	4,37	6008	0,07	159	4,30
1913	950	101	3,06	941	-1,52	6004	-0,07	157	-1,45
1914	862	100	-0,99	862	-8,36	6053	0,82	142	-9,10

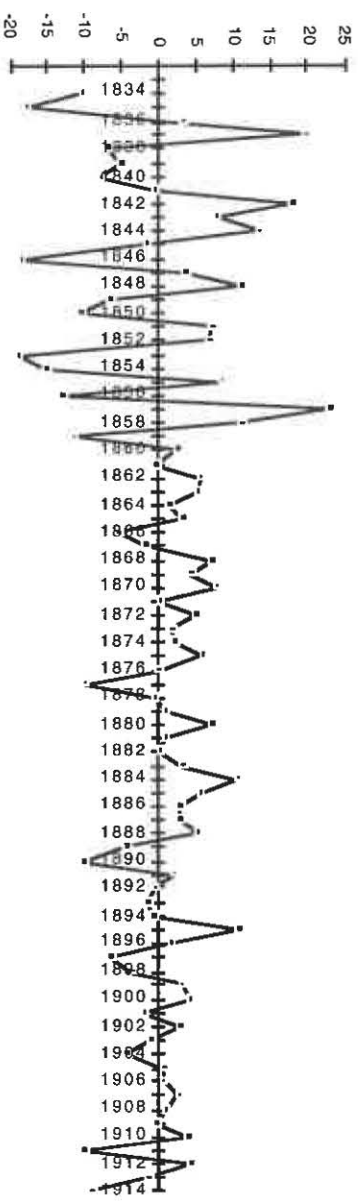
Source: Nunes, Mata e Valério (1989)



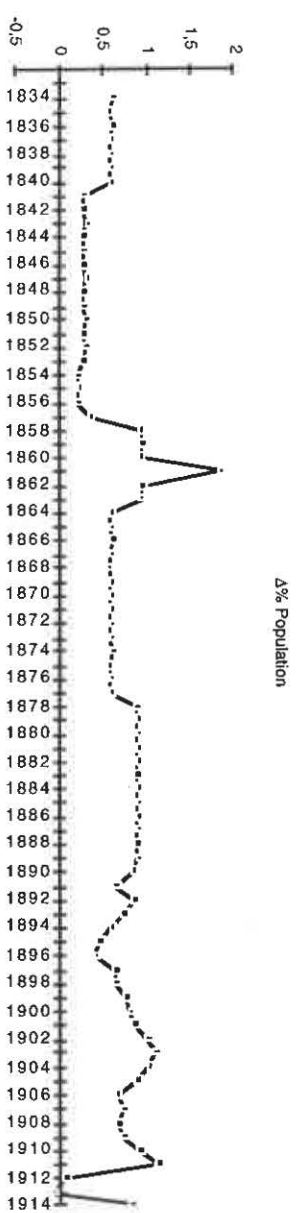
Δ% Price Index



Δ% GDPmp1914



Δ% GDP per cap.



Δ% Population

two events that also translates itself on an accentuated product per capita growth and on a great stability of prices.

The end of the gold standard also coincides with the beginning of a new period of economic troubles and of weak and irregular growth that would last until the First World War.

Research still needs to be done to find the factors that explain the trends of the production and, particularly, in the case of Portugal. However it is interesting to observe that the definitive entrance of Portugal in the world of the market capitalist relations is reflected in a cyclical behavior of the product growth, with a regularity that reaches the traditional 7-10 years' cycle. Everything seems to put in evidence that the Portuguese economy had begun to beat at the cadence of the world economy and, particularly, at the cadence of the British economy.

It follows a synthetic table with the main trends in rates of growth of product, population, *per capita* product, and prices.

Table 2
Portuguese Economic Growth in the 19th century
Rates of growth per year (%)

Period	Real GDP	Population	<i>Per capita</i> GDP	Prices
1833-1859	-0.7	+0.4	-1.1	+1.7
1860-1888	+3.2	+0.7	+2.5	-0.2
1889-1914	+0.1	+0.7	-0.6	+0.9
1833-1854	-1.7	+0.4	-2.1	+2
1855-1890	+2.6	+0.8	+1.8	+0.3
1833-1914	+0.9	+0.6	+0.3	+0.8

Source: Table 1

A final word about the public finances.

The public financial crisis is permanent during all the century. In the first three decades many factors converge to explain this situation: the French invasions, the British occupation and the subsequent economic crisis, the opening of the Brazilian harbours and the consequent breakdown of the custom receipts, the maintenance of a strong military apparatus; and after 1820 the persistence of political instability that would culminate in the civil war. Between 1834 and 1850 the situation hasn't change. On the contrary there is a permanent deficit and an increase of the public debt.

On the second half of the century it verifies an aggravation of the situation. The growth of the effective receipts doesn't follow the more

accelerated rhythm of the expenditures, than the chronic persistence of deficits and the resort to borrowings with the consequently increasing of the public debt.

The model supposed the expenses in communications (railways, roads, bridges, telegraph, etc.) would improve the commerce and the economic development in general, creating by this way a larger and successful taxation basis. However, things didn't pass as the wishes and the public account balance never was achieved.

During all the century the budget deficits and the public debt accumulated, and the same passed with the external debt. This situation gave a great contribute to the final crisis of the constitutional monarchic system.

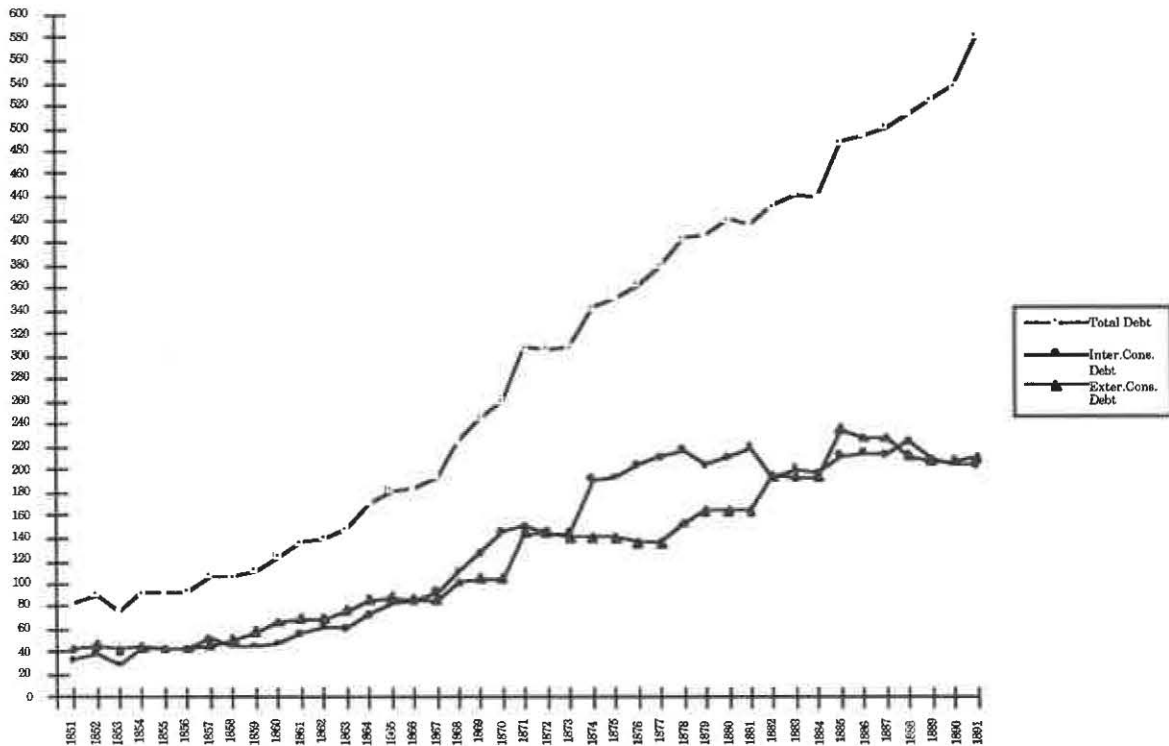
Table 3
Public Debt

Years	Total Debt	Inter. Cons. Debt	Exter. Cons. Debt	Inter.. amor. Debt	Exter. Amor. Debt	Inter. Floating Debt	Exter. Floating Debt
1851	83	34	44	5	0	+0	0
1852	91	39	47	4	0	+0	0
1853	76	29	42	4	0	+0	0
1854	92	42	45	4	1	1	0
1855	92	42	44	4	+0	1	0
1856	93	43	44	4	+0	2	0
1857	107	52	47	5	+0	2	0
1858	106	47	51	5	+0	3	0
1859	112	46	58	5	+0	2	0
1860	124	48	67	5	+0	3	0
1861	136	57	70	5	+0	4	0
1862	141	62	70	5	+0	3	0
1863	148	61	77	6	+0	4	0
1864	170	73	86	5	+0	6	0
1865	183	83	89	4	+0	7	0
1866	184	87	87	4	+0	6	0
1867	193	93	86	1	+0	14	0
1868	226	111	102	1	+0	12	0
1869	246	127	105	1	+0	13	0
1870	261	146	105	1	+0	9	0
1871	308	151	145	1	+0	11	0
1872	307	145	145	2	+0	16	0
1873	308	145	142	4	0	16	0
1874	343	192	142	7	0	2	0
1875	351	194	142	11	0	4	0
1876	363	204	136	16	0	7	0
1877	380	212	136	15	1	16	0

Years	Total Debt	Inter. Cons. Debt	Exter. Cons. Debt	Inter. amor. Debt	Exter. Amor. Debt	Inter. Floating Debt	Exter. Floating Debt
1878	404	218	154	19	1	11	0
1879	406	205	165	21	1	13	0
1880	421	212	165	21	8	9	5
1881	417	220	165	21	8	3	0
1882	433	194	196	28	8	3	4
1883	444	201	195	28	8	5	5
1884	441	198	195	28	8	5	7
1885	489	213	236	28	8	2	1
1886	494	215	229	28	8	7	7
1887	502	214	229	41	8	10	0
1888	513	226	213	55	8	12	0
1889	526	210	209	20	75	13	0
1890	539	206	209	22	82	17	3
1891	583	205	212	23	127	14	5

Source: Mata and Valério (1993)

Graphic 3
Public Debt



Source: Table 3

4. Foreign Trade

Foreign trade reflected, as we could expect, the vicissitudes of all the period. Comparing the extreme values, imports had a value of 34 882 contos in 1800 and of 44741 in 1890, *i.e.*, in almost one hundred years they rise only 28%. In what concerns exports the situation is even more impressing, for the same period they declined from 34 205 to 21 536 contos, a fall of -37%. If we concentrate on the period for which we have the most complete data sequence (1871-1890), we can verify that imports evolved from 22 548 to 44 741 contos and that exports went from 21.297 to 21.536 contos. We verify, in this particular period, a clear deterioration of our trade position, with a near duplication of imports and a practical stagnation of exports. For this deterioration contributed the fall of agricultural products exports and the decrease of Oporto wine exports following the *phylloxera* that attacked the vineyards of the region.

The frankly most favourable results of the beginning of the century are also explained by the economic protectionism regime followed by Marquis de Pombal, the portuguese Colbert. National industries were then supported and new factories were created; on the other hand, the protection given to trade, and the interdiction of the colonies harbours to the foreign merchant ships, leaving exclusively to Portugal the markets of Brazil, Angola, Mozambique, India, besides Atlantic Islands, made easier the exports of the mother country manufactured and agricultural products.

In the shade of protectionism were developed factories, small workshops and domestic industry. It was developed the cotton tissues' industries, the wool tissues and linen silks manufacture, the goldsmith, the cutlery, the locksmith and the footwear industry. These products found safe markets in the mother country, in Brazil and in the Portuguese Africa.

With the turning to the second decade of the century everything changed. The French invasions and the civil war between liberalists and absolutists dove the country into a deep instability that would last until 1851, having serious consequences in what concerned production and foreign trade. However, the near forty years of stability that succeeded until the 1891 crisis, despite all the development and industrial promotion measures taken in the frame of the Regeneration policy, didn't reveal enough to invert the situation. The domestic and foreign context in which the Portuguese economic activities were being developed had been deeply changed and maybe even quicker then the adaptation capacity of the Portuguese economic agents. Remark, among other

Table 4 - Foreign Trade

Unit: Contos

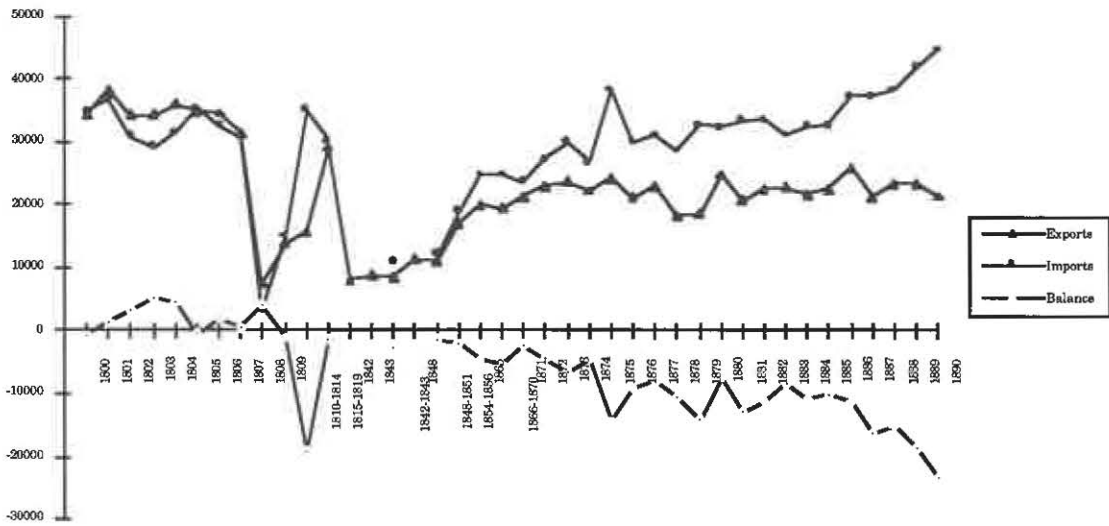
Years	(1) Exports	(2) Δ. %	(3) Imports	(4) Δ. %	(5) Balance	(6) Cover Rate (2) / (3)	(7) GDPcmp	(8) Openess Degree. [(1)+(3)] / (7)
1800	34205		34882		-677	98		
1801	38237	11,79	36865	5,68	1372	202		
1802	34205	-10,54	30908	-16,16	3297	111		
1803	34265	0,18	29261	-5,33	5004	117		
1804	35966	4,96	31419	7,38	4547	114		
1805	34899	-2,97	35500	12,99	-601	98		
1806	34569	-0,95	32544	-8,33	2025	106		
1807	31348	-9,32	30865	-5,16	483	102		
1808	7505	-76,06	3355	-89,13	4150	224		
1809	13769	83,46	14961	345,93	-1192	92		
1810-1814	15814	14,85	35175	135,11	-19361	45		
1815-1819	28940	83,00	30229	-14,06	-1289	96		
1842	8066	-72,13						
1843	8830	9,47						
1842-1843	8448	-4,33	11070	-63,38	-2622	76	353	5,53
1848	11323	34,03					344	3,29
1848-1851	11007	-2,79	12277	10,90	-1270	90	225	10,35
1854-1856	17139	55,71	19142	55,92	-2003	90	248	14,63
1865	20108	17,32	24822	29,67	-4714	81	353	12,73
1866-1870	19417	-3,44	24909	0,35	-5492	78	368	12,05
1871	21297	9,68	23548	-5,46	-2251	90	385	11,65
1872	23123	8,57	27329	16,06	-4206	85	407	12,40
1873	23546	1,83	30118	10,21	-6572	78	433	12,39
1874	22285	-5,36	26839	-10,89	-4554	83	462	10,63
1875	24265	8,88	38479	43,37	-14214	63	492	12,75
1876	20992	-13,49	30063	-21,87	-9071	70	501	10,19
1877	23075	9,92	31218	3,84	-8143	74	509	10,67
1878	18212	-21,07	28632	-8,28	-10420	64	505	9,28
1879	18713	2,75	32801	14,56	-14088	57	492	10,47
1880	24878	32,95	32361	-1,34	-7483	77	502	11,40
1881	20653	-16,98	33458	3,39	-12805	62	524	10,33

Years	(1) Exports	(2) Δ.%	(3) Imports	(4) Δ.%	(5) Balance	(6) Cover Rate (2) / (3)	(7) GDPcmp	(8) Openess Degree. [(1)+(3)] / (7)
1882	22557	9,22	33664	0,62	-11107	67	535	10,51
1883	22790	1,03	31187	-7,36	-8397	73	532	10,15
1884	21570	-5,35	32544	4,35	-10974	66	557	9,72
1885	22660	5,05	32756	0,65	-10096	69	578	9,59
1886	26123	15,28	37326	13,95	-11203	70	608	10,44
1887	21239	-18,70	37418	0,25	-16179	57	623	9,42
1888	23443	10,38	38468	2,81	-15025	61	662	9,35
1889	23343	-0,43	41959	9,08	-18616	56	681	9,59
1890	21536	-7,74	44741	6,63	-23205	48	679	9,76

Source: Perry, 1893

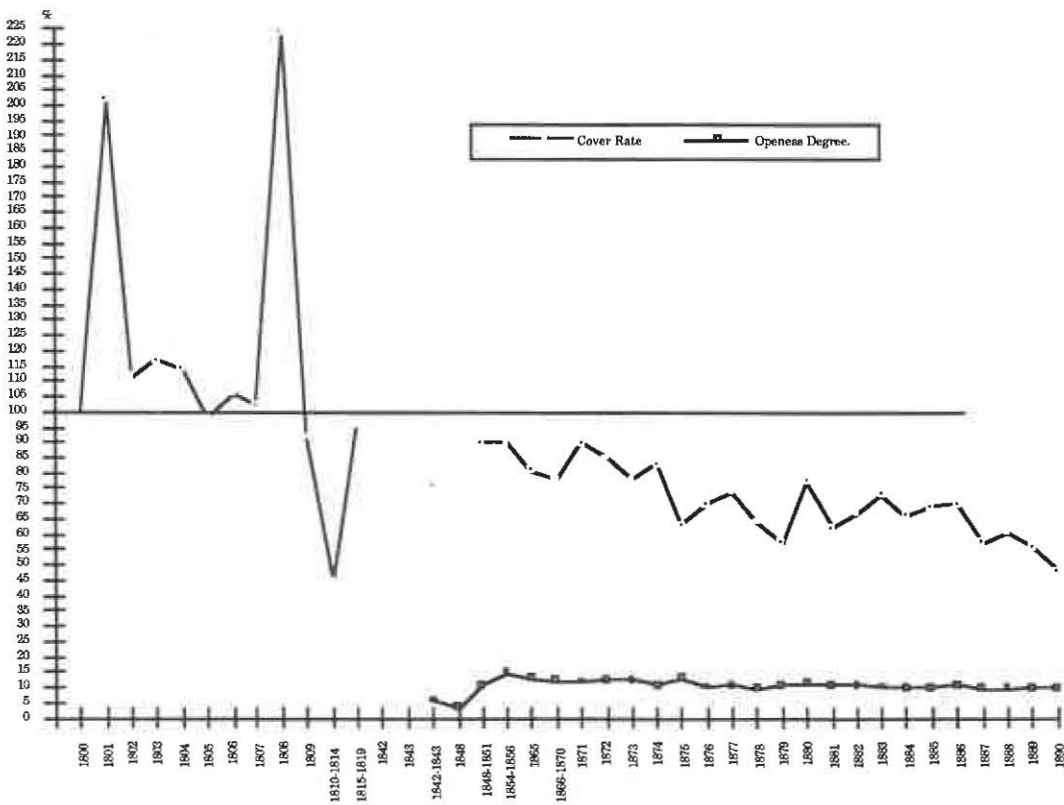
Graphic 4a

Unit: Thousand contos



Source: Table 4

Graphic 4a



Source: Table 4

factors, the opening of the harbours in Brazil after the settlement of the royal family in this colony, the treaty with England in 1810 that made easier the entrance of British products in Portugal, and Brazil's independence in 1822. To these factors we can join: the lost of competition capacity of the Portuguese industrial products, which is well evidenced by the primacy acquired by the agricultural products, representing in 1870 and 1890 between 70 and 87% of total exports (Cf. Peri, 1893); and the complete subordination

to the English economic and political interests that culminated in 1890 with the complete cession to the English demands over the territories comprised between Angola and Mozambique, in the sequence of the famous ultimatum.

5. Monetary Circulation

In the turning from the 18th century to the 19th century ruled in Portugal a bimetallic regime that had been introduced in the 15th century. The monetary unit was denominated *real* and the means of payment were constituted by gold and silver coins and, subsidiarily, by copper coins. Created in 1435 the real would last until 1911, time when, succeeding the Republic implantation, it was replaced by the *escudo*. The *conto* was a multiple of the *real* that was equivalent to one million of *reis* (plural of real).

The gold-definition would be established in 1688 as 2,054 mg of fine-gold. In his turn, the silver-definition dated from 1747 being 28,046 mg of fine-silver.

In 1797 a new means of payment was created: the paper-money, that saw it's importance successively growing, coming near half of the total metallic circulation.

With the first French invasion (1807-1808) arrive the foreign coins, the French and the Spanish ones that, through the 30 November law, obtain legal tender and defined parities with the Portuguese money. This tender ceases with the exit of the French troops but it's immediately occupied by the English coin, brought in by the English allied army. The status of current coin of the British gold coins it's acquired through the laws of July the 14th of 1808 and December the 3rd of 1812.

The monetary instability produced with the French invasions caused a great issuing of inconvertible paper-money that generated various trust problems as well as resistance to its use in different transactions. It's

basically with the intent of solving these problems that is created in 1821 (law of the 31 December) the Banco de Lisboa. In exchange the faculty of issuing convertible notes this bank should lend to the Portuguese government the funds that were necessary to redeem the paper-money in circulation. The law that created this bank, with private capital but under public institutions' protection, fixes clearly the ends that should be prosecuted:

- contribute to the amortisation of the paper-money by lending to the nation (art. 24);
- discount and negotiate exchange bills and all the papers used in the trade guarantee by goods of the acceptant (art 8);
- lending money against commodities and other mobile goods received as a deposit (art. 9);
- buy and sell paper-money, public credit bonds, gold and silver (art. 11);
- to accept private deposits in current account (art. 12);
- borrow from private agents (art. 13);
- lending to the State (art. 16);
- issuing a certain amount of bank notes, payable to the holder in metal or in sight- bills (art. 17) and accepted by the Public Treasure (art. 18).

We must point out that art. 23 stipulated that for 20 years no other institution with identical privileges would be created.

However, the creation of the Banco de Lisboa deceived expectations. The document that constituted it proposed ten thousand stocks of 500\$000 each, payable in half in paper-coin, but only half of the intended amount became subscript, during the two months that lasted the subscription. This brought as a consequence the impossibility to concede the lending to redeem the paper-money and added another means of payment to the already existent ones: the convertible notes of the Banco de Lisboa.

In 1822 a reform of the gold coins is made (law of the 6th Mars): new gold definition of the real (1.753 mg of fine gold) and a recoinage of gold coins.

In 1824, by the law of the 7th July, the functions of the Banco de Lisboa are reaffirmed for a new privilege period of thirty years, with exception of those functions included in art. 13 (borrowing from the private agents). In the 16th Mars 1825 is accepted the creation statute of the branche bank in Oporto (with complete subordination to the capital).

By decrees of 26th September 1826 and 22th May 1827 the Banco de Lisboa obtains the responsibility of paper-money stamping.

In 1832 and 1833, following the civil war, is given again legal tender to foreign coins: British gold coins; Spanish, Brazilian and Mexican silver coins (decree of the 20th August 1832). By decree of the 16th of November 1833 is anulated this measure, but a new attempt to remove paper-money off the circulation with a British loan reestablish the circulation of the British gold coins and Spanish and Mexican silver coins.

In 1834 a new attempt to redeem paper-money is madden, this time with success. The paper-money could be immediately exchanged for coins with a discount of 20%, or for government bonds payable at par in 1838 (decree of 23th July). Though some delays in the payments, the paper-money ceased to play any important role in the monetary circulation after this last date.

In 1835 a new revision of the silver definition is madden: by the law of the 24th April the real fixes in 27.141 mg of fine silver. New gold and silver coins are issued on a decimal basis. However the old coins remained in circulation.

In 1838 is authorised the creation of a second issuing bank: the *Banco Comercial do Porto*.

In 1843, the decree of the 21th August establishes that in fiscal payments only the bank-notes of the Banco de Lisboa will be accepted.

In 1844, September, is constituted the *Companhia Confiança Nacional*, having as statutory objectives "... make all the licit businesses judged convenient by its board". These objectives meant the immediate entrance in the banking activity.

In 1846, in the context of a financial crisis that would prolong until 1848, is suspended for three months the payment of the notes of the Banco de Lisboa, and forced its circulation at the nominal value. The decree, dated of 23th May, establishes also sanctions for those people that refuses to accept them on the transactions. Three days later, the same decision is taken for the notes of the *Companhia Nacional Confiança*.

In 20 August of the same year, the continuation of the suspension is imposed for more forty days. Immediately after, in the 1st October, this suspension is prolonged until the end of the civilian year.

In 14th November the compulsive circulation of the notes of the Banco de Lisboa is established again, with sanctions that began with pecuniary penalties from 50 to 500 thousand reis and finish with the deportation.

Five days later, in 19 December 1846, a new decree merges the Banco de Lisboa with the *Companhia Nacional Confiança*, originating a new bank -

the *Banco de Portugal*. This new bank should exist for thirty years, having the exclusivity of the issuing of bank-notes and liabilities with circulation in all the country (with the exception of the rights already given to the Banco Comercial do Porto). This notes will be considered as metal-money in the payments to the State, but not the inverse. The Banco de Portugal had also the exclusivity of the constitution of saving banks in all the villages of the country for a period of three years. All the public founds should be placed on this bank.

The activities established by law for this bank were the following:

- discounting of credit bonds;
- lending over gold, silver, jewels and other commodities, and credit bonds;
- making hypothecs;
- borrowing, in some conditions, under distraining of its own stocks;
- selling and buying gold and silver;
- keeping in deposit money and credit bonds of the private persons;
- to receive and to pay as mediator, as well as to buy and to sell in stocks.

This decree establishes also the amount reduction of the notes of the Banco de Lisboa in circulation; it still imposes to the Banco de Portugal its obligatory redemption. This measure doesn't inhibit, however, that these notes continue to circulate in a general suspicion climate.

The future central bank of the country was then born in a context of great financial instability and fragility of the monetary system. After its creation the monetary circulation in Portugal had the following means:

- gold and silver coins;
- change coins;
- inconvertible notes of the Banco de Lisboa;
- convertible notes of the Banco Comercial do Porto;
- convertible notes of the Banco de Portugal.

Between 1846 and 1851 several foreign coins are given the legal tender status.

In 1851 new gold coins are issued in according with the gold definition of the real of 1847. At the same time is annulled the legal tender status of all the foreign gold coins with exception of the British ones (law of 15 February).

The law of 29 July 1854 introduces the Gold Standard in Portugal. The real becomes exclusively defined in gold at 1.626 mg of fine gold (art. 1).

Table 5
Evolution of the gold and silver definitions of the real (mg)

Years	Gold	Var.%	Silver	Var.%
1688	2.054			
1747			28.047	
1822	1.753	-14.65		
1835			27.141	-3.22
1847	1.643	-6.27		
1854	1.626	-1.03		

With this law, the monetary circulation becomes composed by the following means of payment:

- Portuguese gold coins (art. 1 and 2);
- British gold coins (art. 3). Besides the British gold coins, all the others foreign coins saw their legal tender status cancelled (art.8);
- Portuguese subsidiary silver coins (art. 5 and 12);
- Portuguese subsidiary copper coins (art.12);
- exclusively gold convertible bank notes (art.10).The fiduciary money then, and afterwards, was issued by the following banks:
 - Banco de Portugal;
 - Banco Comercial do Porto;
 - Banco Aliança;
 - Banco Mercantil Portuense;
 - Banco União (Oporto);
 - Nova Companhia de Utilidade Pública (Oporto);
 - Banco Mercantil de Braga;
 - Banco de Guimarães.

All the classic rules of the gold standard are consecrated in the formulations of the different articles of the law.

In the 1860' s develop also a relatively large group of commercial banks.

The gold standard regime works well until 1891, except during the financial crisis of 1876. Than, the government decrees a moratorium of

three months that included the inconvertibility of the note banks for two months.

By decree of May the 10th of 1891, and following a statement of the Banco de Portugal alerting to the difficulties of the banking system to continue assuming its compromises, it's suspended for sixty days "the expiration of the term and the payment of bills, promissory notes, deposits, trade and fiduciary bonds, between privates, banks, companies or societies".

Two months later a new decree dated July the 9th prorogued without term the inconvertibility situation of the bank notes derived from the disposed in the previous decree. At the same time gave the exclusivity of the currency issuing to the Banco de Portugal, leaving to this bank the obligation to exchange until 31 December 1906 for metal or for its own notes, according to the available legislation, the notes of the other banks that had until then the faculty of issuing (art. 2). The different private moneys were so giving place to a single national money.

In the article 5 of this decree was still affirmed that the Banco de Portugal could, as its metallic reserves were completed, to announce the convertibility of the notes under its responsibility. However this situation prolonged itself until today. Between 1891 and 1931 the monetary system worked under a regime of flexible exchange rates.

To finish the observations of this paragraph we synthetize in table (?) the estimates of monetary circulation for the period 1834 to 1890, elaborated by Sousa (1991) and retaken by Mata e Valério (1993). As much we know they are the most complete for the period.

We see clearly the importance of the British gold coins in the monetary circulation in Portugal, which in 1854 represented 56% of the money supply (M) and thirty-six years later in 1890, just before the end of the regime of the gold standard, represented 74%.

We can see also that the note banks in all that period never represented more then 10% of the money supply. This may be interpreted as an expression of the relatively low development of the modern capitalist monetary and financial relations.

1863	6	10	41	69	8	14	-		2	3	16	28	41	69	57	97	2	3	2	57	4	61
Years	Port.Gol dCoins	%	For.Gold Coins	%	Port.Sil v. Coins	%	For.Silv Coins	%	Port.Co p. Coins	%	Port. Coins	%	For. Coin	%	Total Coins	%	Port. Bank Not.	%	Volt Reserves	M0	Deposits	M
1864	6	10	41	69	8	14	-		2	3	16	29	41	69	57	97	2	3	4	55	5	60
1865	6	11	38	68	8	14	-		2	4	16	30	38	68	54	96	2	4	3	53	6	59
1866	6	11	38	68	8	14	-		2	4	16	30	38	68	54	96	2	4	3	53	5	58
1867	6	11	37	67	8	15	-		2	4	16	31	37	67	53	96	2	4	3	52	6	58
1868	6	11	36	67	8	15	-		2	4	16	31	36	67	52	96	2	4	3	51	5	56
1869	6	11	36	67	8	15	-		2	4	16	31	36	67	52	96	2	4	3	51	6	57
1870	6	11	37	66	8	14	-		2	4	16	30	37	66	53	95	3	5	3	53	7	60
1871	6	10	41	68	8	13	-		2	3	16	29	41	68	57	95	3	5	4	56	9	65
1872	6	10	43	69	8	13	-		2	3	16	28	43	69	59	95	3	5	4	58	11	69
1873	6	9	47	71	8	12	-		2	3	16	27	47	71	63	95	3	5	6	60	15	75
1874	6	9	48	71	8	12	-		2	3	16	26	48	71	64	94	4	6	7	61	17	78
1875	6	8	50	70	8	11	-		2	3	16	25	50	70	66	93	5	7	8	63	24	87
1876	6	8	53	73	8	11	-		2	3	16	25	53	73	69	95	4	5	10	63	15	78
1877	6	8	52	71	8	11	-		2	3	16	24	52	71	68	93	5	7	7	66	14	80
1878	6	8	54	72	8	11	-		2	3	16	23	54	72	70	93	5	7	5	70	14	84
1879	6	8	53	70	9	12	-		2	3	17	25	53	70	70	92	6	8	7	69	14	83
1880	6	8	56	71	9	11	-		2	3	17	24	56	71	73	92	6	8	7	72	14	86
1881	6	7	59	71	9	11	-		2	2	17	23	59	71	76	92	7	8	8	75	17	92
1882	6	7	59	72	9	11	-		2	2	17	23	59	72	76	93	6	7	7	75	16	91
1883	6	7	63	73	9	10	-		2	2	17	21	63	73	80	93	6	7	6	80	16	96
1884	7	8	65	72	9	10	-		2	2	18	22	65	72	83	92	7	8	7	83	18	101
1885	7	8	68	73	9	10	-		2	2	18	21	68	73	86	92	7	8	6	87	18	105
1886	7	7	77	75	9	9	-		2	2	18	20	77	75	95	92	8	8	11	92	24	116
1887	7	6	82	74	10	9	-		2	2	19	19	82	74	101	91	10	9	12	99	28	127
1888	7	6	87	73	12	10	-		2	2	21	20	87	73	108	90	12	10	14	106	34	140
1889	7	5	95	74	12	9	-		2	2	21	18	95	74	116	91	12	9	14	114	37	151
1890	8	6	99	74	13	10	-		2	2	23	19	99	74	122	92	11	8	12	121	31	152

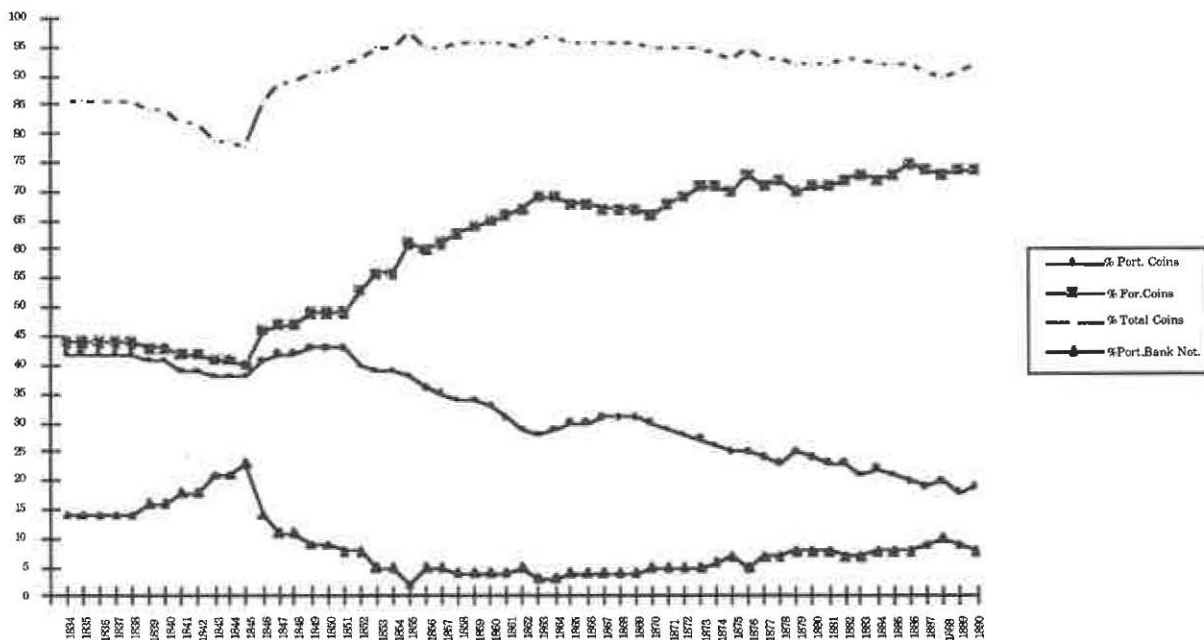
Source: Sousa (1991)

Table 6 - Monetary Circulation in the 1800's

Unit: Thousand of contos

Years	Port.Gol dCoins	%	For.Gold Coins	%	Port.Sil v. Coins	%	For.Silv Coins	%	Port.Co p. Coins	%	Port. Coins	%	For. Coins	%	Total Coins	%	Port. Bank Not.	%	Volt Reserves	M0	Deposits	M
1834	5	14	12	33	8	22	4	11	2	6	15	42	16	44	31	86	5	14		36		
1835	5	14	12	33	8	22	4	11	2	6	15	42	16	44	31	86	5	14		36		
1836	5	14	12	33	8	22	4	11	2	6	15	42	16	44	31	86	5	14		36		
1837	5	14	12	33	8	22	4	11	2	6	15	42	16	44	31	86	5	14		36		
1838	5	14	12	33	8	22	4	11	2	6	15	42	16	44	31	86	5	14		36		
1839	5	14	12	32	8	22	4	11	2	5	15	41	16	43	31	84	6	16		37		
1840	5	14	12	32	8	22	4	11	2	5	15	41	16	43	31	84	6	16		37		
1841	5	13	12	32	8	21	4	11	2	5	15	39	16	42	31	82	7	18		38		
1842	5	13	12	32	8	21	4	11	2	5	15	39	16	42	31	82	7	18		38		
1843	5	13	12	31	8	21	4	10	2	5	15	38	16	41	31	79	8	21		39		
1844	5	13	12	31	8	21	4	10	2	5	15	38	16	41	31	79	8	21		39		
1845	5	13	12	30	8	20	4	10	2	5	15	38	16	40	31	78	9	23		40		
1846	5	14	13	35	8	22	4	11	2	5	15	41	17	46	32	86	5	14		37		
1847	5	14	13	36	8	22	4	11	2	6	15	42	17	47	32	89	4	11		36		
1848	5	14	13	36	8	22	4	11	2	6	15	42	17	47	32	89	4	11		36		
1849	5	14	13	37	8	23	4	11	2	6	15	43	17	49	32	91	3	9		35		
1850	5	14	13	37	8	23	4	11	2	6	15	43	17	49	32	91	3	9		35		
1851	6	16	14	38	8	22	4	11	2	5	16	43	18	49	34	92	3	8		37		
1852	6	15	17	43	8	20	4	10	2	5	16	40	21	53	37	93	3	8		40		
1853	6	15	19	46	8	20	4	10	2	5	16	39	23	56	39	95	2	5		41		
1854	5	13	22	56	8	21	-		2	5	15	39	22	56	37	95	2	5	1	38	1	39
1855	5	12	25	61	8	20	-		2	5	15	38	25	61	40	98	1	2	2	39	2	41
1856	5	12	26	60	8	19	-		2	5	15	36	26	60	41	95	2	5	1	42	2	44
1857	5	11	27	61	8	18	-		2	5	15	35	27	61	42	95	2	5	1	43	2	45
1858	5	11	29	63	8	17	-		2	4	15	34	29	63	44	96	2	4	2	44	3	47
1859	5	11	30	64	8	17	-		2	4	15	34	30	64	45	96	2	4	3	44	3	47
1860	6	12	33	65	8	16	-		2	4	16	33	33	65	49	96	2	4	2	49	3	52
1861	6	11	35	66	8	15	-		2	4	16	31	35	66	51	96	2	4	2	51	3	54
1862	6	10	39	67	8	14	-		2	3	16	29	39	67	55	95	3	5	3	55	4	59

Graphic 6 - Money Suply - Evolution of coins percentage in total M



Source: Table 6

6. Concluding Remarks

The second half of the 1800's is a period of consolidation of the new liberal structures issues from the turmoil of the three first decades of the century. In particular, it is a period of liberation and development of the market economy relations, which ended by being expressed, especially after the end of the 1850's, on a regular growth with a rise in the *per capita* product, in a context of price stability.

We must have in mind, however, some characteristics of this process. British political, military and economic presence was permanent during the entire century and decisively influenced the running of all the events. Public finance never found the equilibrium route, the public debt and its external component being accumulated all the century. The Trade Balance constantly deteriorated.

The adoption of the gold standard must be understood in this context. As we have seen, in 1854 the British gold coins represented 56% of total M. On the other hand, more than half Portugal's trade was with Britain, a fourth with Brazil, another gold using country, and the foreign debt was practically all denominated in the British currency. If we add to all this the

needs of new financing to accomplish the developing projects of the new government arrived in 1852, the question will be, would exist an alternative to the adoption of the gold standard in Portugal, instead of, why Portugal joined so soon Britain in this monetary regime.

Of course, there is the need for much further investigation about the reasons and consequences of the adoption of the gold standard in Portugal but, for the moment, it seems so natural as the river running to the sea.

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