A history of Portuguese economic thought

A History of Portuguese Economic Thought offers the first account in English of the development of economic thought in Portugal. The volume covers from the golden age of the Discoveries until the end of the first half of the twentieth century. It presents the main features of Portuguese economic literature and provides a summary of the theoretical and economic policy problems that have been identified and discussed by Portuguese economists over the last five centuries.

The authors adopt a comparative approach to analyse how economic doctrine, theories and policies have been disseminated and assimilated by Portuguese authors in different periods. They assess the influence on Portuguese economic thought of major economists such as say, Smith, Jevons, Walras, Pareto and Keynes.

The volume argues that national histories of economic thought are not only useful for the extra knowledge they provide but also for their contribution to the renewal of a valuable historiographic tradition which explores marginalised historical and intellectual discourses.

António Almodovar is Assistant Professor of the History of Economic Thought at the University of Oporto. He is the author of several books in Portuguese on the history of economic thought and is a member of the advisory board of the European Journal of the History of Economic Thought.

José Luís Cardoso is Associate Professor of the History of Economic Thought at the Technical University of Lisbon. He has published several articles and books in Portuguese and is the general editor of the series Classics of Portuguese Economic Thought, published by the Bank of Portugal. He is co-editor of the European Journal of the History of Economic Thought, published by Routledge.
A history of Portuguese economic thought

António Almodovar and José Luís Cardoso
Contents

Introduction 1
Why national histories of economic thought? 1
National histories and the renewal of the historiography of economic thought 6
The Portuguese case 9
Concluding remarks 12

1 The Golden Age and the mercantilist era (1500–1750) 14
The medieval prelude 14
Discovering new economic worlds and new market relations 15
Maritime enterprise and the systems of insurance and exchange 17
Mercantilism in the making 22
Restoration and trade 23
Population and subsistences 26
Industry and the trade balance 29
Balance and conclusion 32

2 The new path to the wealth of the Portuguese nation (1750–1808) 36
The legacy of Marquês de Pombal 36
The Royal Academy of Sciences and the emergence of physiocratic influences 39
Political and financial constraints 41
Natural law, social order and legal despotism 43
Physiocracy and the emergence of political economy 46
The influence of Smith 49
Smith in the shadow: a theoretical pretext for economic policy debates 51
From economic liberalism to economic reform 53

3 The difficult reception of classical political economy (1810–1850) 55
Old and new strategies for economic development 55
Political economy, industry and progress 58
### A history of Portuguese economic thought

**Political economy and economic change** 63  
**Institutional change and the role of political economy** 66  
**The teaching system and the institutionalisation of political economy** 70

### 4 The avoidance of analytical economic thought (1850–1920)

- **Economics, politics and law** 78  
- **Nationalist, historical and socialist concerns** 81  
- **Socialist thought and state intervention** 84  
- **The state and the market: the role of competition and economic freedom** 88  
- **The formation of a plural canon** 90  
- **The difficult existence of a mathematical economist** 96

### 5 From corporatism to Keynesian economics (1920–1960)

- **The absence of neo-classical economics** 100  
- **Salazar and the rise of the corporative state** 103  
- **Political economy and the economic policies of corporatism** 105  
- **The ambiguous reception given to Keynesian ideas** 110  
- **The spread of Keynesian economics** 112  
- **Keynesianism, politics and economic policy** 114  
- **Concluding remarks: peaceful coexistence in ‘the age of extremes’** 116

### Epilogue

- **Notes** 122  
- **References** 127  
- **Name Index** 138  
- **Subject Index** 142
‘They tell us Maine can now communicate with Texas. But does Maine have anything to say to Texas?’1 Both for the publisher and the authors, this is surely a meaningful thought. In fact, who cares about Portuguese economic thought?

Accordingly, we think that it is better to provide some straightforward answers right from the beginning than to hope the reader will be curious enough to go through the entire book without any previous guidance.

The problem is that the essentials of the history of economic thought – the major authors, the most relevant schools, the main analytical trends – are easily grasped from any of the several standard textbooks available.

So why should one bother with details, with the exotic peculiarities of some small peripheral country? There are a number of useful hints that can be learned from a nation-based study of economic ideas.

Firstly, it is the only way to deal with the spread and international flow of economic theories, practices and doctrines. Secondly, it is an approach that provides information about certain important driving forces behind the research path followed by past authors, therefore helping to reshape some of the existing perceptions of the growth of economic knowledge. Lastly, we can of course learn some historical facts pertaining to the nation we choose to use as the standpoint for our inquiry. Although based on and related to Portugal, this is surely not a book that is meaningful only to those who care about Portuguese problems and ideas. It also deals with Scots and Frenchmen, with Italians and Spaniards. But, most of all, it openly attempts to discuss some theoretical and practical problems that are central to all those engaged in the making of the history of economic thought.

WHY NATIONAL HISTORIES OF ECONOMIC THOUGHT?

Before we begin our introductory survey of Portuguese economic culture, let us start by highlighting some methodological problems.

It has by now become a cliché to say that national issues and problems and those of nationalism are at the heart of intellectual debate in the contemporary world. However, it is worth remembering that this is particularly true in the case of discussions about the construction of a European Union, in which the topical nature of such a theme is only too
obvious, with its profound implications for the shaping of the very destiny of Europe. As one strives to set up the conditions and instruments necessary to economic, social and political convergence, tensions are built up and signs of disintegration begin to appear that have the opposite effect of working in favour of those national communities that will not surrender their own cultural and political identity.

In such a context, where there looms the threatening spectre of attitudes of extreme nationalism, any defence of the legitimacy of national histories of economic thought may be erroneously interpreted. This is why one must clearly define the scope of rehabilitation attempted in this book.

Economic science has no homeland, though it is represented and conveyed through different tongues, anthems and flags. But, as it is the work of scientists, we cannot ignore the fact that this homeless quest creates links between a huge number of people (researchers, teachers). Although these people are united by a common pursuit of knowledge, they are nevertheless spread all around the world, giving factual existence to schools and other particular institutional environments where science is actually produced and nurtured.

This communication problem implies that although we can all be said to be striving to comprehend and master economic discourse and reality, as a result of particular environmental characteristics, our modes of expression and appropriation of economic discourse are potentially different. Hence the absolute necessity of analysing the processes that have given birth to a body of economic knowledge with a fair degree of homogeneity, in spite of the diversity of the national forms and contents of economic thought. Research work of this nature, when performed on a national basis, is likely to come across three main situations.

Firstly, in a given country one may find the continuing existence of a certain theme or a coherent series of problems that have been considered over successive generations. This situation may have led to the formation of a national tradition or specific style of economic thought, a tradition or style consisting of the prevalence of the same subjects of discussion and of the same procedure of methodological analysis.

Secondly, in some other given country, one may find only mechanisms for reproducing an economic knowledge previously constructed in a different cultural and historical setting. In such a case we have to consider modes of transmission, reception, familiarisation and assimilation, detect the existence of barriers to entry or of incentives to importation, find the reasons for the different impacts of imported intellectual products. In other words, we have to discover why some ideas or theories are irrefutably successful whereas others remain totally unknown.

Lastly, such a process of assimilation may involve the appearance of innovative elements that confer some originality to the theoretical and doctrinal legacy one is trying to reinterpret and develop, given the historical circumstances of the receiver country. In this case, one is not faced with the creation and development of a national tradition or style, but rather with a process of original adaptation that introduces significant modifications to the original frame of reference, one that provides a national added value to the imported raw material.

Of these three situations or angles of approach, only the first has received a satisfactory treatment in the historiography of economic thought. In fact, no reputed textbook fails to
devote some attention to the spatially identified schools of thought, as is the case with the School of Salamanca, the German Historical School, the Austrian School or the Stockholm School (to mention but some of the most significant ones).

As for the other two perspectives, characterised by problems related to what is commonly known as the international flow of economic ideas, these have rarely been given the attention which they deserve. For this very reason we shall now devote a little more time to them.

The development of research into the transmission, assimilation and original adaptation of economic thought is a task that must, above all, be undertaken in the peripheral countries. By this we mean those countries that occupy a permanently or quasi-permanently subordinate position in the creation of mainstream economic thought. This does not, however, imply that this research is only relevant to the national space it addresses.

Discovering under what conditions and in what ways the doctrinal and theoretical elements peculiar to some school or economic paradigm are introduced in, say, Portugal or Russia is not something of interest only for the study of the cultural history of these countries. The listing and analysis of translations of books or articles, or the recording of the most frequently quoted foreign authors in a certain period, are not problems that concern the receiver country alone. In fact, national case studies should also be regarded as an aid to the advancement of learning about the overall evolution of economics. The introduction of this approach may lead to a reassessment of excessively rigid beliefs about the period in which a certain current or conception of economic thought prevailed, or the relative importance of its constituent analytical elements.

The study of economic reality by means of economics, and the way in which one tries to act on it, cannot be divorced from the historical circumstances of time and space that are peculiar to it. For this reason the usefulness of studies on the actual formation and evolution of economic thought seems irrefutable. It should, however, be stressed that these studies (whether they be monographs or general works) should not be enclosed upon themselves, concluding paths of research that peter out in the narrow limits of artificially established frontiers. What is important is that studies such as these make it possible to undertake further comparative analysis of individual experiences that, taken as a whole, reflect the diversity or complementarity of the discourses that try to apprehend (both theoretically and practically) the economic reality which differs from country to country. That is to say, we are not to overlook the differences existing within the European culture, although these are not so evident and exotic as the differences between Western and Oriental civilisations.

Comparative studies in the history of economic thought – from the standpoint that concerns us here, in other words, focusing on the processes of transmission and diffusion – are known to be rare. However, there are signs of a growing interest in this type of approach.

As far as surveys of national experiences of economic thought are concerned, one still finds a widespread unawareness of what is going on in non-English-speaking countries. Here also, things seem to be moving in a better direction, as illustrated by the renewed interest in the publication of books devoted to national histories of economic thought. Several volumes are already available and refer to Japan (Morris-Suzuki 1989), Australia (Groenewegen and McFarlane 1990), Sweden (Sandelin 1991), Canada (Neill 1991), Netherlands (Van Daal
and Heertje 1992), Ireland (Boylan and Foley 1992) and India (Dasgupta 1993). Though it is not our intention to carry out an exhaustive survey of these books, we do feel it is worth spending a little more time on the methodological lessons to be gleaned from a reading of them.

Except for Dasgupta, none of the previously mentioned works exclusively and intentionally emphasise the methodological problems associated with the building up of a national history of economic thought. But no one fails to devote some space to considerations regarding the validity and interest of a national perspective.

Departing from Schumpeter’s distinction between economic thought and economic analysis, Dasgupta is very clear in stating that ‘analytic or scientific aspects of economic thought cannot be found in Hindu, Buddhist, or Islamic writings on economic topics. Nor for that matter in their Greek, Roman, Jewish or Scholastic counterparts’. So, from that standpoint,

a history of economic analysis in India would have to start sometime in the nineteenth century. The evolution of economics in India from that time onwards could be treated as a study of the varying reactions of Indian scholars to classical political economy and, later, to the developing neoclassical tradition.

(1993: 6–7)

Dasgupta, believing that ‘familiarity can breed indifference if not contempt’, argues in favour of a search ‘into the ways of the human mind’, not only on the basis that ‘studying the history of Indian economic thought can indeed help to illuminate the workings of the Indian mind’ (1993: 5), but also because ‘travel in uncharted terrain makes one more acutely aware of both similarities and contrasts’ (1993: 3).

Boylan and Foley argue against the idea that political economy was little known in nineteenth-century Ireland and, if known, was not highly regarded. There was also a widespread view that the laws of political economy, though universal in their application, somehow mysteriously contrived not to apply to Ireland.

Accordingly, they stress that ‘Ireland did produce distinguished economists and it is appropriate that many (if not most) of these in the nineteenth-century were critical, in different ways, of prevailing orthodoxy’ (1992: 1–2).

For Van Daal and Heertje

one may say that there have always been able economists in The Netherlands, irrespective of whether they were devoted advisors to the government, enthusiastic reformers, or disinterested scholars. By and large the reformers and the advisors formed the bigger group when compared to the pure scientists. However, many of these reformers and advisors were well-read and disposed of such analytical and pedagogical abilities that
their work contributed to the understanding of economics in our country. Together with the ‘pur sang’ scientists they were responsible for a considerable stock of knowledge. Therefore, the entire story of the development of this stock deserves to be told.

(1992: 5)

Bo Sandelin shows no concern whatsoever for the national dividing line of Swedish economics. His sworn objective is to give ‘an idea of how the evolution in economic thought in Sweden relates to the international evolution with which he is acquainted’ (1991: 222). So he clearly stresses the cosmopolitan aspect of dialogue (at times on a perfectly equal footing) which the Swedish economists maintain with the orthodoxies of predominantly Anglo-Saxon origin.7

Robin Neill refers to the specific nature of Canadian economic thought concerning growth and development (before 1950, in other words before its ‘Euro-Americanization’). He justifies such a choice on the grounds of the geographical, political and cultural heterogeneity of the country that, in turn, has led to different rhythms and models of social and economic progress (1991: 226).

Morris-Suzuki finds it impossible to formulate a specifically Japanese approach in the history of economic thought. In spite of this, she is forced to acknowledge that

it is possible to observe how groups of economists in Japan have responded to particular problems in distinctive ways: ways that have been influenced by the Japanese economic environment, by indigenous intellectual traditions, and by the status of the economist in Japanese society.

(1989: 4)

This book also touches on two other interesting aspects, which provide information about the political and cultural conditioning factors inherent in the process of the reception and assimilation of economic ideas and theories. Firstly, it stresses the problem of cultural distance separating Japan from the Western world in the period preceding the Meiji Restoration in 1868, when there were huge obstacles to the free movement of ideas. Secondly, it also stresses the resistance of Japanese economists towards the adoption of neo-classical economic ideas, in view of the prevailing cultural attitude which identified economics as ‘administering the nation and relieving the suffering of the people’ (1989: 4).

The first chapter of the book dealing with the Australian experience asks: ‘is there an Australian economics?’ The authors’ answer is clearly given in the following passage:

In fact it can be said that the importation of ideas from abroad explains a great deal of Australian economics over the two centuries of its existence and that, on those few occasions when such borrowing from abroad was less important, what are significant and Australian contributions can be highlighted.

(Groenewegen and McFarlane 1990: 4)
This standpoint easily applies to the experience of many other peripheral countries, for which the distinctive features of a national thought stem from the complementary facets of foreign influences and processes of original creation or adaptation. According to the aforementioned authors, nationality or place of residence or publication are criteria regarded as necessary but not sufficient to determine the national character of economic thought. The decisive test is that of identifying national problems for which national solutions are required; it is when these problems are faced and solved that innovatory, genuinely national forms of economic thought may emerge.

Statements such as these lead us to conclude that national histories are always possible and necessary, regardless of the existence of a considerable, average or minor concern for claiming the identity or the genuine innovatory nature of a national tradition or style of economic thought. What must now be discussed is the challenge that such national histories represent for the traditional historiography of economic thought.

NATIONAL HISTORIES AND THE RENEWAL OF THE HISTORIOGRAPHY OF ECONOMIC THOUGHT

Historians of economic thought are not a breed that is dying out. However, perhaps because there are few of them, their concern for the ground they tread and the air they breathe is almost an obsession. Why, for what purpose, for whom and how to make the history of economic thought: these are the eternal issues that assail the conscience of its practitioners. At times it sounds like the excessive zeal of one who never stops proclaiming the virtues of his discipline; on other occasions it sounds like the defensive excuses of one who feels insecure or ashamed about performing his vocational duty. Let us dismiss such possible reasons and imagine that they are merely external signs of careful epistemological vigilance, the purpose of which is to strengthen the autonomy of the discipline and the academic aptitude of the history of economic thought.8

Debates on the ways of making and writing the history of economic thought are not superfluous. According to the Rorty-Blaug scheme,9 there are four types of approach to consider: (1) Geistesgeschichte, or intellectual history; (2) historical reconstructions; (3) rational reconstructions; and (4) doxography.

In this scheme, the extreme types are plainly discredited. This is because of the unacceptability of a history of economics grounded only on the themes or problems that commanded the attention of the economists of the past (Geistesgeschichte). The same goes for a mere retrospective exercise in which texts and authors of the past are judged through the critical filter of the current state of economics (doxography). At first glance it would therefore seem that the only change is one of working concepts, where the terms ‘historical reconstructions’ and ‘rational reconstructions’ have come to replace what was formerly referred to as ‘relativism’ and ‘absolutism’.10
There has been, however, a substantial change of attitude regarding the legitimacy of alternative options or visions concerning approach in the history of economic thought. Without abdicating his clear, warranted preference for rational reconstructions, Mark Blaug does warn us of the danger of their degenerating into doxography and of the consequent risks of anachronism. The unequivocal assumption that historical and rational reconstructions (and some types of *Geistesgeschichte*) are legitimate, complementary, mutually enriching forms of constructing the history of economic thought, is already an important sign of inflection in a trajectory that is strongly centred on the genealogy of mainstream economics, considering its present state of evolution.

By turning the history of economic thought into a simple means of legitimating the process of logical positivism inherent in the gradual formation of the prevailing orthodoxy in economics, the absolutist, in retrospect, or rational reconstructivist approach has always aroused strong critical reactions. Such reactions have attempted to draw attention to the progressive loss of the cultural and historical significance of this research area.

To these critical voices must be added those who try to justify the validity and vitality of a national history of economic thought.

In fact, this type of approach implies giving up a number of presuppositions that support the constructivist analysis of the process of evolution of a science. Should we believe in only one relevant approach that gives primacy to the internal formal logic of a theory that gradually improves, casting aside pernicious and obsolete elements, national histories will only make sense in a handful of cases, in other words, only in the countries that gave birth to (or received) authors and schools that made the greatest original contributions to the processes of innovation and renewal in economic science.

But if we believe that the history of economic thought is also the history of the world-wide spread of scientific doctrines, practices, ideas and theories, of the way in which they are subject to selection and screening, as well as the forms of appropriation and usage to which they are liable, then the national dimension must perforce be taken into consideration.

This dimension should be considered in keeping with the requirements of comparative analysis; it should also be regarded as providing further knowledge on the close relationship between abstract economic discourse and the concrete economic realities that such a discourse sets out to exhibit, understand and command. Therefore, this national dimension is not to be confused with any sort of trifling delight in obtaining a certificate of origin or registering a patent for an original idea.

National history is not to be considered as a falsification of the coherent corpus of knowledge that characterises economic science in each stage of its evolution. It is, however, a valuable additional means of diagnosing and understanding the validity of the premises and postulates that are usually studied irrespective of the variation of time and place factors. To deny the history of economic thought the chance to question itself on the external (i.e., national) conditions that have a bearing upon the internal process of scientific development.
is tantamount to impugning the validity or interest of national case studies (considered from a comparative stance). By upholding the legitimacy of this research possibility, one is helping to save the history of economic thought from the clutches of interpretative monolithism that it would apparently like to avoid.

In conclusion, we may state that national case studies are not only useful for the extra particular knowledge they provide, but also for their contribution to the renewal of a certain historiographic tradition. And in this context one should point out that the methodological studies within the history of economic thought are not divorced from what is almost a standing debate regarding the actual status, content, object and method of economics. Let us take this point a little farther.

There is no doubt that economics is an established science. This scientific quality does not presuppose there is only one answer for each of the problems (or coherent set of problems) it tries to interpret. To make of economics a science on a par with physical and natural sciences may be a rightful aspiration, but this does not prevent it from being an absurd ambition. Historians of economic thought are in the best position to acknowledge that such is the case. However, they are not always able to rid themselves of a positivist, albeit idyllic, vision of economic knowledge as something progressive, cumulative, logically unified and constantly improving, moving towards the kingdom of absolute truth.

In opposition to this type of vision there appear innumerable dissidents who try to resist the authoritarianism and intolerance of a normal science or a hard scientific research programme, who try to emphasise the contributive role of heresies and heterodoxies in the constitution and progress of economics. As opposed to the importance attached to notions of continuity and harmony, rather than ascribing a universal and eternal quality to certain concepts or relations among concepts, those dissidents try to demonstrate that the building up of economic knowledge is liable to discontinuity and ruptures, to dispersion and divergences, to subjective choices and clashes of opinion.

The increasing complexity of economic reality, and the impossibility of the economist or social scientist relinquishing the role of agent in economic and social life, inevitably leads to different problems being selected for analysis, to different forms of approach and to different conclusions. That is to say, we are not to forget that economics is culture-bound, and so are its practitioners.

If we keep this in mind, instead of a unified set of true absolute concepts and universal analysis procedures, independent of any cultural bias, economics appears as a heterogeneous space. A space wherein converge a multitude of languages, metaphors, strategies of persuasion, rhetoric, conversations, which emphasise its nature as a representation and social construction of reality.14

From this standpoint, the history of economic thought has an additional role to play, the aim of which is to reconstruct and restore this plurality and diversity of points of view, prompted either by different cultural patterns or a multifaceted economic reality, both caught
up in a fairly swift process of change. And, *a fortiori*, a vital performance is earmarked for national histories of economic thought. This itself demonstrates the multiplicity of discourses, the validity of which cannot be gauged by an arbitrarily imposed metacriterion.\footnote{For this reason we maintain that to rely on the development of national-based research is also a challenge to our traditional understanding of the logic of scientific discovery and the growth of knowledge in economics.}

**THE PORTUGUESE CASE**

The title of this book is *A History of Portuguese Economic Thought*. The moment has arrived to refer to its structure and contents.

The first chapter deals with Portuguese economic mercantilist literature of the sixteenth and seventeenth centuries. Departing from the economic discourse produced under the impact of the Discoveries, we will follow its evolution across the dynastic union that, for sixty years (1580–1640), maintained the country under the dependence and direct control of the Spanish crown. We will also study the arguments and proposals that, as a complement to actions and strategies designed to consolidate independence and political sovereignty, were pursued on issues concerning economic restoration and progress.

The approaches employed at the time were varied. Some favoured the equilibrium or surplus of the balance of trade, others the introduction of monetary regulation (considering the quantity theory approach), while others preferred to promote the settlement and growth of the population, to ensure an increase both in the levels of output and taxation. A certain propensity to cosmopolitanism made it possible to receive and disseminate, almost simultaneously, different types of foreign economic literature. This led to the appropriate adaptation and utilisation, for home consumption, of analytical experiences and economic policy proposals provided by the mercantilists in Spain (particularly the bullionist-monetary literature). The same happened with Italy (particularly regarding the emphasis given to the population problem), with England (referring to the balance of trade doctrine and to the proposals for the setting up of regulated companies for foreign commerce) and with France (in the area of manufacturing policy).

Among the vast number of texts written or published at the time, special attention will be given to one by Duarte Ribeiro de Macedo, where different options for the conducting of economic policy (those corresponding to the foreign inspirations mentioned above), are to be found. Macedo was the first to be made responsible for the plans and actions designed to promote manufactures (particularly in the woollen industry) undertaken in Portugal in the closing decades of the seventeenth century.

The study of manufacturing economic policy in Portugal at the close of the seventeenth century (with regard to its theoretical foundations as well as its practical consequences) will enable us to illustrate a process of assimilation of ideas and economic guidelines which, though originating from and enriched by other historical contexts, proved to be sufficiently relevant to be used as an argument in favour of a national economic development strategy.
The change to be found in this policy, prompted by the new framework imposed by the Methuen Treaty in 1703, did not cause the strategy outlined by Duarte Ribeiro de Macedo to be silenced. His cunning *Discurso* continued to be employed as a weighty argument well beyond the time one may consider as being reasonable, and definitely contributed to the shaping of a tradition regarding the analysis of the functioning of Portuguese economy and the conducting of an industrialist economic policy. Such a tradition, which was strongly critical of the conditions laid down in the Methuen Treaty, eventually degenerated into a mythical point of reference as to the origins of a supposed economic decadence in Portugal.

The central reference of the second chapter is the emergence and development of political economy in Portugal, from the late eighteenth century onwards. Portugal did not retreat before the wave of economic, social, cultural and political transformations and changes witnessed to some extent throughout Europe. During this period, the discourse of Portuguese ‘economists’ – and particularly the discourse that was institutionally produced and conveyed by the Royal Academy of Sciences of Lisbon, through the collections of economic transactions it published – reveals some familiarity with the theoretical doctrines and principles characteristic of physiocracy, thus introducing a climate receptive to the *laissez-faire* ideology. The fundamental reason was the abolition of the protectionist obstacles and excessive regulations of the *ancien régime* society, all of which were preventing the market and its spontaneous laws from working smoothly.

The introduction and dissemination of Smithian political economy also took place with precisely the same aim, particularly from 1803 onwards. Theoretical discussion prompted by the *Wealth of Nations* in Portugal was fairly rare, except for a lively public controversy involving Rodrigues de Brito and José da Silva Lisboa, founded on the validity of Smith’s analysis of the cause and measure of value and of market price determination. Both Smith and the French physiocrats were seen as a theoretical source for conducting effective processes of social and economic change; for this reason, the reading that was made of his works in Portugal highlighted those messages of a more doctrinal and political content.

In the third chapter we shall see how the complete, coherent system of political economy constructed and systematised by Adam Smith was critically apprehended and developed by Portuguese authors. The spread of classical political economy, and its eventual institutionalisation as a meaningful separate area of study, came about through the adoption of texts that were less analytically vigorous, but enjoyed the advantage of a larger pedagogical range. The eagerness to simplify and popularise a new-found science was also one of the reasons why the English classical school of political economy had a scattered impact in Portugal, in particular its more deductive current, embodied by Ricardo and his followers.

The marked preference for non-English readings may, at first sight, seem paradoxical, during the first twenty years or so of the nineteenth century, as England continued to be Portugal’s principal commercial, political and military ally. However, the dismissal of English political economy does not equate with any cultural or linguistic rejection.

In Portugal the image of Smithian and classical political economy was usually associated with discourses favouring the transformation and change of the *ancien régime*’s social and economic structures. However, if in an early phase (up to 1814), the Portuguese political and
diplomatic circumstances both sanctioned and advocated allegiance to a system of international free trade, giving credit to works such as those by José da Silva Lisboa, after this date a new attitude gradually gained ground, one which made a clear distinction between the virtues of liberalisation at a domestic level, and the shortcomings of an extremely open economy.

Not only in the works of an ancien régime economist such as José Acúrsio das Neves, but also in the thoughts of many of the protagonists of the first Portuguese liberal revolution of 1820, there is no attempt to hide a clear propensity for a protectionist economic policy. In this sense, they proved to have serious misgivings about an unrestrained acceptance of classical political economy, particularly on account of the implicit link they made between political economy and the practice of international free trade that, for them, was one of the most strategic impediments to full national economic development.

Accordingly, we shall see in this chapter how an important tradition became reinforced, namely that of refusing the supposedly universal laws of political economy, similar to the arguments of F. List’s national system of political economy. Solano Constâncio was one of the leading Portuguese promoters of this vision. But he was also an author showing us another unexpected research situation. He was in fact the author of the first translations into French of the Principles of Ricardo and of Malthus, to which notes were added illustrating the translator’s familiarity with the critical objections that any one of these works inspired in his friend, J.-B. Say.

Solano Constâncio lived in Paris in the early 1820s, and his writings show us how up-to-date his knowledge of the most significant European economic literature of the time was. This did not mean that he unconditionally approved of a corpus of economic theory and policy that he regarded as inappropriate for his country. For this reason, a careful study of his articles will provide us with a better understanding of the various forms of resistance to the adoption of the frame of analysis peculiar to the classical school, particularly concerning the foundations comprising the theories of population, rent, diminishing returns and stationary state.

The reflections and objections made by Solano Constâncio were subsequently taken up by many other Portuguese authors during the nineteenth century, which points to a critical awareness of the relationship between abstract economic discourse and the actual conditions required for it to be workable. This will help us to explain not only the later reduced impact of marginalism and neo-classical economics, but also the appeal of sociological and doctrinal thought.

This chapter will also deal with the institutionalisation of political economy as an academic discipline, both at university and non-university levels. Regarding this important process, even though we shall refer to the accomplishments of three pioneers (Agostinho A. Silveira Pinto, Oliveira Marreca and Adrião Forjaz Sampaio), we will scrutinise more carefully the evolution that took place at the University of Coimbra, namely on account of its unquestionable influence on the Portuguese intellectual élite.

Chapter 4 studies the laborious unfolding of a Portuguese academic canonical view on political economy. Although some meaningful economists (such as Oliveira Martins) had no connection whatsoever with the teaching of political economy, the most interesting issues of
late nineteenth and early twentieth-century Portuguese economic thought relate to the deeds and thoughts of several teachers, both from inside and outside the university background. While Oliveira Martins represents an expressive publicist and opinion-maker, Frederico Laranjo, Rodrigues de Freitas and above all Marnoco e Sousa provide some of the most prominent and lively examples not only of the theoretical and ideological clash between several different schools of thought in the search for hegemony, but also of the striving after a balanced and equitable view on social matters. This chapter ends with the analysis of an isolated but meaningful example of an attempt to develop a mathematical approach to economics. There we will see how António Horta Osório managed to produce a book that, although praised by Vilfredo Pareto, was plainly relinquished in Portugal.

Finally, in Chapter 5, we deal with the political economy of the corporative state, the framework in which both neo-classical and Keynesian thoughts had to fight to conquer a place within the main (Porto and Lisbon) schools of economics.

Faced with an established view that was openly adverse to theoretical and methodological excesses, where political economy was essentially expected to provide both some data of an institutional nature and, if possible, some additional information for the comparative analysis of economic systems, the inaugural writings of authors like Costa Leite Lumbrales and Teixeira Ribeiro were clearly misplaced. The full incorporation of a neo-classical approach only began to take place after 1949 when the first Portuguese school fully devoted to the teaching of economics reformed its curricular and pedagogical structure. Simultaneously, Keynesian thought was beginning to gain some significant followers – as one could see both from some Ph.D. dissertations and a few introductory and advanced textbooks.

The prevalent canonical view was then focused on establishing the new economics of the corporative state, trying to lay down the theoretical foundations of a new system that could serve as an alternative to capitalist and socialist models, thus providing a suitable environment for the individual to realise himself both at a material and a spiritual level. Still, one may say that other approaches were feasible to a certain extent. Authors such as Ezequiel de Campos were able to focus on the main problems facing Portuguese agriculture, while others reflected upon the chances of encouraging some basic industrial development. At the end of this chapter, due attention will be paid to a journal (Revista de Economia), which not only gave an enthusiastic reception to Keynes’ General Theory, but also offered some space for Marxists to express their views.

CONCLUDING REMARKS

The purpose of this book is illustrative, insofar as the examples do not solve, but rather highlight, problems that still await in-depth research and critical debate; it is also illustrative in the sense that it bears witness to the state of infancy of a national history of economic thought today. But its purpose is also demonstrative, as these are examples which help us to realise that a national, peripheral history (Portuguese, in this case) can open up fresh points of interest and provide the constituent elements of a new knowledge which, of necessity,
requires a second look at the established truths of a certain period or school of economic thought.

The path to be followed by research into national cases and situations is long. Firstly, one must assess the awareness of the abstract theoretical principles defining mainstream economics, so that the levels of perception, familiarisation and distortion of source ideas or conceptual relations may be tested. Then, one must analyse the processes of reception, assimilation, adaptation and social appropriation of economic discourse produced abroad, while bearing in mind the features of the receiving country’s social and economic reality. Finally, one has to study the institutional and technical mechanisms for the spread of and access to economic discourse, as in the case of the translations made and their quality, the circulation and reading rates of foreign and national books, linguistic adaptations, images associated with the territory of political economy, standardised forms of academic and journalistic rhetoric and professional jargon.

Only then can one analyse the conditions underlying the production and spread of economic knowledge and practices, involving the participation of informal social groups, institutions of an academic, scientific or professional nature, and the organs of political power; and study the formation and gradual enrichment of a tradition (or various traditions) of economic thought, while explaining how, in an adaptive or innovative manner, such a tradition had repercussions on continuous or discontinuous phases of evolution.

However, the study of such problems presupposes the acceptance of a basic principle, without which this book loses its entire raison d’être: the principle which defines economics as a science that is subject to both different and complementary methodological constructions, a science which refuses the rigid a priori delimitation of an exclusive focus of attention. If this principle could be accepted, then we would be forced to recognise that national histories of economic thought, especially in those countries that have contributed little or nothing to what is assumed to be the universal economic science, may perform an invaluable mission, revealing how economic reality and the patterns of economic science are also the product and outcome of differing cultural and historical circumstances.
1 The Golden Age and the mercantilist era (1500–1750)

THE MEDIEVAL PRELUDE

The foundation of the kingdom of Portugal as an independent nation-state, with the approximate frontiers it has today, took place in the late twelfth century. Its remoteness gave Portugal an important role to play in the reinforcement of medieval European Christianity, as well as in the shaping of the process of change that characterised early modern Europe and culminated in the Renaissance era.

When we delve into the origins and emergence of established and consistent economic ideas in Portugal, we surely have to take into account the writings of the knowledgeable, erudite élite of churchmen who lived in this founding period and contributed to a new, pioneering understanding of *oeconomic* problems, within the broader context of the Scholastic tradition that was already concerned with the study of social, political and ethical issues.

Largely through the spreading knowledge of the seminal work of St Thomas Aquinas, the renewal and upgrading of Aristotelian thought in late medieval Europe had its own impact in Portugal through the writings of Durando Pais (1267). This clergyman, who had studied at the University of Paris before being appointed Bishop of Évora, presented in his commentary on Aristotle a general framework for understanding the standard model of economic reasoning at the time, namely the concept of *oeconomia* as the right and proper government of the household, and the notion that agriculture would be the most natural means of obtaining wealth and bringing about neighbourliness and sociability. The importance that was given to land as the foremost object of human endeavour was accompanied by the condemnation of commercial and financial activities, especially those involving the earning of interest. Similar ideas were propounded by Alvaro Pais (1332), bishop of Silves in the Algarve, who discussed in particular the doctrine of usury according to the canons of the Scholastic tradition. One further point that is worthy of attention is his clear-cut defence of the institution of private civil property.

However, a century and a half later, a different analysis of these same issues – private property and usury – would be presented by another clergyman, João Sobrinho (1483). His book is a comprehensive treatise on different kinds of commercial practices that could be considered and outlawed as usurious. But he was also very careful to list the exceptions to
the general rule, according to the assumptions of *lucrum cessans et damnum emergens*. Such was the case of insurance contracts and exchange operations, which began to be credited as normal, authorised activities and therefore not condemned as belonging to the various categories of usury.

As we shall see, Sobrinho’s ideas were later followed and developed by other authors who were more closely involved in the tremendous changes affecting the world economy at the beginning of the sixteenth century. Even so, he was already living in an age which was particularly receptive to the rehabilitation of certain legal practices connected with commercial activities that gave Portugal a very important role to play at that time in the development of long-distance trade.

In fact, it was in the early fifteenth century that the small Portuguese kingdom began its maritime enterprise, with the conquest and occupation of important, strategic outposts along the North African coast, following the plans and vision of both Prince Pedro and Prince Henry the Navigator. Portugal’s military victories were a prerequisite for the achievement of the religious and commercial goals of the Discoveries, which opened a new era in the development of economic and trade relations on a world-wide scale. As we shall try to demonstrate below, it was this very important period that provided the conditions for the emergence of a new economic literature that would later be labelled as *mercantilism*.  

**DISCOVERING NEW ECONOMIC WORLDS AND NEW MARKET RELATIONS**

It is not our purpose to go too deeply into the economic consequences of the Portuguese Discoveries in the late fifteenth century. This is a well-known issue, which has already been studied very carefully. In summarising the importance and meaning usually attributed to those consequences, special reference should be made to (1) the opening up of new routes to maritime commerce, which led to trading activities in products hitherto unknown or scarcely commercialised in the European markets; (2) the stimulus given to the development of the productive and financial activities of European nations; and (3) the transfer of the axis of Indo-European commerce from the Mediterranean to the Atlantic. As Braudel puts it:

> Was it not the little Lusitanian nation that played the most important part in the enormous cosmic transformation of the geographic expansion of Europe at the end of the 15th century, and its explosion throughout the world? Portugal was the detonator of the explosion; it deserved its principal role.

(1979: 114)

The explosion to which Braudel refers involved a dramatic change in the roles to be played by the different agents involved in economic activities, revealing at the same time the enormity of the new problems and the new economic phenomena which would require analysis and direction. It is precisely our aim here to highlight the new mental attitudes towards an emerging world-wide economy, namely those relating to the development of new markets and new market relations.
In studying the Discoveries as a factor in the development of a new economic discourse, one should beware of the possible mistake of identifying the expression *economic discourse* with the host of connotations we attribute to economics as a science. However, although the day when political economy would lay claim to its status as an autonomous science was still remote, we cannot forget nor erase the traces left behind by those who, while possessing no global, coherent system of analysis, tested hypotheses, introduced concepts and compared explanations, in short, helped to formulate a scientific discourse on the functioning of the economy.

And in sixteenth-century Portuguese society we certainly do find examples of a great concern for the establishment of precepts and principles to explain economic reality. In their analysis, Portuguese authors were perhaps more sensitive to the demands of doctrinal speculation than to the requirements of abstract scientific labour. But here they also showed signs of a certain pioneering spirit, extending the discoveries to the scantily explored areas of economic knowledge.

We shall be analysing some of the most significant signs of reflection on economic themes undertaken by sixteenth-century Portuguese authors. We shall present episodic features of the works of João de Barros, Pedro de Santarém and Fernão Rebelo, while deliberately excluding other authors who, in view of their modest or less important contributions, warrant no individual attention.4

It was as a chronicler that João de Barros gained his reputation. However, his historical narrative is characterised by important reflections of an economic nature, which are immediately declared at the beginning of his major work, where he remarks that to talk about the ‘deeds that the Portuguese accomplished in their discovery and conquest of the seas and lands of the Orient’ implies dealing with ‘three things distinct from one another . . . the first is *conquest*, which treats of *militia*, the second *navigation*, which refers to *geography*, and the third *commerce*, which befits *merchandise*’. And we are not only referring to the description of products (natural or manufactured), prices, exchanges, routes and trade flows; in fact what is more important than the empirical recording of the events that illustrate the economic component of the Portuguese domination of the Orient is the actual reflection – at times indicative of a remarkable capacity for abstraction – upon the ultimate significance of mere everyday actions. For instance, see how João de Barros defines what we today might conceive of as the assumptions of transparency and perfect information in the market process, when he says:

> Commerce requires two contracting wills in one thing; this given act pre-supposes peace and friendship. It is a use that derives from the necessities of men, and stands as a bond of friendship for men to communicate with one another: from it there results love, when it meets with reception, faith and truth.

*(Barros 1552–1553: 87)*

In addition to bringing individuals and peoples together – promoting cosmopolitanism and good fellowship in contrast to former prejudices about the harmfulness of exchange, truck and barter relations – commerce is, for João de Barros, the principal cause of the wealth
of a nation in that it dynamically connects the different sectors of economic activity. This may be clearly seen from his words:

The foremost cause, which makes a kingdom rich and wise, is the act of commerce, whether it be through merchandise, that the land produces, or through the artifice of mechanics. Without it, even though it be powerful in extent of land, and number of people, it is poor in money, nor does it have such an abundance of merchandise as its neighbouring traders.

(1552–1553: 87)

But the most far-reaching analytical quality of these observations lies in the conclusion the author draws from the previous argument: ‘In the land that is not frequented by merchants, its own things are worth little, and those from outside a great deal’ (1552–1553: 87).

From this sentence we can perceive an implicit notion of value, which places on the market the ultimate responsibility for the clarification of the criterion by which things are exchanged for each other. In other words, exchangeable goods do not possess intrinsic characteristics (e.g., the quantity of labour required to produce them) that confer upon them a certain value; the value itself is the result of an appraisal, of an evaluation, made in accordance with the supply and demand for this commodity and the goods for which it may be exchanged.

Throughout his chronicle, João de Barros reports countless episodes of the actual working of markets, revealing a strong awareness of the reasons that cause prices to increase or decrease, with particular reference to competition between the agents of supply and demand. Another aspect that warrants critical attention concerns the monopolistic practices that led to an artificial imposition of the prices of certain goods (as these were not determined by the market), which also implied a certain limitation on the freedom of economic agents. Finally, he develops the notion that commercial activity involves the existence of risk and that this risk is spontaneously rewarded by the market process. It is unquestionably an advanced way of thinking that conveys a new ethical attitude towards the legitimacy of earnings arising from acts and contracts of purchase and sale.

MARITIME ENTERPRISE AND THE SYSTEMS OF INSURANCE AND EXCHANGE

The legitimacy that João de Barros attributed to the remuneration of risk enables us to introduce a theme whose significance is very important in sixteenth-century Portuguese legal and economic literature: the problem of maritime insurance.

In fact it was the Portuguese Pedro de Santarém who was the first methodically to organise a whole host of reflections on the importance of insurance contracts, the purpose of which was to ensure that increasing maritime traffic could be practised with greater safety.5 In the opening page of his treatise, he expressly states this objective and admits to having been
'often urged by my merchant friends to draw up a pamphlet on the assurances and promises of merchants, which in common language are called wagers’ (Santarém 1552: 33).

The *Treatise on Insurances* by Pedro de Santarém, the first edition of which was published in Venice in 1552, is a clear example of how a regulatory and juridical work may provide an answer to the practical needs of a historical period. The renewal of mercantile activities, the increasing number of vessels in transit, the poor conditions in which they sometimes sailed (poorly stowed or excessive cargo), the increasing frequency of shipwrecks arising from human or natural causes, in short the uncertainty and unpredictability inherent in ocean crossings, fully justified the widespread, rationalised practice of an insurance activity.

Maritime insurance contracts were first developed in the mid-fourteenth century (in Genoa as well as in Portugal) and this was a subject for which there already existed minimum legal guidelines. But there was certainly an urgent need to draw up a treatise: the lot fell to Pedro de Santarém to set up this maritime insurance regulation, in other words, ‘the convention whereby, having agreed upon the price of a risk, one takes upon oneself the misfortune of another’ (1552: 33).

The author’s main concern was to justify the legitimacy of an insurance contract, in the light of the canonical and civil clauses in force at the time, namely with regard to legal proof that the contract was not a type of usury.

As well as upholding the lawful nature of insurances, Pedro de Santarém also reflects upon the spirit of honesty that should prevail in such contracts and particularly insists on the feature that insurances are a form of precaution and not an instrument of profit. As for the way of drawing up contracts, clauses, exceptions, types of risk and premiums, actions to be taken in the event of disasters, deadlines and conditions determining validity, as well as other features related to the practice of maritime insurance, the close formal similarities to what is currently done today make any further comments unnecessary.

Pedro de Santarém’s concern with demonstrating the legitimacy of the insurance contract also extends to other authors and further problems resulting from Portugal’s maritime and commercial expansion. One such problem refers to exchange transactions and the remuneration of money-changers and bankers. We shall now deal with this issue by closely following the work of Fernão Rebelo.

The intensification of commercial exchanges between European countries and the trading market-places of Atlantic Africa, the Indian Ocean and the Orient, but above all between the European nations themselves, involved the use of different types of coinage and called for the setting up of rules for currency exchange transactions; this accounts for the increasing economic and financial importance of the persons and institutions that applied themselves to such tasks.

It may be recalled, as a mere example, that until the mid-sixteenth century, the pepper and spices that were purchased and transported by the Portuguese were registered in Lisbon at the Casa da Índia, and were then shipped to the Portuguese Factory of Flanders whose headquarters were in Antwerp, whence they were distributed to the European consumer markets.
The links between these successive trading operations in different marketplaces could not afford to be upset by technical obstacles arising from a misuse of exchange instruments – national currencies – or the inadequate use of swifter modes of payment – bills of exchange. However, those performing the work of trader, money-changer and banker resented the stigma inspired by legal norms and ethical standards that commonly associated such activities with the sin of usury.

Though there was no more than a formal interference which in no way prevented such exchange operations and contracts from multiplying, it is a fact that this anachronism between practice and doctrine aroused the attention of learned men and jurists who endeavoured to legitimate the non-usurious nature of exchange operations.

Irrespective of the fact that the presence of important trading houses in Portugal warranted a regulatory diligence of an ethical and legal nature, the undeniable fact remains that it is in this setting, characterised by a reinforcement of exchange and trading operations (which the Portuguese maritime expansion pioneered) that one may best understand the reasons for the drawing up of the Treatise on Exchange by Fernão Rebelo, printed in Lyon in 1608, though probably written in the closing decade of the sixteenth century.

The basic argument used by Fernão Rebelo to justify the idea that ‘if exchange is done, not only is it just, but may also be reciprocated’ (Rebelo 1608: disp. 6), is based on the juridical statement *lucrum cessans et damnum emergens*. Therefore, exchange operations should not be taken as mere usurious loans, insofar as they involved the provision of a service which, on being exercised in a situation of risk, besides the relinquishment of other paid services, should be materially rewarded.

A point that is worth noting in the Treatise on Exchange is the discussion concerning the functions of money and the variation of its value. For Fernão Rebelo, ‘the proper and principal use of money consists in its being the common price of other things, whereby it belongs to the substance of purchase’ (1608: disp. 2). In this definition we may clearly see a notion of money as being an auxiliary medium of exchange, as an equivalent value around which the prices of different goods present in the market are defined. And it is precisely this function that makes it essential to discuss, firstly, how its value can in fact vary, and, secondly, how such a variation prompts a change in the relative prices of goods.

As for the first problem, the conceptual structure of Fernão Rebelo remains faithful to the Scholastic tradition which acknowledged the distinction between extrinsic value (referring to the nominal or coined value and liable to alterations through the decision of the sovereign) and the intrinsic value of money (referring to the type and quantity of metal it contains). The possibility of a change in the value of money in absolute terms, regardless of the merchandise it represents, is thus accepted. Fernão Rebelo discusses this problem from the standpoint of the rules to be drawn up for the fulfilment of exchange contracts. And these were, of course, subject to alterations caused by a change in the face value of the money in circulation.

As for the second problem, Fernão Rebelo explains that: ‘just as an abundance of money diminishes its value, likewise scarcity increases it, in equality of circumstances, as, for the same merchandise, more money is given where it abounds than where it is scarce’ (1608: disp. 2). In this excerpt we are confronted with some of the elements underlying the quantity
theory of money, which at that time mainly referred to the direct relationship between the quantity of money in circulation and the general level of prices.

From this same excerpt we may also extract the following fundamental inference: in addition to its nominal or face value, money has a market value which depends on its scarcity and utility. It is precisely this that Fernão Rebelo tells us in the following remarkable passage:

Money, whether there be much or little, whether it be at the beginning or end of fairs, has always been ascribed the same value, I shall add that money, in relation to itself, always has the same value; but it does not in the case of its use, as the same merchandise costs or yields more if it abounds.

(1608: disp. 8)

In other words, money is a merchandise whose value is determined by the utility and scarcity that are revealed through supply and demand in the market.

And Fernão Rebelo may thus conclude his reasoning by returning to the theme that had prompted his interest in the abstract treatment of the value of money: the theme of exchange operations. In this context, attention must be given to the way the author recognises that the money rate of interest depends on the acting market forces; according to his words,

Depending on whether there are many or few, whether it be money-changers or those who wish to change, accordingly the prices of exchanges vary justly, precisely as happens with other merchandise. (. . .) The price of exchanges may justly increase or diminish for the same reasons for which the value of money may augment or fall.

(1608: disp. 8)

The reflections made by Fernão Rebelo on monetary theory are undeniably modern in the light of the period in which they were written. But this modern spirit should not be likened to pioneering innovation.

The Portuguese author does in fact refer in his Treatise to the sources that directly inspired him; among them we find the works of the leading protagonists of the School of Salamanca, namely Juan de Medina, Tomás de Mercado, Domingo de Soto, Martin Azpilcueta Navarro and Luis de Molina. The influence of these authors on Fernão Rebelo is both clear and plainly acknowledged, and this fact is certainly due to the presence of a number of doctors from the University of Salamanca at Coimbra and Évora. Such were the cases of Luis de Molina and Martin Azpilcueta Navarro, who in Portugal produced disciples of this renovative process of Scholastic thought to which they were committed.6

However, the merit of Fernão Rebelo is not diminished by this reference to the Spanish influences on his thought. In carefully adapting the teachings of the Doctors of Salamanca to the Portuguese reality and legislation – with regard to the ethical and juridical understanding of exchange operations – Fernão Rebelo becomes the interpreter of the message voiced by this bastion of theological and canonical thought of the sixteenth century. As far as economic
symbology is concerned, this message may be expressed in the form of two essential characteristics: (1) not all profit-seeking activities should be labelled as usurious; (2) there are market mechanisms which are beyond the reach of the regulatory efforts of civil and canonical laws.

From this journey we may now conclude that the Portuguese economic literature of the second half of the sixteenth century discloses the presence of apposite, innovative analyses, namely with regard to the following aspects: (1) an abstract conceptualisation of the market as a space wherein to accomplish individual and public interests, and as a mechanism to reveal the value of goods exchanged; (2) a comparison of the advantages and disadvantages of a monopolistic organisation of the trading circuits; (3) the link between the real and monetary sphere of the economy and an understanding of it through an early form of a quantity theory of money; and (4) the doctrinal legitimation of the lawful nature of individual gains arising from mercantile activity, namely in the case of exchange and insurance contracts.

The handling of such different subjects was only made possible by the acceptance and understanding of new realities and new phenomena, giving rise to a new concern with overturning former prejudices. However, we should mention that, in the specific case of the economic literature recalled so far in this chapter, these fresh elements were introduced into a pattern of reasoning and thought that underwent no profound change either in terms of its theological and ethical foundations or in terms of its methodological procedures. In other words, the Scholastic structure of Portuguese thought in the sixteenth century stood firm on the foundations of its enduring values, despite the adaptations that enabled it to interpret new realities and assimilate the new values that were soon to send shock waves through the Portugal and Europe of this era.

As a conclusion of all that has been said, it seems appropriate to recall the voice of Vasco da Gama as he speaks to the Samorin of Calicut about a ‘great King who has an abundance of everything in his kingdom’. Through the pen of Camões, Vasco da Gama says:

> And if thou dost desire, with pacts and ties Of peace and friendship, sacred, true and plain, To establish commerce of the abundances Of all things that thy land and his contain, And see the increase of wealth and luxuries (Which people toil and sweat the most to gain) Within your kingdoms, it will surely be For him vast glory, and a gain for thee.

The transparent language of this passage from *Os Lusíadas* makes further comments unnecessary. It is clear evidence of the understanding of the economic problems involved in the voyage to India, which became the most important reason for the analysis provided by the Portuguese ‘economists’ of the sixteenth century.
MERCANTILISM IN THE MAKING

The relationship between Portuguese authors and Spanish economic literature in general, and the School of Salamanca in particular, developed greatly from 1580 to 1640, when the destinies of both Iberian countries were bound together by dynastic union.

The most important Portuguese economic writer of this period was Duarte Gomes Solis, who published two interesting discourses in Spanish, directly concerned with the development of trade with East India (Solis 1622; 1628). These texts also addressed other economic problems of the time, namely the monetary issues related to the abundance of gold and silver imported from the Spanish dominions in South America.

Gomes Solis had had a successful career as a pepper merchant and trade administrator, which gave him direct knowledge of the problems discussed in his books. One of his main concerns was the structure of long-distance trade organised through newly professionalised commercial companies. He considered that such companies should be composed of both private and public capital, efficiently managed and designed in such a way as to contribute to the consolidation of merchants as a powerful economic and social group and to help to increase their political influence.

Solis particularly stressed the need for a banking institution that would conveniently organise both deposit and credit practices. This bank would also devise an appropriate routine for exchange operations between different national currencies, an essential prerequisite for the development of international trade.

His concept of wealth was influenced by a moderate chrysohedonistic attitude, considering money to be the representative sign and source of value. However, he was concerned above all with the problem of knowing how to stop the draining of gold and silver from the kingdom, thus stressing the importance of money as a medium of exchange and a durable store of value, and as an instrument for promoting both the circulation and purchase of goods and the growth of domestic investment. His consistent bullionist vision led him to present a plan that would prevent the outflow of money from Spain. He suggested that the excess of silver from the Spanish West Indies implied the need for a careful management of the supply of money. Therefore, the total amount of silver produced in the Spanish colonies should be considered in two different ways: half the quantity produced should be seen as a simple commodity, which could be sold abroad with no restrictions at all; the other half should be coined at a high monetary value, basically to prevent it from leaving the kingdom.

Solis was not aware of the changes in the price level resulting from a deliberate policy of ‘dear money’. When replying to the objection that such a policy could originate a trend for a general rise in relative prices at home, Solis seemed to argue in favour of a non-monetary theory of inflation. He pointed out that the price level was mainly determined by the relative prices of agricultural products and that therefore any change in the price level should be explained by real economic effects, not by the quantity approach of the stock of money.

In defending this view, Solis was also showing his strong belief in the ability of the stock of money to stimulate domestic investment and improve internal production, in order to increase employment and achieve a greater development of the different economic sectors. Special attention was paid to the increase in commercial activities, which was actually the
prime concern of his writings. Within this context, it is worth referring to one of the essential measures he envisaged for the success of his enterprise, i.e., the contribution that could be made by the Portuguese Jews living abroad who were not allowed to have an active commercial life in their country of origin. In this respect, Solis definitely anticipated the arguments that would later become one of the favourite concerns of António Vieira, to whom the next section will be devoted.

Between the publication of the works of Solis and Vieira, Portugal experienced an important event in its history: the end of the Iberian dynastic union and the reestablishment of Portugal’s long-lasting political existence as an independent nation. As far as the production of economic literature is concerned, the restoration of Portuguese sovereignty, which occurred in 1640, was also to give birth to a new and extremely rich period.

**RESTORATION AND TRADE**

The Jesuit preacher and missionary António Vieira was one of the most important figures in Portuguese culture in the mid-seventeenth century. The main motivation behind his writings on economics (Vieira 1643; 1646a; 1646b) was the social integration of the New Christians and all those who, because of religious persecution, were prevented from living or enjoying their basic civil rights in their country of origin. In his treatment of this delicate political problem, António Vieira ended up by revealing his more general concerns with the factors and circumstances that would determine the economic restoration of the country, as a consequence of the re-establishment of the independence of the Portuguese monarchy in 1640, which had brought an end to sixty years of dynastic union with Spain.

The first thing to look at has to do with the way in which he clarified his opening premises: the preservation and progress of the realm depended upon external and internal circumstances which the author classified under the two headings, respectively, of *poder alheio* (alien power or the power of others) and *poder próprio* (own power) (Vieira 1643: 1–3). As to the question of *alien power*, this is associated with the ‘diversion wrought upon Castile by the arms of France’, considering that ‘for so long as this lasts, it seems that we shall be as safe as we have been until now’, although he did warn that ‘for many very effective reasons, it should not be considered to be very long lasting’ (1643: 3). Vieira thereby concludes that, benefiting from a particular equilibrium of circumstances that would give it only brief respite, the Portuguese vulnerability to alien power would necessitate that much closer attention be paid to the question of its *own power* in terms of national skills and resources, which formed the solid foundations of the building known as Restoration.

However, the picture of the internal situation was painted in shades that were far too grey. The available financial resources, which had been amassed through the application of extraordinary fiscal measures, were not sufficient to meet the demands of a possible protracted war, so that it was not surprising that the country lacked the structures and means considered adequate for the defence of the territory.
The possibility of mobilising internal resources to counteract negative expectations about the future is another idea that was conceived in decidedly discouraging tones. The basic problem lay in the fact that, due to the shortage of revenue from production and trade activities, the various sources of taxation would inevitably be exhausted, which made the prospect of applying the corrective monetary policies that had been implemented in the past seem unappetising. In other words, the increase in the supply of metallic money or the decrease in its face value would cause inflationary effects that it would be hard for a population with low revenues to bear, particularly when productivity was low and there was no capacity to reverse the country’s disadvantageous trade situation with the outside world. Furthermore, the crown could not meet the financial commitments arising from the creation of internal debt, which was exacerbated even more by the need to channel material and human resources into the continued support of burdensome military campaigns.

In the words of the time, this series of problems was described by the priest António Vieira in the following manner:

Because confiscations and the minting of coins were accidents that cannot be repeated; rents and other pecuniary rewards are mortgaged for many days and years; interest, pensions and wages are not paid by increasing the value of money, which raises the price of merchandise and makes foreigners bring silver instead of drugs, with which they seriously diminish the duties of the customs; the frontier lands, infested with the enemy, cease to be cultivated for many leagues; farming and the arts diminish, taking from them artisans and farmers to fight the war; all of which consumes and weakens the strength of the kingdom at such a fearsome pace that, within a few years, men will no longer be able to maintain their livelihood, let alone pay the tributes and bear the costs of war.

(1643: 6–7)

In keeping with his diagnosis, in which the main emphasis is given to the scarcity or absence of the capital that is indispensable for financing production, trade and, above all, defence, António Vieira considers the circumstance that ‘throughout all the kingdoms and provinces of Europe are spread Portuguese merchants in great number, men of extremely great resources, who have in their hands much of the world’s trade and wealth’ (1643: 8) and proposes that conditions and guarantees should be created to encourage these men to return to Portugal and set up in business.

The reintegration of the New Christians created problems and institutional conflicts that António Vieira was neither ignorant of nor feared. He availed himself of a persuasive line of canonical and political argument, designed to illustrate the benefits to be reaped from making use of both the financial resources and enterprising spirit of the Portuguese Jews that were scattered throughout Europe. Some years later, in a text in which he described some of the inconveniences of the Inquisition and proposed certain measures for its reform, the economic repercussions of the exodus of Jews from the kingdom of Portugal are assessed negatively, due to the
heavy falls in trade, not only because of the traders who have moved to other kingdoms, nor because of those who, while living in this kingdom, have withdrawn from the marketplace, so that they may not be known, but because of those same persons who continue to pursue trading activity and yet whose products have been diverted to places where they might keep them safe, and because of the foreigners who through the same fears do not want to entrust their products on credit to those who live here.

(1643: 29)

On the basis of this particular premise, he finds full justification for his proposals to grant Jews economic freedom and abolish the system for confiscating their property (particularly in the form of capital goods).

Vieira’s insistent call for public recognition of the legitimacy and importance of the activities of New Christians must be seen within the much broader context of his concern for the social rehabilitation of mercantile activities. His benevolence towards Jews is not only based on his previous analysis of the framework of alien power and the vicissitudes of a kingdom’s own power. It is also the result of a favourable attitude towards the ennoblement of merchants and businessmen in general and, even more importantly, the result of a premise by which trade is interpreted as a stimulant and a unifying element of economic activity as a whole.

In spite of the fact that António Vieira does not undertake a particularly profound analysis of the advantages of a positive trade balance, his writing none the less reveals an acceptance and a full awareness of the importance of such a requirement. In fact, the author considers that ‘Portugal cannot preserve itself without much money, and for there to be any, there is no more efficient means than that of trade’ (1643: 14). This amounts to saying that it would be necessary to guarantee the flow and accumulation of the silver money resulting from a profitable commercial activity. A further indication of his vision of the driving force of mercantile capital (or its representative sign) is to be found in his proposals for the creation of two trading companies guaranteeing control of the traffic in merchandise from Brazil and the Far East.

Such companies were conceived as instruments for opposing the commercial predominance exercised at that time by Holland and they would act as a special pole of attraction for the capital of the New Christians. They would in turn set in motion the only process that was capable of providing a beneficial increase in trading relations, given the manifest impossibility of increasing the value of the national production destined for export and reducing the importation of essential goods. Or, in other words, it is by means of these companies that ‘we will set greater store by our conquests, discover new treasures in them, which have been kept hidden by the lack of resources and industry, and the value of our drugs will increase and bring down that of foreigners’ (1646b: 69).

Yet further proof of the importance that Vieira attributes to the mercantile capital brought into play by the New Christians is to be found, on the one hand, in the allusions he makes to
an easier access to credit on the part of most Portuguese merchants and, on the other hand, in
the concrete proposal which he makes for the creation of a bank

similar to that of Amsterdam, of great public and private utility, and at the very least there
will be a large quantity of money to be exchanged, of which Your Majesty will be able to
avail himself in cases of need, without overburdening the people with too many taxes.

(1646b: 67)

In the final part of this excerpt, we once again find ourselves faced with the original
nucleus of the author’s economic meditations: the intensification of mercantile activity
might be the essential element for the economic restoration of the kingdom, but, more than
anything else, it could provide a means of financial improvement and a way of strengthening
the power of the state. Without the tax revenue from customs duties, the battles fought to
ensure Restoration would be part of a lost war.

For António Vieira, the road to progress would be achieved through trade routes. One
final and flagrant testimony puts it thus,

As a result of a lack of trade, the grandeur and opulence of Portugal was reduced to the
state in which Your Majesty found it, and the restoration of trade is the most expedient
path for restoring the kingdom its former and even happier state.

(1643: 15)

This opinion was, however, not shared by the authors that we shall analyse next.

POPULATION AND SUBSISTENCES

The position adopted by Manuel Severim de Faria with regard to the economic problems
affecting the kingdom differs sharply from that of António Vieira. One of the first and most
basic differences is to be found in the fact that Severim de Faria makes practically no
reference to the political and military context of the Restoration period (from 1640 to 1668),
during which time Portugal was basically consolidating its definitive separation from the
Spanish monarchy. But the change in perspective that most interests us here has to do with
the way in which the different factors and instruments of economic progress were assessed.
For Severim de Faria, the fundamental problem was to find the most suitable remedies for
the kingdom’s lack of people, so he chose to make the question of population the central
theme of his analysis.

The author begins by noting the decline in the population of the kingdom, which, in his
view, was due to the power of attraction of the Portuguese conquests, the continuation of a
class of urban idlers who had not been absorbed by the arts and manufactures and the absence
of any incentives to encourage the settlement of people in rural areas. Against this
background, special reference should be made to the relationship between the phenomenon of emigration and the structure of land ownership and use. In his own words,

Since estates already have many leaves, three quarters of them ordinarily remain to be sown. It is for this reason that the many fruits which could be gathered from them are lacking, as is the comfort which they could afford to so many men who do not find any place whereat they may make a shelter for themselves; and it is for this reason that so many people are exiled, forced by hardship to go to other parts of the world and seek lands to live on, since these are lacking in their own country.

(Faria 1655: 191–192)

The lamenting of the phenomenon of depopulation is a central argument in the defence of a population strategy. Severim de Faria starts out from an instrumentalist vision of the problem, considering population to be a factor which guarantees both the creation of wealth and the preservation of the state. More population means better opportunities for obtaining a greater revenue from taxation: ‘It is from many people that the wealth of the Prince is collected through the duties that are paid upon the fruits of the earth, the labours of one’s hands and merchandise’ (1655: 173). More population also means a greater stimulus for economic activities and an additional guarantee of the defence and protection of the state:

For which reason, it is clear that where there are many people there will be much agriculture, many arts, much trade and many soldiers, which are the four things upon which are based the grandeur, the power and the happiness of a kingdom.

(1655: 174)

However, when the author begins to outline the remedies that should be brought into play in order to create the appropriate conditions for this much-desired demographic growth, it transpires that the decisive role that is to be played by population is significantly reduced. Severim de Faria seems at this point to renounce the traditional mercantilist interpretation of the population principle, so that population ceases to be seen as an instrument to be used for obtaining subsistences in order to be seen thereafter as being the outcome of these. This reversal of the relations of cause and effect is particularly important as it shows the beginning of the development of an economic approach to the demographic problem. Before discussing the significance of this, let us examine the main steps in the author’s argument.

Severim de Faria considers that, for the population to be able to increase, it is essential to guarantee the development of different forms of productive occupation. It would thus be possible to stanch the flows of emigration, attract people from other places and raise the level of revenue upon which demographic expansion depends. Having been very heavily influenced by his reading of the works of the Italian Botero (published in 1588 and 1589), and certainly also by his knowledge of contemporary Spanish economic literature,8 Severim de Faria accepts the primacy of industrial development and confers upon it the role of acting
as the main driving force behind population growth. He thus states, in a literal interpretation of Botero,

There is nothing more important for making a province numerous in inhabitants and rich in all manner of goods than the multitude of arts, some of which are necessary, others of which are commodious, for civil life, because it is they that give rise to the great concourse of people who either work, or direct the work, or administer the raw materials to the workers, buy, sell and carry the products from one place to another. So that the industry of man is much more important for rendering a village populous than the fertility of its soil, because the things produced by human industry are many more and of much greater value than the things produced by nature.

(1655: 206–207)

Of equal importance would be the stimuli provided by the reorganisation of agricultural production. The author shows himself to be in favour of modifying the structure and size of properties, especially in regard to the division of the great estates in the south of the country. Such examples lead us to conclude that the population problem takes on an involuntarily subordinate dimension. In other words, the discursive axis of Severim de Faria’s text undergoes a certain shift and his efforts are now centred upon indicating the means which would favour the installation and development of arts and manufactures in the kingdom, all within the framework of a preeminently industrialist approach to the question.9 Once more seeking his inspiration directly in Botero, the author stresses the importance of the following measures in particular: banning the export of raw materials, ‘bringing excellent artisans from other provinces, and giving them convenient salaries and comforts, favouring good skills, prizing inventions and works that show singularity and rarity, and designating rewards for perfection and excellence’ (1655: 208–209).

Severim de Faria’s reasoning naturally leads to his praising the advantages of the introduction or growth of the manufacturing industries, in view of the objectives of achieving equilibrium in the trade balance and strengthening the crown’s revenue. In short, industrial policy would be a means of increasing the subsistences upon which, in the final analysis, the possible and much-desired increase in the population of the kingdom would depend.

Let us then examine the meaning that is implicit in this approach.

By centring his analysis on the factors which determine demographic expansion (and therefore going beyond the original reference to the effects of a numerous population), Severim de Faria poses the essential economic question of whether or not there are any limits to this expansion imposed by the resources and means of subsistence that are available at any given moment. His diagnosis highlights the state of underuse of productive capacities and points to the potentialities for an increase in economic activities, particularly in the sector of arts and manufactures, so that there would be no reason to expect any doubts about the possibilities of economic growth. Furthermore, the actual diagnosis also noted that the lack
of stimuli for the productive occupation of the kingdom’s inhabitants had meant a large exodus of the population.

In view of this, the demographic expansion brought about by the greater access to subsistences would also become an additional factor contributing to economic progress. And in this way a cycle of functional interdependence is completed between population and subsistences, which is revealed in only a rather veiled form in Severim de Faria’s writing, but is none the less clearly present.

It should be remembered that such problematics were to become an essential element in the structuring of the doctrinal and theoretical discourse of classical political economy (particularly in relation to the conceptualisation of economic growth), which included at its heart Malthus’ famous reflections in this field. The possibilities of a growth in population given the existing resources and means of subsistence would therefore be seen from a quite different perspective, but the basic problem under discussion would remain the same. For this reason, it would seem quite legitimate for us to conclude that, regardless of the outside influences which he had assimilated, the text written by Manuel Severim de Faria constitutes a fine example of the analysis of a conceptual relationship that was to be of great importance in the formation of economic science. His handling of this relationship allowed him to overcome the treatment of the question of population in purely ethical and political terms and served as a basis for justifying the measures which he put forward for the economic restoration of the kingdom.

INDUSTRY AND THE TRADE BALANCE

The next author to be analysed in this chapter is Duarte Ribeiro de Macedo (1675). His reflections on economic issues are also permeated with a conception of the relationship between population and subsistences analogous to the one we have just studied with regard to the work of Severim de Faria. The unity of the two authors’ viewpoints derives in particular from their understanding of the process of industrialisation as a factor affecting demographic growth. In fact, Ribeiro de Macedo states that,

Finally we can see, through experience, that those lands where the arts most flourish are the most heavily populated ones. . . . The reason for this is that towns do not grow by more than the number of people which their territory can sustain.

(1675: 302–303)

And this author also shares the same opinion as Faria concerning the role of arts and manufactures in the productive occupation of the idle and in the prevention of emigration,

In the same way, there will be an abundance of artisans and workmen in all the arts which are re-introduced and all those who out of necessity or the lack of occupation are forced to leave the country will find occupations for themselves therein.

(1675: 297–299)
For Duarte Ribeiro de Macedo, the population problem is not the problem but simply one of the problems that would be solved by means of an industrial policy. The author’s starting point is his awareness of the deplorable state of trading relations with other countries, which is clearly shown by the occurrence of the most serious sign of economic frailty: the outflow of money from the kingdom. In the finest mercantilist tradition, Ribeiro de Macedo’s discourse is designed to demonstrate which resources should be brought into play in order to achieve equilibrium of the balance of trade, thus avoiding having to pay in money for the excess imports.

In referring to the ‘poor state of trade’, the author bases his judgement on an intuitive certainty, which he would like to see confirmed by systematised statistical information. It would therefore be convenient if His Royal Highness were to order an account to be kept of what comes into the kingdom by way of foreign merchandise and the value of this, and the value of the products and merchandise that the foreigners take therefrom, itemised in discriminated fashion, in order to assess the infallible truth of this discourse.

(1675: 261)

But Ribeiro de Macedo’s strong convictions were based upon a detailed knowledge of the types of product brought into Portugal by the main European nations and upon an interesting qualitative analysis of the habits and consumption patterns of certain sectors of the Portuguese population.

Armed with such evidence, the author refutes the solutions that are traditionally put forward as a means of combating the balance of trade deficit (laws prohibiting money from leaving the country or policies to increase the value of money) and outlines the only remedy which would be truly effective, and which has already been mentioned, ‘The only means of preventing this loss and impeding money from leaving the kingdom is to introduce the arts therein’ (1675: 270).

Ribeiro de Macedo’s industrialism was heavily influenced by Colbert’s economic policy, the effects of which he had had the opportunity to observe during the period when he was working for the diplomatic service in Paris (between 1668 and 1677).10 Proof of this fact is to be found in the presentation that he makes of instruments designed to protect manufacturing, which would make it possible for Portuguese products to obtain significant competitive advantages. Among these instruments, the most important were ‘the strict prohibition on raw materials leaving the kingdom which can be transformed therein’, the granting of ‘ten years’ exemption from taxation to any artisan who endeavours to open some new factory’, the award ‘of a pension for those artisians who best work in the production of this or that commodity’ and, in a more general manner, special incentives for the production of woollen products (1675: 275–277).
The last topic mentioned in this list reveals the close connection between the reflections and proposals of Duarte Ribeiro de Macedo and the general economic policy followed by the third Count of Ericeira, the minister of Dom Pedro II, in the 1680s. His political influence was well known and the doctrinal support which he gave to the measures of industrialisation that were implemented in the last quarter of the seventeenth century was to be systematically recognised as evidence of his commitment to the economic restoration of the kingdom.

Yet his particular merits are not limited solely to the areas of politics and doctrine. The author also left us with clear evidence at the theoretical and analytical level of his careful understanding of the functional relations between different sectors of economic activity. This is what we can discover by reading the following excerpt, in which he discusses the significance of the phenomenon of the circulation of money:

In kingdoms, money has the same quality as does blood in the body: it supplies all of its parts. And in order to effect this supply, the blood is perpetually in circulation, so that it does not stop unless the body is in a state of entire ruin. So it is with money . . . through the arts it passes into the hands of the merchants; from the merchants it passes to all manner of arts and manufactures through which pass the raw materials that are needed to make products; from these hands it passes into those of the farmers, in exchange for the price of the fruits of the earth for the sustenance of all; from the farmers it passes into the hands of the men of business; and from the hands of all, it passes, by means of taxation, to the royal patrimony. From here it emerges once again in the form of salaries, pensions, the stipends of soldiers, arms, shipbuilding, the construction of buildings, fortifications, etc. When such circulation of money takes place in the kingdom, it serves to supply and feed that kingdom; but, when it leaves that same kingdom, it is as much missed therein as the blood is missed when it leaves the human body. This example contains nothing of fiction or embellishment; it is as natural in one place as it is in the other.

(1675: 293–294)

The analogy between the circulation of money and the circulation of blood operates here as a pretext for explaining the continuous flow of money and the role that this plays in the bringing together and interdependence of the different bodies involved in economic life. Ribeiro de Macedo’s immediate aim was to explain the need for stanching the haemorrhage of money, a need that was brought about by causes that were already well enough known. However, the scope of his remarks is made even broader when he refuses to make an assessment of the importance that is given to money by its being retained in the state’s coffers. Let us once more take a look at his words, which are quite elucidating in this matter,

Let us suppose that a prince hoards up all the money that is paid in taxation and rent to his state; certainly, within a few years, it will have all been used up, and the rich and poor will be short of what they need to pay him in taxation and to feed themselves. This is why the
politicians advise princes that, having nothing to spend their money on, and without mines to produce their own treasure, they should build palaces: because, for money to come into the hands of the prince, it first has to leave them.

(1675: 294)

In repudiating the hoarding of money, Duarte Ribeiro de Macedo accepts the idea that the circulation of money represents a dynamic feature of an economy, since it favours the realisation of a greater number of transactions, stimulates the development of productive activities and promotes the formation of wealth. Were there no other reasons than these, this last one would doubtless be enough to justify the important position that the author occupies in Portuguese economic thought in the second half of the seventeenth century.

**BALANCE AND CONCLUSION**

Balance of trade, currency, taxes, population, industry – these are the elements most commonly and regularly found in Portuguese economic literature in the second half of the seventeenth century. However, such elements were subjected to quite distinct cognitive processes that naturally resulted in autonomous proposals for economic progress in the Restoration period.

The solutions that António Vieira put forward were the consolidation of mercantile capital and the reorganisation of long-distance trade, the success of which would depend on the good and effective use of the enterprising resources of the New Christians. Severim de Faria and Ribeiro de Macedo seemed to share a similar doctrine with regard to the virtues of introducing and better equipping the different arts of the kingdom, but their conclusions arose from a different assessment of the problems which would be solved in this way (a stimulus for population growth in the case of the first author; and a favourable trade balance of trade and preventing money from leaving the country in the case of the second author).

If we reconstitute the main elements that make up the economic discourse of each of these authors, bearing in mind the different historical circumstances in which they were writing, we find such a diversity of viewpoints that we seem able to confirm the widely held view about the significance of economic literature in the mercantilist era. In other words, we are able to reaffirm the essentially disparate contents of the largely doctrinal and political reflections upon the subject, which were used as instruments to favour the interests of the burgeoning social groups (the commercial and manufacturing bourgeoisie) and to reinforce the power of national states. In this way, Portuguese authors provide us with a good example of some of the different forms of mercantilist practice which had typically developed in other corners of Europe.

However, the application of this type of interpretation to the Portuguese case is worthy of further comment. If, on the one hand, it is an undeniable fact that there are no completely
identical points of view in the writings of António Vieira, Severim de Faria and Ribeiro de Macedo, it is clear, on the other hand, that their points of view are in fact united in thematic terms. In other words, the discontinuous nature of their reflections ends up constituting a specific field of experience, knowledge and action, the coherence of which derives from the intertwining of paths leading to one and the same aim: to think about the economic state of the kingdom, to consider its various potentialities and set out suitable strategic guidelines.

Restoration, evolution, progress – these are the expressions which best encapsulate the final goal of the different paths that were followed by Portuguese economic thinkers in the second half of the seventeenth century. Did they have any success? Were their ideas given any continuation? Did they provide the definition of an autonomous strategy of national economic development?  

The problem now posed is that of discovering the repercussions of the measures put forward by the authors that we have been studying. If we pass beyond the temporal horizons of their writings, we can see that there were two events that were to play a decisive role in the development of the Portuguese economy (and also economic thought) throughout the eighteenth century: the Methuen Treaty, signed between Portugal and England in 1703 and the discovery of important gold deposits in Brazil in the 1720s.

In the light of the most simplistic interpretations – which, in spite of everything, still find some echo in contemporary Portuguese historiography – such events represented a harsh blow to the aspirations for greater development shared by most thinkers and politicians in the second half of the seventeenth century. Thus, the programmes and attempts to encourage the take-off of industry were systematically postponed or thwarted due to the ease with which English manufactured products were obtained and, furthermore, because of the possibility of balancing the deficit in the trade balance through recourse to Brazilian gold. In other words, Portuguese colonial domination operated as a kind of security against the situation of the country’s economic dependence upon England.

There is no point now in discussing what Portugal might have been if it had not signed this infamous commercial treaty which, broadly speaking, made it possible for English woollen fabrics to be introduced into Portugal with a sharp reduction in the payment of import duties, although this reduction was matched in an identical fashion by England in regard to the wines which it imported from Portugal. The political and diplomatic situation at the beginning of the eighteenth century, at the centre of which was the Spanish War of Succession, led to a reappraisal of alternative strategies that were compatible with the overriding aim of preserving sovereignty. Consequently Portugal’s adherence to the Grand Alliance and the protection thus afforded to the country by England, Austria and Holland against the Spanish designs for its eventual annexation, were a fundamental presupposition and essential requirement for the safeguarding of Portuguese political independence. The commercial treaty signed in 1703 was just one in a series of actions that belonged to a much more complex strategic game.
Regardless of the historical inevitability of Portugal’s signing of the Methuen Treaty, it is still necessary to point out here that its purportedly disastrous nature is not strictly borne out by the available historical evidence. Indeed, the most important Portuguese studies of the economic history of the period have long since shown the extraordinary capacity for survival of a small-sized manufacturing system, which managed to withstand external competition and ensure that the needs of internal consumption were satisfied.\textsuperscript{15} In the well-known testimonies that A. Smith and Ricardo gave about the treaty, its effects are seen as having been beneficial to Portuguese interests. For Smith, the example of Methuen served to explain how commercial treaties can be mutually beneficial for the nations involved, in spite of the fact that in this case he considered: ‘So far this treaty . . . is evidently advantageous to Portugal and disadvantageous to Great Britain’ (Smith 1776: IV, vi, 547). As far as Ricardo was concerned, the treaty served as one of the inspirations for his theoretical model of international trade, based on the comparative advantage that Portugal would have in the production and exportation of wine and the comparative advantage that England would have in the production and exportation of cloth (Ricardo 1817: Ch. VII).

Friedrich List’s position on this same treaty was quite different, since he considered it to be a clear illustration of the difficulties involved in the internal development of a national economy whose infant industry had been annihilated by the competition from English manufactured goods (List 1841: Ch. V). To a certain extent, List’s view reflects the mentality that has always prevailed in Portugal whenever it has been necessary to discuss the scope and possibilities of putting an industrialist economic policy into practice.

The authors that we have analysed in the final part of this chapter – Severim de Faria and Ribeiro de Macedo – set both the rhythm and the tone for the cyclical discussions that were to be conducted in the first half of the eighteenth century by influential politicians from the court of Dom João V, notably Luís da Cunha (1738) and Alexandre de Gusmão (1748). Both authors upheld the need for a protectionist policy to encourage the development of the manufacturing industries, bearing in mind the need to substitute imports of sumptuous consumer goods, which only encouraged the pomp, circumstance and luxury of the prosperous society of the Portuguese Baroque court.

Consequently, the economic literature produced in Portugal in the first half of the eighteenth century should be seen in the context of a more global treatment of the problem of luxury and of the ethical and political standards that were designed not only to inhibit conspicuous consumption, but also to serve as an important instrument in an economic policy of manufacturing protectionism. This was, in fact, the underlying motivation behind the work of Duarte Ribeiro de Macedo, who was to inspire the promulgation of pragmatic laws against luxury, which in turn served as instruments in the programme for the industrialisation of the country put forward by the Count of Ericeira, who had the suggestive epithet of ‘the Portuguese Colbert’. It was, however, difficult to resist the temptation of balancing the trade deficit with Brazilian gold, so that the attempts to counter the trend
imposed by the signing of the Methuen Treaty were not always as successful as might have been hoped.

This panorama was to undergo yet further developments after 1750, when one of the most important politicians of eighteenth-century Europe came onto the scene: the Marquês de Pombal, the last of the legitimate representatives of mercantilist doctrines in Portugal. He was to bring an end to a cycle of thought and reflection on economic problems whose origin, as we have suggested here, can be dated back to the golden age of the Portuguese Discoveries. But he was also to herald the opening of a new stage, a new cycle in the history of Portuguese economic thought.
THE LEGACY OF MARQUÊS DE POMBAL

The political and economic activities of Sebastião José de Carvalho e Melo, Marquês de Pombal, clearly had a profound impact upon the development of Portuguese society in the second half of the eighteenth century. The marks he left behind could still be seen long after his death, since he was to become a symbol or image that would be either worshipped or rejected depending upon the historical importance given to him by the generations who came after him. He stirred up great passions and inspired great hatred, simultaneously serving as an example of both the good management and the squandering of public resources, arousing envy and commanding idolatry.

This has always been the fate of great statesmen: to set up around themselves a forcefield of attraction and repulsion that inevitably invites biased historical interpretations, making it difficult for anyone to form a neutral and objective opinion about the real extent of their political activity. In spite of these obvious difficulties, we believe that nowadays there is general agreement as to the historical significance of Marquês de Pombal’s activities – when acting in his capacity as Dom José’s minister between 1750 and 1777 – and that the importance of these activities can be classified under four main headings, as we set out to illustrate below.

Firstly, his fight against and later expulsion of the Jesuits, who until the middle of the eighteenth century had played a fundamental role in the national educational structure, in the evangelical missions in overseas territories and who generally occupied an important position in the religious hierarchy in Portugal.

Secondly, his opposition to the social interests and political supremacy of the nobility, whose privileges were considered an impediment to full social mobility which made it difficult for new classes to ascend to the great heights of power.

Thirdly, his well-structured and coherent economic protectionism, which will be discussed in greater detail further on.

And last but not least, the energetic and decisive part which he played in the reorganisation of a city that had been morally and physically shattered by the terrible earthquake of 1755.
Lisbon was not just any old city, but the capital of a country and an empire, a compulsory port of call on the transatlantic trade routes, a pole of attraction for people from all over the world, a place of unquestionable natural beauty. It was a city that had to be promptly and efficiently rebuilt. It was to become the new city of the Enlightenment, with its rational and modern layout, its buildings that were erected in accordance with innovative anti-earthquake techniques, rising once again from the ruins under the firm guidance of this cultured and powerful minister. This was his crowning glory, the feat which afforded him a large part of his incontestable historical merit. But let us now take a closer look at his activities in the field of economic policy.

Pombal had received a complicated economic legacy from the reign of the previous king. The fall in income from trading activities and the significant decrease in gold mining in Brazil were the main symptoms of the crisis situation experienced at that time. The fall in income also spread to the crown’s revenue, leaving the country in a serious financial crisis. But there is no doubt that throughout the decades of 1740 and 1750 the most worrying signs were the significant decline in the flows of sea trade, the increase in smuggling and the falls in the exports of the main products of Portugal and its colonies that were destined for European markets – wine, sugar and tobacco. This was the difficult economic situation which Pombal set out to remedy.

His first great measure was to establish monopolies, which he entrusted with the organisation and exploitation of the important trade with Brazil. The largest two companies that he founded were Grão Pará e Maranhão (in 1755) and Pernambuco e Paraíba (in 1759) and together they controlled the development of colonial trade in two large geographical areas. The main reason behind their creation was the need for private citizens and the crown to join forces and concentrate their capital, so that together they could face up to the international dispute which was beginning to arise over Brazil. Furthermore, the inconvenience and waste that would be caused by unrestrained competition in a time of crisis could thus be avoided and, above all, the crown would be guaranteed a regular revenue from the taxes on the increasingly huge trading profits.

The same tax reasons lay behind the concession, again in the form of a monopoly, of the trading rights over certain products from the colonies, the most significant example being tobacco. Monopoly agreements were also awarded for the collection of certain local taxes by private enterprise, thereby guaranteeing the state a fixed income over fixed periods of time, without the inconvenience that would result from a slow and inefficient state-run taxation system. This system proved to be an interesting method of financing public expenditure, given that the crown could now exercise control over the structure of its revenue in advance. At the same time, such a system made it possible for the private citizens who benefited from these exclusive agreements to accumulate great profits. This rather belated example of Portuguese mercantilism confirmed the conditions that were inherent in the functioning of a system of exchanges and alliances between the crown and the private traders which brought benefits to both parties, as was suggested by the hypotheses contained in the rent-seeking model (Ekelund and Tollison 1981).
Certain productive sectors were also targeted in the creation of these monopoly structures. This was the case with the Companhia Geral da Agricultura e Vinhos do Alto Douro\(^1\) (created in 1756) – with obvious implications for the production and marketing of the famous Port wines that were destined in particular for export to the English market – and the Companhia da Pesca da Baleia\(^2\) (in 1756), which was based in the Algarve. In all these cases of monopoly agreements and practices, with the concession of exclusive trading or production rights, there was clear evidence of an economic policy that had been conceived by Pombal with the aim of endowing the state with greater economic power and, above all, guaranteeing the individual economic agents shared opportunities without the risks inherent in the system of free competition.

However, it was in the field of industrial policy that this overall vision of a model for state-led economic development was most notable. The creation of a broad manufacturing sector directly administered by the state (especially in the production of textiles, silk and woollen fabrics), the concession of exclusive manufacturing rights for long and renewable periods of time, the awarding of export incentives and bounties, the restrictions and bans on the import of manufactured products, the stimulus for the training of skilled labour, in short the customary sequence of protectionist measures intended to bring equilibrium to the balance of trade; all of these were systematically introduced throughout the period of Pombal’s government. Their successful implementation was greatly helped by the institutional capacity of a co-ordinating body specifically conceived for the purpose – the Junta de Comércio\(^3\) (in 1755) – whose job was to receive and give guidance to all the processes relating to the development of commercial and industrial activities.

One of the main consequences of the mercantilist economic policy pursued by Pombal was the attenuation of Portugal’s situation of external dependency in relation to England, which greatly contributed to Pombal’s being forever remembered as the heroic defender of national interests in the field of economic development. But Pombal’s political enemies were above all internal ones.

After the death of the king, Dom José I, in 1777, Pombal fell rapidly into disgrace and those who had been the victims of his political actions regained the rights which they had lost, together with their social status. And it was against this background of political animosity that a wave of protest and antagonism was to rise up against his markedly mercantilist economic policies. What is curious, however, is that the most noted authors in this critical movement were precisely those who had enjoyed the benefits of the enlightened education provided by the Marquês de Pombal himself through the reforms which he introduced to higher courses of study at the University of Coimbra. Pombal could not have remained unaware of the winds of intellectual change which were blowing across the Europe of the Enlightenment, even though he was not to suspect that such winds would also bring with them a great storm which would in turn lead to the overthrow of his model for economic development.
THE ROYAL ACADEMY OF SCIENCES AND THE EMERGENCE OF PHYSIOCRATIC INFLUENCES

Criticisms of Pombal’s policies had two main strands. One was that he had neglected agriculture, implementing an industry-led economic policy that had foundered due to stagnation in the agricultural sector. The other was that the prevailing intervention of the state had hampered and constrained the actions of individual economic agents. These powerful criticisms made Portuguese authors receptive to arguments formerly developed by the French physiocrats. Such an influence had been felt since the beginning of the 1780s, and the Royal Academy of Sciences of Lisbon was the main centre for its diffusion. This institution was particularly receptive to the spirit of the Enlightenment with respect to the spreading of scientific knowledge to the general public and the changing of scientific discoveries into objects which could be consumed by a wider audience. The founding members of the Academy were very much concerned with pedagogical issues and practical problems, which certainly explains the travels and inquiries they made in their attempts to provide an exact description of the economic and social situation of the kingdom.4

In 1789 the Academy began publication of a five-volume set of economic transactions (Memórias Económicas 1789–1815). Their main concern was to study the economic resources of the kingdom and its colonies – Brazil being the most important one – and to propose technical and political projects and programmes for improving their allocation.5 The authors gave special attention to the agricultural situation and to the reforms they felt were indispensable for its improvement. Among their main concerns were the discovery of gradual solutions for easing the burden of the still existing seigneurial structure of land use and property, the removal of barriers to the unification of the internal market and the reform of the tax system of the ancien régime.

Conventional wisdom in the Portuguese historiography of economic thought takes it for granted that the Memórias Económicas exemplify the influence and assimilation of physiocratic ideas. However, this claim must be qualified, because the spread of physiocracy outside France cannot be regarded as a simple diffusion of ideas and doctrines based on the overwhelming importance of land and agriculture. In fact, physiocracy is a school of thought which enjoys a rare homogeneity, and, during the course of a fairly short period, it set out to reflect upon the state of the French monarchy and put forward solutions for its economic, social and political regeneration. Its main features may be classified under three main inseparable categories: (1) a set of philosophical, ethical and doctrinal bases underlying its overall system of thought (the philosophy of natural law, which serves to explain the origin of property rights and the legitimacy of the action of the sovereign or legal despot and the ethics and doctrine of individualism and economic liberalism); (2) a set of concepts and procedures for analysing the operation of the economic system (surplus/produit net, capital/avances, circular flow, classes, reproduction, equilibrium); and (3) a set of short- and long-run guidelines for economic policy, designed to bring about the complete prosperity of the
‘agricultural kingdom’ (the priority given to the development of the exclusively productive sector of wealth, the removal of obstacles to the smooth running of markets, the single tax system, the directing of the expenditures of proprietors). This last set of guidelines is usually the main cause of the confusion between agrarianism and physiocracy, which leads to a misunderstanding of the real significance of the work of Quesnay and his disciples.

Writing a few years after the meteoric rise of the physiocrats, Portuguese academicians were naturally receptive to arguments about the sterility of non-agricultural sectors, and they were familiar with the concept of net product. They were also inclined to adopt the ideas that capital requirements could be regarded as different kinds of *avances*, crucial to the creation of wealth, and that some kind of *impôt unique* policy could reform the multiple and unfair taxes of the *ancien régime*. But despite their acceptance of some of the main tenets of physiocracy, they did not grasp the general framework of Quesnay’s *Tableau Economique* (1759), namely the understanding of the ‘economic process as a circuit flow that in each period returns upon itself’ (Schumpeter 1954: 243) and the presentation of economic activities as flows of income between three different social classes (productive class, proprietary class and sterile class).

Domingos Vandelli, an Italian who lived in Portugal from 1772 to 1810, was prominent among the authors who advocated economic reforms in keeping with the ideas of the French physiocrats. He had been one of the main supporters of the reform of the University of Coimbra in accordance with the ideas of the Enlightenment, and he became the main activist in the economic endeavours of the Royal Academy of Sciences of Lisbon. He wrote the only text in the *Memórias Económicas* that attempted a systematic assimilation of physiocracy on the basis of underlying abstract principles (Vandelli 1789). His presentation centred on two main ideas: that the origin of wealth is to be found in production, not in commerce; and that a successful economy requires a market, free of external constraints, where the value created in production may actually be realised. But the greater part of his writings was basically empirical, concerned as he was with the need for an improved knowledge of natural resources and of the problems that prevented their full and effective use (see Serrão 1994). Thus Vandelli joins a large group of minor (frequently anonymous) authors for whom the physiocratic approach was but an instrument and a pretext for criticising earlier mercantilist policies.

We may then conclude that physiocratic influences in the *Memórias Económicas* of the Royal Academy of Sciences of Lisbon are apparent only in the authors’ advocacy of the principles of *laissez-faire* and individual economic freedom. Their agrarianism was neither founded on nor supported by a theoretical argument and was basically the expression of their strong desire to change the old-fashioned features of the *ancien régime* economy and society, for it was in agriculture that the anachronisms that hampered economic development were most visible. Their lack of concern with industry was due more to their dissatisfaction with the policies put forward by Pombal than to any theoretical disagreement about the sources of wealth.
One last issue will also deserve our attention, specifically related to the spread of the physiocratic doctrine of legal despotism. In the meantime, some additional remarks need to be made on the opportunity and effective possibility of achieving the proposed reforms.

**POLITICAL AND FINANCIAL CONSTRAINTS**

In the plans and projects for reform put forward by those associated with the Royal Academy of Sciences of Lisbon, one can note the existence of arguments in favour of a greater freedom of action for individual economic agents. Freeing them from the constraints imposed by the state’s excessive power of intervention was seen first and foremost as a means of promoting private interests, but the same arguments also led to an exaltation of the virtues and potentialities of individual human action as the best means for promoting the general welfare of society. Consequently, the reforming spirit of the *Memórias Económicas* proposed the solution of structural problems as well as the surmounting of anachronistic situations which still remained from the society of the *ancien régime*. We can therefore understand that the first echoes of the French Revolution of 1789 had a certain positive influence in Portugal, namely in regard to the problem of abolishing feudal rights.

However, despite the espousal of the ideals of economic freedom, the plans for alternative models of agricultural production, the arguments in favour of the privatisation of the state’s manufacturing business and the demands for a greater opening up of the internal and external markets, the political institutions of the system of absolute monarchy were never actually called into question. The liberal inspiration in economic affairs did not extend to the sphere of political organisation: the main concern of the authors from the Royal Academy of Sciences was not with causing the overthrow of the regime but rather with finding moderate instruments of reform that might serve to bring about its *aggiornamento*.

There is nothing paradoxical about this situation. On the contrary, it un-equivocally demonstrates that, within the framework of the societies of the *ancien régime*, economic change could be conceived of and incorporated into the established order without any prior modification of the political system.

Yet this type of moderately reformist attitude limited the success of certain programmes of action that were put forward throughout the last decade of the eighteenth century. Indeed, the desire for change and progress could only meet with the approval of the more enlightened members of the court and government if the practical realisation of such programmes did not call into question the basic structures of absolute power, nor endanger the prevailing equilibrium in political, institutional and social matters. This further explains why the main proposals for economic reform came from the printing presses and debating halls of the Academy of Sciences, an institution which was unequivocally protected and sponsored by the enlightened absolute power. In short, the critical awareness of the anachronisms of the economic and social structure of the *ancien régime* did not mean that the solution to the problems and obstacles existing at the institutional and political level was immediately within reach of those who dared to premeditate the changes that needed to be carried out.

We can therefore anticipate the conclusion by saying that the attempts made to introduce economic and social change at the end of the eighteenth century were an essential step
towards the gradual formation of a new mentality which would, however, only truly flourish after the liberal revolution of 1820. During the period under study here, the plans for political adaptation or renewal were either very tentative or practically did not exist at all, a situation which can in fact be understood quite easily if we bear in mind the climate of hostility existing towards everything that might have connotations with the French Revolution, everything that called into question people’s obedience to the throne or the altar.

The news and rumours that were beginning to arrive in Portugal about the Jacobin experiments during the Terror caused elementary precautions to be taken which might in some way prevent the occurrence of such grievous events in Portugal. Thus, from 1793 onwards, the political and diplomatic alignment of the Portuguese government was clearly opposed to French expansionist policies. Such circumstances necessarily involved high costs for the defence and safety of the territory, which in turn led to serious financial problems for the country. This is a subject which requires a little more attention on our part.

And once again it is the work of Domingos Vandelli which must be invoked in this context. In fact, in a series of texts published between 1796 and 1797 (see Vandelli 1994), this author presents and discusses the financial consequences of the Portuguese participation on the side of Spain in the war which, from 1795 onwards, pitted the French and Spanish against each other along the Pyrenean border. According to Vandelli, the high costs of this participation and the difficulties experienced by the Portuguese crown in finding suitable means for financing the war forced Portugal to reconsider its strategy of alignments and the political and diplomatic choices which were simultaneously involved in its relations with Spain, France and England. His views on this subject led him to propose the signing of a lasting peace agreement with France and to renounce the specific terms of the treaties of friendship and alliance with England which caused Portugal to be involved in the military conflicts that were taking place at that time. Vandelli was particularly alert to the dangers of Jacobinism and the need to prevent the spread of what he classified as a ‘contagious disease’. But he was also aware of the extremely vulnerable situation of Portugal as a result of its traditional and lasting alliance with England. Despite the fact that his strategy of impossible neutrality was thwarted by the pro-English stance of the Portuguese government, Vandelli’s warnings about the risks and financial difficulties of such an option had a notable impact at the time.

The author who effectively continued to voice these financial preoccupations was D. Rodrigo de Souza Coutinho, especially during the period when he served as President of the Royal Exchequer between 1801 and 1803. Curiously, Souza Coutinho was also the main promoter of the political and diplomatic strategy of alignment with England, which demonstrates that their different positions in regard to international alliances did not prevent Vandelli and Coutinho from sharing identical opinions as to the need for reforming the financial structure of the state. What were these reforms?

Firstly, what was needed was a rationalisation of the taxation structure, seeking to obtain gains in efficiency which would result in a significant increase in revenue. At the same time, it was proposed that the crown’s superfluous expenditure should be reduced. The preparation of annual budgets or, as they were called at the time, ‘preventive balance sheets’ was another measure that was considered essential for the good management of public affairs. In relation to the specific case of increasing the crown’s revenue, in view of the need to finance the
increases in military expenditure, Vandelli and Coutinho suggested the privatisation of some of the state’s manufacturing businesses, the abolition of monopoly agreements with prices that were much too low and even the sale of some of the estates belonging to the crown and religious orders. Another aspect which merited the careful attention of Souza Coutinho was the need to guarantee the credibility of the fragile public debt system and to control the circulation of paper money, the excessive and fraudulent supply of which was causing inflationary pressures and preventing it from fulfilling its role as an auxiliary instrument of trade and a factor of acceleration in the velocity of circulation of money.

Diplomatic pressures and the overall financial situation required a postponement of the structural reforms of the economy and society of the ancien régime. These represented yet further difficulties to be added to the obstacles created by maintaining the political order of enlightened absolutism. Close reading of texts from this period at the end of the eighteenth and the beginning of the nineteenth century suggests, however, that these imagined political obstacles were far from being considered as such by the authors most noted for their diagnoses of pressing economic and social problems. The attempts that were being made to achieve the philosophical and doctrinal legitimation of a political regime that was opposed to the experiences of the French Revolution therefore proved to be of particular importance. It will be worth our while to look at this subject in more detail.

NATURAL LAW, SOCIAL ORDER AND LEGAL DESPOTISM

In this section we shall return to the analysis of physioctratic influences in Portugal, focusing on their doctrinal and political contents. We shall try to account for the existence in Portugal of a climate that was particularly receptive to the concepts of natural law and legal despotism peculiar to the French physiocratic school. The somewhat tardy protagonist of this receptive spirit was Joaquim José Rodrigues de Brito. By studying the work of this author (Brito 1803–1805), it is also our intention to point out certain peculiarities behind the belated emergence of political economy in Portugal.

The philosophy of natural law and the political doctrine of legal despotism are two indissociable ingredients of the rhetoric that both identifies physiocratic thought and accounts for its fame. The idea that man possesses a natural right ‘to the things pertaining to his own enjoyment’ is the opening motto of the text which François Quesnay devoted to this issue (Quesnay 1765).

In keeping with the tradition inherited from the natural law systems of seventeenth-century thought (with particular reference to the contributions of Pufendorf, Grotius, Hobbes and Locke), the problem that Quesnay and the physiocrats try to explain consists in determining whether or not the transformation of natural law into positive law (in other words, the act of relinquishing a hypothetical state of nature and the comparable formation of the civil society) constitutes a loss of pre-existing prerogatives and rights. According to Quesnay, positive law does not restrain, but on the contrary increases, the scope and context of natural laws. Therefore, men gathered together in society voluntarily and rationally agree to be governed by adopting a juridical framework made up of positive laws, the legitimacy
of which results from their respect for and the safeguarding of the natural laws which determined them and existed before them. Such natural laws are the very cornerstone and essence of the exercise of political sovereignty, whereby positive laws are afforded the possibility of instituting a social order which entirely satisfies the countless individual aspirations.

Quesnay may thus conclude his reasoning by arguing in favour of the central role played by the sovereign, whose place it is, above all else, to interpret the evidence of the natural laws and ensure their enforcement and conversion into positive laws.

This framework of thought embracing the development of the doctrines of *jus naturale* and legal despotism was quite widespread in several European states in the late eighteenth century. Such a spirit acted as a powerful ideological and political antidote, generating immunity against the epidemic currents of the French Revolution.

As analysed in the previous section of this chapter, Portugal was one of the countries (together with Russia, Prussia, Austria, Spain and Southern Italy) where there was a strong tendency to preserve the social and political order of the *ancien régime*, while, at the same time, a certain desire to improve and modernise the economy was being reinforced. Thus, in Portugal there were internal reasons and intrinsic conditions favourable to the dissemination of an organic discourse that could provide some coherence to the economic plans for gradual, controlled reform.

Among the most representative Portuguese authors of this tardy though opportune assimilation of the political element of physiocratic thought, one name is worthy of special note: J.J. Rodrigues de Brito.

The starting point for the reflections offered by this professor of Law at the University of Coimbra in his only written work (Brito 1803–1805) is the relatively immature condition of moral and political sciences; in other words the state of infancy of the sciences that attempt to interpret and understand the relations that men establish among themselves and within the society they inhabit. Responsibility for the immaturity of these studies, when compared with the progress made in the exact sciences, is attributed to institutional reasons; in more concrete terms to the inconstant nature of the legislative and governmental systems. Consequently, the aim that Brito sets out to achieve is that of drawing up precise guidelines through ‘evident principles’ which will lead to social harmony, prosperity and progress.

The author’s fundamental concern is to provide a standard framework that is stable enough to guarantee order and the regeneration of social institutions. This craving for stability is thus twofold: on the one hand a stability of principles and, on the other hand, a stability of organisations, whose perfect operation depends on such principles.

Despite the insistent manner in which Brito talks of the ‘evident principles’ and the ‘rigorous analysis’ which determines them, and despite his avowed preference for empirical and inductive methodological procedures, it is clear that such principles are assumptions inherent in the dogmatic belief in a divine natural order that fosters social stability. Therefore, natural order acts as an *a priori* revelation of the harmony sought for social organisation,
which in turn is regarded as ultimately responsible for the meaning that individuals and institutions attach to their actions.

In this context, Brito defines the process regulating the natural order of things through a system of natural law composed of ‘all the collections of rules of ordinary conduct of all men, of all nations, and of all their chiefs and representatives, or all the obligations and ordinary offices towards God, ourselves and others, in whatever estate we may be’ (Brito 1803–1805: VI, §131). And from this definition he sets out to lay down the limits of the different branches or sub-divisions of natural law, among which he chooses the sub-system of political economy as the one that should prescribe the drawing up of positive laws, which should, in turn, match the evident lofty designs of the pre-established natural order.

Before stressing this conception of political economy as the cornerstone of legislative and governmental actions, in other words, as the ‘shining beacon, the steady star, that should lead legislators to their lofty destinies’ (1803–1805: VI, §215), we should perhaps dwell a little longer on the thoughts of the author concerning the essence of the sovereign’s function. Bearing in mind the characteristic frame of reference of the doctrines of natural law and legal despotism, one finds in Brito a clear disavowal of the contractualist conceptions concerning the origin of civil society. For the Portuguese author, the explanation for the sovereign’s performance of political functions lies in the natural process of the social division of labour. Concerned as he was with the need for cohesion and order in social institutions, Brito presupposes a set of functions that should, of necessity, be fulfilled if such prerequisites are to be secured: individuals are thus implicitly required to perform a variety of services (of an economic, educational or political nature) to enable their individual skills or capacities, which are obviously different, to contribute to the satisfaction of a collective happiness, ‘each developing their talent in their respective professions’ (1803–1805: VI, §54). In other words, if men fulfil the roles that social institutions allot to them in accordance with the vocational or training attributes they possess, the balanced operation of society shall be assured and individual interests shall be safeguarded. Thus, for Brito, the division of labour is a type of natural law that regulates the life of men in society, outlining spheres of action and creating among them reciprocal relations of dependence and solidarity. The division of labour not only has an economic dimension or meaning, but is something that embraces and determines all human actions indispensable to social life.

This non-exclusively economic conceptualisation of the division of labour acts as an interesting argument for legitimising the state in its enlightened absolutism, determined by an assumed, embracing, majestic natural order. It is the function of the sovereign, endowed as he is with the capacity to disclose the evident mysteries of the natural order of things, to make this order intelligible and tangible, to decide its principles and laws and instil in them a positive quality capable of regulating social life.

In developing his ideas, Brito displays a certain consistency with physiocratic thought, namely in his upholding of the legitimacy of the exclusive exercise of power and authority by the sovereign or legal despot. There is, however, one aspect in which Brito not only reveals his acceptance of and adherence to the doctrinal framework of physiocracy, but also succeeds
in clarifying and accounting for a problem which in the texts of Quesnay and those of the French économistes was only tacitly acknowledged: that of regarding the laws of political economy as constituent laws of a broader system of natural law.

Like the physiocrats, Brito maintains that economic phenomena and mechanisms are subject to specific natural laws which no legislative or governmental system may change or oppose. The role of the political corpus is precisely to reveal the evidence of such laws and transform them into universally respected positive rules. His considerations also coincide with the physiocratic arguments that highlight the sovereign’s mission to ensure a thorough knowledge of the natural laws through the development of public instruction.

The novelty may be found in the explicit assumption that the laws of political economy are in fact the explanatory key to the behaviour of the sovereign, in view of the fact that his fundamental aim is to obtain and promote the wealth and prosperity of the nation. It is an economic aim par excellence, which carries with it and co-ordinates other internal and external governing aims, as

political economy [is] the class of natural law that strives most earnestly to secure for us and to augment in us this happiness, increasing forthwith the means of our defence, and to cause nations to respect our laws, and straightway forestalling vices, and crimes by providing substance in abundance and available to all citizens.

(1803–1805: VI, §172)

PHYSIOCRACY AND THE EMERGENCE OF POLITICAL ECONOMY

The same methodological artifice that leads Brito to consider that the system of natural law should be regarded in the light of its principle or fundamental basis, in other words the sub-system of political economy, also causes the author to state the need for a guiding principle for this sub-system. And in his opinion, agriculture should play this role, ‘as it is the one that produces all goods, which serve to feed and clothe man; and which when sold by means of commerce produce the most solid wealth of nations through their solid consumption and great value; and at the same time they sustain army, navy and State’ besides the fact that ‘from the land are annually born new products that were not to be found before; and they shall never cease, whilst the hand of man assists them’ (Brito 1803–1805: I, §§20 and 44).

In expressing his preference for the agrarian system, Brito does not do so in absolute terms, and recalls that ‘the State is not made up of agriculture, and manufactured goods alone, but of infinite branches that link up and support each other, and compete, and can, in some cases, contribute to greater wealth and prosperity’ (1803–1805: I, §21). His basic concern is to determine levels of priority in the light of a guiding principle and strategy to direct the economic government of the kingdom.

The privilege granted to the development of the agricultural economic sector, duly complemented by the upholding of economic policies bearing the clear stamp of laissez-faire
ideology, is the most immediate manifestation of Brito’s attachment to physiocratic thought. But this was, perhaps, the decisive feature that led contemporary Portuguese authors of the time, besides commentators of his work as a whole, to proudly label him the true representative of this school of economic thought in Portugal. However, the ‘accusation’ is not entirely justified if we give due consideration to the critical handling, or the absence of such treatment by Brito, of the analytical and conceptual instruments peculiar to the physiocratic approach.

In fact, the distance separating him from Quesnay and his disciples is clearly supported by the observation of certain omissions or absences in his book: there is no lengthy exposition of the economic circuit and its implications in the analysis of the annual production and reproduction of the wealth produced, just as there are no references in any way consistent with the elementary concepts that made it possible to create globally the physiocratic vision of the working of the economy. One should also add that in the area of economic policy referring to taxation, Brito has some reservations in accepting the argument for a single tax, which is unquestionably one of the hallmarks of the school of the économistes. Finally, one should consider the critical manner in which he acknowledges the principle of the exclusive productivity of agriculture.

Though Brito recognises that ‘only the land is more capable of unquestionably augmenting the mass of valuables and exchanges, of political value’, or moreover that ‘the wealth of a kingdom does not therefore consist of specie, but a sum of net products, which annually exceed consumption, or else have exceeded it for many years’ (1803–1805: V, §§ 145 and 150), he tries to relativise the extent of physiocratic theory on the origin of wealth. In fact, he clearly admits that by ‘exaggeratedly claiming that money, trade and the arts were sterile’, the physiocrats wanted above all to demonstrate that ‘the products of the arts, albeit very useful and indispensable in a kingdom . . . are at times absorbed by the values of raw materials, and of labour, without augmenting the mass of valuables’, and that ‘home trade, which is so useful and necessary, only causes the mass of wealth to change hands’ (1803–1805: V, §145). We may therefore see in Brito an attempt to fit in with and rehabilitate the physiocratic theses, at a time when, among enlightened European public opinion, acceptance of the principle of the exclusive productivity of the land was very remote or practically non-existent.

From what has been presented above, one may thus conclude that, in theoretical and analytical terms, Brito’s assimilation of the physiocratic discourse is meagre and limited, which enables one to strengthen the argument that the Portuguese author is far more attached to the political and ideological doctrination associated with the systems of natural law and legal despotism that fit in with and implement the natural laws of political economy.

Let us now succinctly recall the logical sequence of the exposition of subjects found in the work of J.J. Rodrigues de Brito.

The state of disorder in moral and political sciences, allied to the instability prevalent in the general organisation of society, calls for the urgent re-establishment of conditions
conducive to a desirable harmony. Recourse to a supreme body, explicit in the concept of a
divine natural order, allows one to presuppose that this harmony exists and that it only
remains for men to discover the laws that govern it. The system of natural law prescribes the
operations that the actual social institutions should respect, and it is the role of the appointed
government to lead men in the search for and fulfilment of a project that is embodied in its
very nature. Though conceived as a whole, the system of natural law should, however, be
contemplated in accordance with a supporting principle providing cohesion to its different
components, whose role should rest with the sub-system of political economy. Therefore, as
it is the task of the sovereign to transform natural principles into positive laws, the political
system of legislation and government should, above all, act in accordance with the rules
referring to the economic action of men. As such action is not uniform, the sovereign’s role
should be performed while bearing in mind the diversity of fields in which economic action
proceeds, though he should not be oblivious of the need to set priorities and distinguish
hierarchical paths that will enable him to obtain better degrees of prosperity and wealth. In
other words, the sovereign should choose the basis or principle ‘which should be considered
as primary, and fundamental, whose characteristic note is that it be the most vast, powerful,
infalible, constant, useful, and the most capable of satisfying the legislator’s goal’ (1803–
1805: I, §13). And Brito’s analysis naturally leads to the choice of agriculture as the strategic
sector of economic activity and, thus, the focus of the sovereign’s attentions.

In Brito’s systemic vision, the natural laws of political economy assume a fulcrum position.
It is they that convey the existence of a natural order of things, it is they that combine and
materialise in the forms of economic and social organisation of the ‘agricultural kingdom’.
This scheme of reasoning is subject to the influence of different forms of discourse, among
which should be highlighted the vision provided by the French physiocratic school. As we
have attempted to substantiate above, it is an influence that is particularly noticeable in the
sharing of the same type of doctrinal and philosophical principles.

The organisation of Brito’s economic discourse is subject to the previous assumption of
an essence that is peculiar to evident natural order and the laws which govern it. In other
words, the autonomous nature of his economic discourse is strongly conditioned by the
surrounding framework of the system of natural law, whose most important component is
political economy. Therefore the autonomy of the discipline known as political economy is
sacrificed to the attributes of a transcendent natural order which, in the last resort, regulates
economic and social life.

At the beginning of the nineteenth century in Portugal, the designs of institutional change
and economic reform could not be undermined by the outrages against stability and the
‘natural’, social and political order which characterised the ancien régime. For this reason
the favourable reception that the physiocratic discourse continued to enjoy in this country
was only too natural, and the message which had already become obsolete in other
environments was both timely and active. And in the case of Portugal some of the basic
structural elements of this discourse – the philosophy of natural law and the doctrine of legal
despotism – were in fact the ones that, albeit in a narrow way, called for an independent status to be given to the science of political economy, while the explicit adherence to the undeniable and greater modernity of the message of Adam Smith was avoided and postponed. However, this does not mean that Smith’s work was not known in Portugal at that time, as we will see in the next section.

**THE INFLUENCE OF SMITH**

As with physiocracy, Adam Smith’s work only became influential in Portugal after a considerable lapse of time. The first Portuguese reference to Smith came fifteen years after publication of the first edition of the *Wealth of Nations*, and there is no earlier indirect evidence of any acquaintance with his work, however slight. In this first reference (Vilanova-Portugal 1791), the Portuguese author only refers to Smith in passing, to support the idea that the entail of property created difficulties for agricultural development. It should be noted that this reference to Smith is somewhat gratuitous, as there were physiocratic arguments that the author could have used to support a greater degree of freedom in the land market.

In a few texts written between 1792 and 1802 we may also find scattered references to the *Wealth of Nations*, nearly always concerning the division of labour and freedom in production and trade. The increasing audience for *laissez-faire* ideas was a strong incentive for a wider diffusion of the *Wealth of Nations*. Thus Smith’s influence went hand in hand with other simultaneous influences demanding greater freedom of action for economic agents and criticising the obstacles to efficient resource allocation (corporation laws, import prohibitions, excessively high duties, exclusive privileges, monopolies, bad communications, high local taxes, etc.). This continuity in the diffusion of both physiocratic and Smithian influences on the Continent strengthened the ultimate dominance of Smith’s work:

> The physiocrats helped to pave the road for the success of the *Wealth of Nations* while they lost the capacity to obstruct that success to any important degree. To some extent, at least, Adam Smith profited immensely by the general spread of their ideas, since what he offered was or worked itself out as the direct continuation and refinement of the physiocratic doctrine.

(Palyi 1928: 199)

During this first period of the spread of Smith’s work in Portugal (i.e., between 1792 and 1802), one should bear in mind an author who took from Smith more than a simple message of *laissez-faire*: D. Rodrigo de Souza Coutinho, to whom we referred earlier. While responsible for the Exchequer (between 1801 and 1803), he dealt carefully with the problems arising from the circulation of paper money, which had started against his advice in 1797, after an unsuccessful attempt to create internal public debt. The sharp depreciation of paper
money, and the public’s rapid loss of confidence in all financial operations of the court were justification enough for making Coutinho try to implement a coherent programme of financial restructuring. Among the main items in this programme were the establishment of a bank, the gradual withdrawal of existing paper money, the running of a carefully administered internal public loan, rigorous adherence to the rules and dates of loan repayments, reform of the tax system, reduction of superfluous public expenditure and the rationalisation of local and central financial institutions.

In his writings and official reports on some of these subjects, Coutinho shows an acquaintance with the *Wealth of Nations* – and he strongly advises that it should be read – especially when he discusses the advantages and disadvantages of the circulation of paper money. And on this topic he is sometimes more circumspect than Smith when he refers to precautions for controlling the amount of paper money in circulation and when he presents his recommendations for guarantees of convertibility. The very same precautions and recommendations were also being discussed at the time in Spanish economic literature (see Smith 1957 and Marugan and Schwartz 1978). A new phase in the spread and acceptance of Smith’s work began in 1803. From that point on, the *Wealth of Nations* was no longer merely mentioned or cited as an example of recommendations for financial or economic policies, but was read and studied as a body of analytical ideas. Nevertheless, Portuguese authors were not impressed by Smith’s general theoretical system, being mainly interested in his theory of value and prices. The author described earlier as one of the main followers of the physiocrats (Brito 1803–1805) was also the first author to discuss some of the more theoretical parts of the *Wealth of Nations*. After presenting his own concept of ‘political value’ – through which he attempted to discover an objective criterion for choosing the system of legislation which should be primarily supported and performed by the sovereign – Brito discussed the problem of value in economic terms. Essentially he believed that the major sources of the value of material goods are use, labour and competition. This last source seemed to be ‘the ultimate and most powerful cause’ (Brito 1803–1805, III, § 5), because he considered that the evaluation that buyers and sellers make of the utility and need of a good is more important than the objective labour it contains or commands.

At this point Brito chooses to devote a whole chapter of his book to refuting Smith, accusing him of considering labour as the only (or at least the main) source of value. In addition to the influence of the subjectivist tradition inherited from Scholastic thought, and notwithstanding the influence of Condillac, Brito finds in the French economist Nicolas-François Canard (1801) the main inspiration for his critique of Smith. He gives particular attention to Canard’s concept of ‘latitude’, contained in the formula \( P = S + BN/(bn+BN) \times L \), where \( P \) is the market price, \( S \) is the natural wage, \( BN \) is the needs-and-competition of the buyers, \( bn \) is the needs-and-competition of the sellers and \( L \) is the latitude of the market. The meaning of this theoretical device may be summarised in the following way: at the beginning of a trading operation between a buyer and a seller there is a difference in the price that each of them is willing to receive or to pay. This difference is called ‘latitude’ and there will be a dispute between both market agents, each of whom is trying to control it for his own benefit.
The final aggregate advantage obtained, whether by the buyers or the sellers, is determined by the intensity of the ‘needs-and-competition’ of the parties involved. Despite the inaccuracy of this attempt to use a mathematical approach to the theory of value and prices, it none the less provides a general idea of how the interaction of economic agents leads towards a market equilibrium solution.

Following this line of thought, Brito arrives at the conclusion that the wishes, capacities, wills and power of the various market participants determine the prices at which goods are bought and sold in the market; and these prices are conceived as the real and ultimate expressions of value.

However, when he attempted to find additional arguments for the idea that competition is the main explanatory cause of value, Brito contradicted his former explanation and came closer to the ideas of the author he was criticising. He accepted Smith’s distinction between natural and market price and, although he was unable to express it very clearly, he recognised that natural price is ‘the centre of repose, the central price to which the prices of all commodities are continually gravitating’ (Smith 1776: I, vii, 15). Nevertheless, he differed from Smith on the idea of equilibrium. For Smith, it is the spontaneous and self-correcting market mechanism that ensures equilibrium, whereas for Brito it is the role of the ‘wise government’ that ensures there is no lasting disequilibrium between supply and demand, i.e., the natural order requires the presence of an entity that prevents prices from being determined by ‘uncontrolled whims and opinions’ (Brito 1803–1805, III, §11).

SMITH IN THE SHADOW: A THEORETICAL PRETEXT FOR ECONOMIC POLICY DEBATES

One year after the publication of the first two volumes of Brito’s work, José da Silva Lisboa published a book, a large part of which (roughly one-fourth) concerned Brito’s criticism of Smith’s theory of value (Lisboa 1804). In the following year Brito presented his rejoinder in the introduction to his third and last volume. The question of who was more faithful to the Smithian legacy was the main issue in this remarkable public controversy.

Besides restating the thesis that labour is the source and measure of value and that, in the long run, market and natural prices tend towards equilibrium, Lisboa attacks Brito’s agrarianism and argues that economic development can only take place together with parallel development in other economic sectors. Lisboa believed that the prosperity of the realm depended on the interaction between a great number of activities, and he thus accused Brito of following the work of the physiocrats too closely, which in his opinion had been superseded by Smith’s masterful work.8

Brito replied by saying that Smith was a ‘plagiarist of the physiocrats’ (Brito 1803–1805, Apol., §§5, 10), because he had kept quiet about the contacts he had had with representatives of that school of thought in France. Brito also touched on the role of competition as a determinant of value. However, his main arguments were devoted to justifying the
importance attached to agricultural development, as he regarded the other types of economic activity as ‘very weak sources of wealth, uncertain and not durable’ and unable, by themselves, to ensure the harmony of the global social system.

This was essentially a debate between two authors who had different outlooks on the same external source they were trying to assimilate. Brito’s approach seems to assimilate foreign influences without forgetting immediate economic and social aims; and he takes into account the need to adapt these influences to the Portuguese situation at the beginning of the nineteenth century. Lisboa, by contrast, specifically declared ‘the passion and devotion’ that he feels towards Smith’s book and seems to have been motivated by the purity of a self-contained doctrinaire vision that should not be subject to any correction or adaptation. Lisboa also differed from his opponent in one important aspect that may have deeply affected his perspective: he was writing not in mainland Portugal but in its richest colony, Brazil.

Lisboa’s total acceptance of Smith’s work was not confined to the chapter of his book in which he attacked Brito. In the remainder of the book he attempts a systematic presentation of some principles of the *Wealth of Nations*, and a comparison with what he labels as the minor works of the physiocrats and James Steuart. The reason he gave for his ‘passion’ for Smith was Smith’s clear defence of economic freedom, and his total opposition to any type of restraint on individual action.

Praise for the *Wealth of Nations* also appears again and again in a group of pamphlets Lisboa published in Rio de Janeiro from 1808 to 1810, at a time when a succession of events took place that were to condition the future development of the Portuguese economy and society. As previously mentioned, external policy in Portugal during the Napoleonic wars was guided by the strong alliance with Britain. When Portugal refused to accept the implications of the Continental Blockade and was invaded by the French at the end of 1807, the Portuguese court moved to Brazil. The final expulsion of the French in 1811 was achieved only through the intervention of the British army under the command of Wellington. The long-lasting alliance had ensured the survival of one of the oldest nation-states of Europe; but there was a price to be paid.

The opening up of the ports of Brazil to the ships of ‘friendly nations’ (which occurred in 1808), the cancellation of the prohibition against the establishment of manufacturing industries in Brazil (also in 1808), and, above all, the Anglo-Portuguese trade treaty of 1810 completely destroyed the old-style mercantilist relations between Portugal and her most important colony. Brazil was not only the provisional location of the court, it was also the axis of a new model of economic development based on ‘sane and liberal principles of political economy’ that opened up Portuguese economy and put an end to its exclusivity in colonial trade.

Lisboa’s pamphlets of 1808–1810 were not mere paeans to these new economic measures applied in the colony: they expressed the ideas of a Brazilian intelligentsia that was looking forward to autonomous economic development. The pamphlets never mention political independence, and Lisboa seems to have accepted the political direction of the Portuguese
court as giving coherence to antagonistic economic and social interests. Nevertheless, there is absolutely no doubt that the end of the colonial pact played an important role in preparing Brazil for independence in 1822.

The motives that made Lisboa such a wholehearted follower of Smith’s doctrine of free trade thus become understandable: his role as a Brazilian author impelled him to this and justified the insistence with which he used Smith to explain the advantages of making Brazil part of the international division of labour.

Lisboa’s eagerness for the dissemination of Smith’s ideas even spread to his family circle. In fact, his son, Bento da Silva Lisboa, was responsible for the first Portuguese translation of the *Wealth of Nations* (Smith 1811–1812). In his short introduction, the younger Lisboa explained the importance of the translation — though incomplete — of Smith’s masterpiece for understanding the profound changes that were taking place in Brazil. Here again, the acknowledged reason for the significance of the *Wealth of Nations* was the doctrinal instrumentalisation of the principles of *laissez-faire* it contained, taking into account the liberalisation of Brazil’s economy. And it should be added that the immediate impact and circulation of this translation in mainland Portugal was practically nil.

**FROM ECONOMIC LIBERALISM TO ECONOMIC REFORM**

After this survey of the Portuguese economic literature between 1776 and 1810 that dealt with the spread and influence of the economic ideas developed by the physiocrats and Adam Smith, some concluding remarks may be necessary.

Firstly, it is clear that Portuguese authors did not fully grasp the theoretical and analytical structures of mainstream European economic thought in the second half of the eighteenth century — except perhaps episodically. Although statements appear in their works about the importance of studying political economy, they do not seem to have clearly perceived the role of this new science in understanding and explaining economic reality. They saw political economy as an ancillary part of the ‘art of government’. The links that they established between political economy, the natural sciences and the philosophy of natural law illustrate the difficulties experienced by economic discourse in achieving autonomous scientific disciplinarity. However, these links also clearly indicate the areas of intellectual knowledge from which political economy in Portugal would later spring.

Secondly, Portuguese assimilation of the ideas propounded by the physiocrats and Smith took place mainly in the realm of doctrine. The principles of *laissez-faire* were used as an argument against the excessive influence of the state on the economy, and as a slogan for a programme of gradual reform of the institutions of the ancien régime. These reforms were not meant to attack the political basis of the established system of enlightened despotism. The ideals of economic liberalism inspired changes but were primarily conceived as instruments designed to increase social cohesion.
Thirdly and finally, the doctrinaire nature of the assimilation process makes it difficult to draw a clear-cut distinction between Portuguese authors and the sources that inspired them, insofar as the original message was filtered for non-scientific purposes. They may have expressed a more or less explicit inclination towards the physiocrats or Smith, but they never acknowledged a general acceptance of all the economic ideas that make those types of economic thought coherent and distinctive. Even on an issue that pervaded the whole literature of the period – i.e., the anti-mercantilist bias – they did not always adopt a faithful stance (especially in the case of authors born outside Brazil who discuss the economic dependence between Portugal and her colonies). Therefore, they cannot be called disciples of those foreign masters, but can only be considered as popularisers of a doctrinal message partially accepted as an instrument for desired reforms."
3 The difficult reception of classical political economy (1810–1850)

OLD AND NEW STRATEGIES FOR ECONOMIC DEVELOPMENT

As discussed in the previous chapter, the initial impact of classical political economy in Portugal, as portrayed in the early work of Adam Smith, was felt in the mental, social, political and economic framework of an ancien régime society overshadowed by various types of threats. In fact, the Napoleonic wars not only dismembered the national economy, but also paved the way to a subsequent major colonial crisis. Furthermore, the ambiguous relationship between the invader and some upper-class groups weakened the social and political trust between the upper classes and the common people, eventually pointing to the need for a liberal revolution. In such difficult circumstances, it was only natural that men should be gradually led to weigh up the possibilities of survival or modernisation strategies.

But despite the adversities encountered, this ancien régime society continued to resist many of the proposals made for transformation, thus inhibiting their potential for change and peaceful adjustment. On the whole, these restraints were due to a combination of two types of factors: (1) on the one hand, the power of the vested interests that felt themselves to be threatened, and thus caused those concerned to do their utmost to obstruct any attempts at change that were unfavourable to them; (2) on the other hand, the very inertia of a status quo that, though only vaguely felt to be harmful, was still standing firmly enough on its feet to offer its ideologists some room in which to manoeuvre.

Therefore, although the entire élite was fully aware of the pressing need to introduce changes likely to ensure the survival of the whole society, it was equally true that there was no clear agreement as to the nature of the most appropriate measures to be taken. There was, however, the conviction that, whatever the type of changes, they should be smooth and carefully considered, and as discreet as possible, to avoid causing any excessive damage to the edifice they were intent on reforming or consolidating.

For this reason, the reform of Portuguese society became the major focus of reflection for all those enlightened by scientific, political and philosophical thought. Facing a truly embroiled situation, many people considered themselves capable of improving society, by proposing new solutions for its development.

It was against this confused, divided background that the Smithian classical economic discourse made its public appearance. Among the various discursive practices that were
tested, among the various projects taking shape and being discussed, what we feel to be of
particular importance were those projects in which one could already perceive a significant
economic component – in other words those wherein it is believed that the answer to the
national problems involves alterations related to the technical, social and/or institutional
framework of the production of wealth – regardless of the fact that this component was or
was not completely and exclusively dealt with in keeping with the theoretical and conceptual
patterns drawn up by Adam Smith in the *Wealth of Nations*.

Following this line of ideas three fundamental sets of transmitters may be identified, from
which one may systematise the various initial projects of economic reform: one already
discussed in the previous chapter, centred around technical and juridical considerations
peculiar to the *Memórias Económicas* of the Royal Academy of Sciences of Lisbon, in some
cases not unlike the tone to be found in physiocratic discourse; another more dispersed
project, though no less coherent for all that, encouraged by intellectuals who, like Francisco
Solano Constâncio, were compelled to live outside Portugal for political reasons and
employed the means available to them in exile to produce a prolific (and critical) literature,
where one occasionally finds traces of economic considerations based on the reading of
classical economists; and a last one that was organised within the actual state institutions
inspired by the protective figure of the Count of Linhares, D. Rodrigo de Souza Coutinho,
which allowed men such as José Acúrsio das Neves and José da Silva Lisboa to find in
Smithian political economy an important source of inspiration and reference in organising
their reflections and proposals.

The very institutional position of these groups determined their activity. Those belonging
to the first two enjoyed a privileged situation with regard to the existing power – some,
insofar as they were in exile, beyond its reach, others because they shielded themselves with
the weight and prestige of the institution that both welcomed and published their works; and
whether it be one or the other, if they were unable to implement the reforms they proposed,
they could at least put them forward and publicly defend them. As for the latter group, their
respective aspirations to careers, along with the information to which they had access, called
for added discretion regarding the public positions they assumed.

It was from the first two types of transmitters that the strongest reasons stemmed and
spread with the dual message of upholding the idea that the future of Portugal depended on
the altering of its agrarian structures, in the form of modernisation, as well as on placing one’s
hopes in them as a priority material basis for the development and modernisation of the
nation and the Portuguese state. Whether through a discourse that depended more on
technical and scientific knowledge or one that was more politicised and philosophical, it was
here that the fundamental reasons were to be found for believing in the both politically and
socially delicate idea that an activity aimed at developing the nation should be embarked
upon by resorting to measures whose prime target was the countryside.

However, regardless of the proximity we may wish to establish between these theses and
physiocratic thought, it seems equally important to bear in mind the notion that the
connection to be found between these poles and a patently agrarian discourse arose from the
type of relationship the latter had with power. Therefore, the unity of economic discourse
championed by the Lisbon Academy of Sciences may be more clearly grasped if we recall the institutional protection it could provide to those authors wishing to tackle the complex issue of the land – from a technical, political and social standpoint – than if we were to work on the principle that this unity is fundamentally due to the sharing of an ensemble of possible physiocratically inspired common points of reference.

Likewise, the presence of the land as the central issue in the discourse of many of the emigrants may be seen more as the result of their physical and ideological distance with regard to power (and of the coexisting difficulty such a power would face if it wished to retaliate or even censure what was said) rather than the actual existence of a real uniformity of sources employed by the various types of authors. An illustration of this kind of discourse can be found in the work of one of the most illustrious expatriates, Francisco Solano Constâncio.1

His commitment to political economy had developed since 1815 when he reviewed a text by Sismondi on slave trade (Constâncio 1815). Here he mentioned the ‘general principles of political economy which, even though generally accepted by almost every modern author, seem to me disputable’ (1815: 71). There were two reasons for his disagreement: firstly because he thought that

in the event that a nation can, in due course and with the help of the progress of arts and a strict parsimony, hope for a decrease in prices, it is better to produce the commodities and materials at a greater cost and lesser profit, supplying each one its own nation, instead of, just for the sake of a momentary saving, becoming a subservient nation.

(1815: 71)

Secondly, he was also critical of the social inequalities brought into being by a system in which ‘the wages of both the skilled and unskilled workers are lower than the cost of necessary goods, just because of the greed of large owners’ (1815: 72). Besides these general problems, Solano Constâncio also revealed a penchant for a mindful study of the Portuguese particularities.

In several thorough reviews published in another journal,2 we can witness his circumspection when dealing with the application of general principles to specific national circumstances. In his opinion, ‘political economy is a practical science, not an abstract one, whose principles cannot be definitely evaluated for they are circumstantial, related as they are to the situation of each particular nation’ (1815: 208). The importance he gave to experience both as a factor of knowledge and as a criterion for action – ‘in the case of free trade, a gram of experience is worth more than a ton of theory’ (1841: 385) – is a necessary part of the empirical and inductive orientation which he regarded as appropriate for the growth of science.3

His thoughts on these matters would be further developed at a later stage, namely when he translated into French two of the most important works of classical political economy: the *Principles of Political Economy and Taxation* by David Ricardo (Constâncio 1819), and the *Principles of Political Economy* by Thomas R. Malthus (Constâncio 1820a).
Discussing Malthus’ *Principles*, he maintains that the true causes of commercial depressions were (1) ‘the extremely unequal distribution of landed property’ (Constâncio 1820b: 193), which was concentrated in the hands of a small number of privileged people; (2) the heavy tax burdens and the low wages in agriculture, which made land use less attractive; and (3) the excess number of people employed in the manufacturing industries, living under the permanent threat of unemployment and poverty, because ‘the consumption of industrial products is increasingly precarious and exposed to thousands of uncertainties and irremediable difficulties, especially when the outlet for such products largely depends on foreign trade’ (1820b: 194). At the end of this article, Solano Constâncio argues for a better distribution of the national wealth and, above all, for ‘a better and more equitable division of property’ that would ‘reduce the number of those individuals whose only property is their own physical labour’ (1820b: 194). This is, of course, a politically meaningful message, to be taken into proper consideration even in the absence of any kind of commercial crisis. Sismondi’s ideas were close to this line of reasoning. For this author, whose ideas were borrowed by Solano Constâncio, the social and institutional structure intrinsic to the development of industrial capitalism displayed multiple insufficiencies and featured a growing gap between social classes, which could only be attenuated by means of a better and more equitable distribution of property.

By embracing Sismondi’s ideas, Solano Constâncio was taking yet another step along a path that led him to a critical appraisal of classical political economy, gradually dismissing its abstract reasoning in favour of the analysis of those, such as Chaptal and Sismondi, who stressed the importance of a judicious and skilful balance of theoretical and concrete national circumstances at every stage in the formulation of a social or economic policy. Summing up this analysis of Solano Constâncio’s ideas, one may conclude that his reflections on political economy led him to become a critic of classical political economy, mainly because its canons were incompatible with two of the main aims of his whole work: to stress and analyse both the importance of concrete national circumstances and the consequences and social implications of the process of economic growth, particularly in the industrial sector.

The same may be said of the third set of authors, who we shall be discussing in the next section.

**POLITICAL ECONOMY, INDUSTRY AND PROGRESS**

The proposals for reforming the *ancien régime* made by the authors who informally shielded themselves through the protective figure of the Count of Linhares were virtually the only ones inclined towards solving the nation’s problems through the transformation of industry and of certain features in its legal framework, while pushing into the background many of the alterations that some people would undoubtedly liked to have seen implemented in agriculture. Among all these authors, one therefore finds the implicit principle that the greater dynamism of the industrial sector is what would slowly but surely modernise the most backward features of Portugal’s agrarian and political structures.
Consequently, it may well have been the political circumstances that induced authors such as José Acúrsio das Neves to suggest that the potentiality of industry in general could serve as the central basis around which all the necessary national political and economic reforms would be developed.

This author was confronted with the work of Adam Smith at the very beginning of the nineteenth century when his political mentor, D. Rodrigo de Souza Coutinho, urged him to read the *Wealth of Nations*. Believing in his own testimony, Smith caused Acúrsio das Neves to rethink the grounds of his entire career, embracing political economy as the very beacon that could enlighten any patriotic civil servant in his duty to serve his nation. This kind of adumbration had to wait some time before it could be expressed, for Portugal was invaded by Napoleon’s troops, not only causing the royal household to move to Brazil, but also leading to the collapse of several institutions. Only in 1814 was it possible for him to resume his studies, publishing the first volume of a book on several economic subjects – on copyrights, on corporations (in trade and industry), on regulations for commerce and manufacturing, also including a statistical table about Portuguese manufactures and a translation of a chapter from the works of Frederick II of Prussia (Neves 1814–1817). This translation is an excellent starting point not only for grasping the economic proposals of Acúrsio das Neves but also for understanding his persuasive strategy.

What he asked the reader to do was merely to observe how a respected sovereign acted in order to rebuild a nation that had been demolished by a prolonged war. Being attentive, this hypothetical reader would learn that sovereigns must correct their own mistakes, that the resources used for war are better applied in rebuilding the nation, using the devastation caused by war as an opportunity to bring about considerable improvements, such as the introduction of new manufactures as a means of stabilising the balance of trade, the creation of a bank or the development of agriculture through technical innovation.

The overall lesson to be learned was straightforward: a good government must always seek the continuous betterment of the nation, using all occasions to remove the barriers to progress, namely those ancient deep-rooted habits that stubbornly oppose any proposal for change. Acúrsio das Neves was certainly not any sort of radical: consequently, change could be promoted through gradual but nevertheless persistent actions, aimed largely at the nation’s youth. Education was therefore one of the major duties – and instruments – of an efficient government, both by teaching new technological procedures and introducing new economic principles.

A second illustration of his line of reasoning is to be found when he argues in favour of establishing industrial copyrights.

Once again he asked his readers to look around and reason over the facts. The Portuguese economy was devastated, both on account of the destruction caused by war and the expatriation of capital; nevertheless the true obstacles to recovery were to be found elsewhere. Why? Because although Portugal had skilful workers (both Portuguese and foreigners) and sufficient natural resources, the country lacked the key encouragement for
A history of Portuguese economic thought

methodically upgrading its creative imagination. Therefore the major problem was being short of incentives to encourage the widespread use of machines; that is why the industrial copyright was such an outstanding measure. Is this all? Certainly not, for Acúrsio das Neves reckoned that although ‘manufactures, once established, should be able to sustain themselves, a judicious government never ceases to protect them, even when they are prosperous’ (1814: 129) – namely because progress never ends. This cunning plan for reforming Portuguese society was presented and developed throughout his subsequent writings (Neves 1817; 1820).

In 1817, both the importance of machinery and the example of Frederick II of Prussia (now mentioned to stress his idea of persistent action) were referred to once again. But now Acúrsio das Neves was more concerned with the economic principles that were to be put to use in Portugal. For him, the major threat came from ignorance: if the rulers are unaware of the proper procedures, ‘it is best that they only try to remove the obstacles to the development of industry, leaving it to its own course, than to risk equivocal panaceas which often produce evils that are worse than the disease’ (1817: 349). In fact, Acúrsio das Neves believed that unprecedented reforms can only be the outcome of serious studies, for when they are abruptly performed in the absence of sound advice, they are usually prone to disorder; before one tries to ameliorate anything at home, it is only prudent to search for the best within one’s neighbours, for whoever imitates follows a safer path than the innovator.

(1817: 424)

Now who were the precise neighbours that Acúrsio das Neves had in mind? Fundamentally Portugal’s traditional ally, Great Britain, where ‘Smith was the first to teach that wealth is to be found in value, not in matter, and that the source of all wealth is man’s work or industry’ (1817: 476). A direct consequence of these principles, ‘which are axioms of modern political economy, is the combined system of agriculture, manufactures and trade, providing for the superiority of the northern nations, namely England’ (1817: 276).

The model Acúrsio das Neves had in mind was an established one, at least for a developed nation like England. But would it be suitable for a less developed nation like Portugal? Was he proposing the mere transplantation of a successful formula to a declining nation? Of course not. To be crowned with success, any model ought to be adapted to fit the national circumstances, for the final ‘outcome is subject to the system in itself, as much as to its clever application to the characteristics of each nation’ (1817: 415). If Portugal was to embrace successfully the axioms of modern political economy, the nation’s mental and institutional background had to be seen as the starting point for a gradual yet resolute reform. That is why Acúrsio stressed the importance of the manufactures in comparison to agriculture.

By altering the operating rules of Portugal’s poorly-structured manufacturing system, the only sector which had no great privileges or deep-rooted traditions and whose agents did not
belong to the traditional state supports (nobility, clergy and bureaucracy), the government could not only completely undermine the economic bases of the traditional classes, but also build a new financial edifice for state autonomy, while at the same time creating conditions that would lead to a broadening of its economic and social basis of support.

In fact once industrial development had altered the economic face of the nation, its taxation basis and the underlying political and social balance of power, one could consider the possibility of really getting to grips with agricultural issues and taking on the unreasonable supporters of agriculture in a serious debate. And as Acúrsio das Neves himself shrewdly tried to demonstrate, agriculture and all that was associated with it was in no way immune or insensitive to the development of industry. Therefore, when the time arrived to face up to the problem of the land, the seeds of change would have long been sown, and many of the early fruits would already be visible – and the smallest of them would certainly not be the young generation’s adherence to more up-to-date and market-oriented farming procedures.

As it happens, classical political economy – in its Smithian form, or by then in the more industrialist version upheld by J.-B. Say – was clearly instrumental in this positioning: in dislodging the origin of wealth from the land to labour; in associating progress and civilisation with the increasing production of wealth which, in the factory industry, was brought about by the division of labour, the changes in techniques and the use of machines; its idea that the workings of society provided the opportunity for man to conceive of the future without the immediate need openly to challenge and destroy traditional agricultural structures.

The plan advanced by Acúrsio das Neves should be compared with the strategy put forward by José da Silva Lisboa.

As already noticed in Chapter 2, Silva Lisboa partook in a vehement quarrel with Rodrigues de Brito on account of their opposite outlooks on the doctrinal sources they were trying to understand and apply to Portugal. Silva Lisboa attacked Brito’s agrarianism and argued that Portuguese economic development could only take place within a complex process embracing all economic sectors, for he believed that the prosperity of any nation depended on the close interplay between a vast number of activities. Thus he accused Brito of blindly following the work of the physiocrats, which in his own opinion had been rendered absolutely outdated by Smith’s masterly book.

Silva Lisboa’s total acceptance of Smith’s work was not confined to the chapter of his book in which he attacked Brito. In the remainder of his works he attempted a systematic presentation of some principles of the Wealth of Nations, namely Smith’s clear-cut support of economic freedom, and his total opposition to any type of restraint on individual action.

As stated before, Silva Lisboa differed from Brito in that he was writing not in mainland Portugal but in its richest colony, Brazil; this presumably affected his perspective. This region of the Portuguese empire was gradually becoming the basis for a new model of
economic development based on ‘sane and liberal principles of political economy’, that is to say, on Smith’s doctrines.

When Brazil became a separate nation, Silva Lisboa was celebrated as one of the forerunners of the independence process. We do not intend to discuss here the loose evidence that supports this idea.\(^5\) The point is that we are faced with another proposal for the betterment of a less developed nation (be it Brazil or Portugal) overtly inspired by modern political economy. Just as happened in the case of Acúrsio das Neves, Silva Lisboa was fascinated by the overall progress displayed by England, and also considered Smith to be the only reliable lighthouse for an impartial but spirited government. But the resemblance between them stopped there.

Unlike Acúrsio das Neves, Silva Lisboa had no doubt that progress could only arise naturally through a slow process of development that would only attain its full potential in a gradual manner. Agriculture, manufactures and trade (both internal and external) were all possible targets for natural improvement provided that ‘the convenient work is performed, both public and private, with the utmost profitable, free and extended employment of people and capital, so that an honest occupation is never lacking to those offering their services’ (1804: 34). For Silva Lisboa, there was no reason to favour any of the economic sectors in particular, since the genuine instrument of progress was inherent to human industry.

*Human industry* – not mere physical effort – was his magic password for achieving progress for all mankind: ‘intelligence, not work, is the original, capital, and most powerful source of wealth’ (1820: 255). Even if the concept of ‘industry is to be applied to every kind of useful employment of labour and capital’ (1820: 269), Silva Lisboa explicitly emphasised that for human industry ‘to be appropriate and engender wealth, it must be enlightened and directed by sound intelligence, or else it degenerates into mere agitation and intemperate activity, becoming a mere operation of instinct and animal impulse’ (1820: 270).

In his opinion, this explains why one can find several examples of ‘individuals, nations and governments full of industry and energy, forever seeking the essentials of life and striving for prosperity . . . that are nevertheless poor and backward, no matter how much they work and overtire themselves’ (1820: 271).

This unbounded faith in a free, but enlightened human action is probably related to his experience of a society based on slave labour – where, as a matter of fact, the principles of classical political economy would seem somewhat peculiar. One can certainly tell that this belief led him to advocate free commerce (as distinct from mere free trade) as one of the most reliable means of spreading the progress accomplished by human reason. For him, commerce included all kinds of transactions, the least of them being the material ones: through commerce, nations would exchange ideas and feelings and less developed nations would be steadily attracted towards civilisation.

This is precisely the point we wanted to stress: for Silva Lisboa, unlike Acúrsio das Neves (or even Rodrigues de Brito), Smithian political economy was indeed a moral science, for its principles and doctrines were to be considered as true civilising rules, not just as
conventional prescriptions for acquiring material well-being. Accordingly, it is useless to scrutinise the works of Silva Lisboa in search of a definite guideline about the most appropriate way of dealing with concrete material problems – because there is no answer for any practical questions. That is why Silva Lisboa left all those who were particularly interested in establishing the preference or at least the relative importance of manufactures over agriculture without an answer.

Similarly it is this peculiar conception of political economy, in combination with the trauma caused by the independence of Brazil, that explains the indifference shown by the Portuguese audience towards this author after the liberal revolution of 1820.

POLITICAL ECONOMY AND ECONOMIC CHANGE

Only in 1820 – when many issues could be raised openly as a liberal, bourgeois revolution was under way – and by dint of the actual circumstances, did the world of agriculture clearly and overwhelmingly come to the forefront of political, social and economic reflections.

The earlier problems that, to some extent, the writers of the Academy of Sciences had summarised, and the new and old remedies they had already mentioned were now joined by petitions and protests, political analyses and demands for real reform: apparently the entire nation now felt free to voice its discontent over the countless humiliations it had suffered at the hands of an administration that was now seen as retrograde, corrupt and inefficient, totally incapable of adopting the measures required to bring about any authentic progress.

Once again it was felt that this progress should stem from agriculture, its liberation and subsequent modernisation: at least in the initial stages of the revolution there seemed to be a strong conviction expressed by important publicists like Manuel Borges Carneiro or by agronomists like Francisco Soares Franco that one only needed to free the farmer of the excessive tax burden and the oppressive political and social restraints that suffocated him for the victim to immediately gain confidence and become modernised: technically (by adopting the new tilling methods); economically (by producing more and more for the market); and even politically (by joining the liberal cause that would promote an improvement in his life).

It was therefore felt that should the so-called feudal obstacles be removed and the security of farming people and property be assured, and once the land was distributed among those who really wanted it and were prepared to work it, everything would improve. Not only would yields increase on the lands already in use, but new lands would undoubtedly be farmed, leading to a considerable surplus in a short time. This surplus would enable one to consolidate the necessary financial and administrative modernisation of the state, i.e., by reducing taxes for the taxpayer through a cut in the surplus of public services, as well as by extending the taxable population and introducing greater transparency and control of public expenditure. This modernisation would therefore provide a fresh incentive for agricultural and economic development as a whole, thus helping to produce an even greater surplus.

At that time, it was thought that the surplus would be so great that besides serving to cover factory goods imports, it could also eventually provide a sturdier base upon which to set up
and gradually and naturally develop a national industry firmly rooted in the tapping of natural resources and, as such, capable of becoming both competitive and profitable.

In support of this argument, reference could be made to several theoretical reasons developed by classical political economy: for example, the ideas on the natural progress of industry to be found in Smith (agriculture, manufactures, external trade); the implications that could easily be drawn from the theorem of natural endowments, when applied to the resources that Portugal allegedly possessed; or even the reasons resulting from a positive utilisation of Portugal’s favourable geographical and climatic conditions.

In addition to this, the argument in question was also reinforced by considerations of a political and pragmatic nature. On the one hand, it was surely in the rural world that all the cards would have to be played, as this was the only area that enjoyed a stable social support base – by virtue of its being a majority base – both for the ancien régime and the new regime. On the other hand, it was from agrarian reform that the economic impetus could most swiftly materialise. This economic impetus was urgently needed, and would be decisive in altering the attitude of the majority of the population towards the new regime, by making it grasp, as immediately and distinctly as possible, the benefits to be gained by adhering to the new status quo.

In other words, the various types of discourse available at the time – political, economic, philosophical and technical – seemed to converge by demonstrating that it was in the countryside that the nobility, clergy and local dignitaries were to be faced and fought, that it was there that answers had to be found for the administrative and financial reorganisation of the state, and that once more it was in the countryside where, after all, the constitutional citizen was to be promptly formed.

This new type of agromania, the inspiration for which was multidisciplinary and represented a widely-held belief, this obsession with agriculture that is ever-present in the economic and political discourse of the 1820s, had little or nothing to do with a possible resumption of the frames of reference peculiar to physiocracy, in terms of its political as well as its economic aspects. It had nothing to do with the defence of large estates and the produit net, nor does it have anything to do with the defence of legal despotism and the underlying social structure.

This is why the continued intensity of agrarian issues after the 1820 revolution causes us to consider the problem of the reliability of the economic framework employed: as we have seen, from at least the early nineteenth century onwards, Adam Smith is more frequently quoted as the authority for the solution of economic issues, and, even more importantly, he is quoted more consistently than any other author. In other words, it means that the physiocratic traces to be detected here and there belong more to the rereading of Smithian principles than to the grass-roots laid down by Quesnay and his disciples.

Let us now recapitulate. When classical political economy emerged with the discovery of Adam Smith, in the context of the Portuguese ancien régime society, it both appeared and operated as a poorly disciplined discourse that could easily be used by various types of reformers – and particularly by those whose degree of direct political participation was somewhat more limited. In this sense it may be said that classical political economy was, at
The difficult reception of classical political economy

The time, an area of civic reflection that was relatively open to a number of uses, ranging from the mere miscellaneous supply of a number of concepts to the provision of a fairly integrated, autonomous means of approach.

In such circumstances, it becomes easier to understand that its presence was more visible and even decisive in the works of those authors (such as Acúrsio das Neves, Silva Lisboa and Francisco Solano Constânco) who enjoyed a relatively ambiguous relationship with the existing administrative power. These authors were not sufficiently integrated, institutionally speaking, to enjoy complete freedom of expression and action. But neither were they distant enough from this power either to feel free or even indifferent to it: the absence of a clear, consistent trend towards developing a modern administrative structure (a technical bureaucracy suited to the modern needs of a centralised state) deprived them of the space in which to pursue their action in a systematic, consistent manner.

In their writings the authors mixed together the reasons and logic of classical political economy with many of the notions that are typical of a modernised raison d'état, causing their writings at times to assume the form of a type of regal cum governmental pedagogy of the exercise of power. Their aim was to persuade a political power which, even though they considered it to be disorganised, poorly guided and fairly badly applied, they had no wish to engage in a frontal attack; for this reason they strove to convey a scientific rather than a political posture. Their intention was to relate economic theory directly to the interests of the state, excluding any mediations of a more explicitly political nature, while assuming no connotations with the particular interests of any specific social group.

But, among the Portuguese this attitude was all the more easily assumed insofar as the discourse of classical political economy did not have to overcome the obstacles presented by the truly physiocratic discourse – in other words, the discourse originally produced by the French economists who embraced Quesnay’s central theses, such as the exclusive productivity of agriculture, the single tax, the defence of the grande culture – the presence of which among the Portuguese was somewhat scant.

In this way the original discourse of the English economists, with particular reference to the work of Adam Smith, may be portrayed in a balanced, level-headed manner, fundamentally targeting the old mercantilist practices, and assuming a more reformist attitude, that of one who respects tradition but nevertheless wishes to evolve within its prescribed boundaries: England was regarded as a model par excellence of an evolutionary path, of continuity and progress through opportunely implemented reforms and peaceful readjustments, moving almost directly from the mercantilist political and economic pattern to the liberal one with no intermediate stage of the physiocratic type.

The will to change, while maintaining and developing many of the centralising conquests of the ancien régime – a powerful but philosopher king; a minister with strong convictions, though enlightened; a less interventionist state but, even so, administratively solid, well organised and guided; citizens respectful of and dependent on the law, though autonomous and enterprising in the productive sense – pointed to the adoption of a discourse of change which, while necessarily and inevitably political, should not be one of rupture or confrontation, nor should it make explicit use of those categories which were traditionally
the subject of political reflection, and had been appropriated and manipulated by physiocratic economic discourse: power, its origin and raison d’être, its organisation and distribution, the best ways of exercising it.

Provided it was regarded as politically neutral, a discourse inspired by classical political economy could command a number of alterations of a reformist type, apparently designed to ensure that the existing structures could operate with increasing efficiency. And it would be even better if, in due course, these alterations were to lead to a more profound political and sociological transformation.

INSTITUTIONAL CHANGE AND THE ROLE OF POLITICAL ECONOMY

With the revolutionary events of 1820 strategies were altered and priorities reconsidered: it was no longer a question of acting without upsetting a precarious balance, but rather of making the most of the occasion to alter rapidly the underlying balance of forces, to replace it even more swiftly by a new form of equilibrium. There was, more than ever before, the feeling that tangible results must be urgently produced, results which, while living up to expectations and yearnings, might win over new supporters. It was not the moment to delve into theoretical discourse, which was new and remote to most of the population, nor was it the time consistently to thrust classical political economy into the front line, explaining and exploring the multiple consequences of its occult teachings, inuring the nation to handle its concepts and arguments, while being patient enough to await calmly the results of their implementation by the powers that be. This was because firstly, in the new, undeniably revolutionary, context the political discourse could be used openly, getting straight to the root of national problems; secondly, because an openly political message could be employed more coherently and come over far better than that of an economic discourse with scientific intentions.

The most common audience for whom one was now writing or speaking – a public opinion that was no longer confined to an intellectual élite – became broader, more uneducated and more sensitive to the orthodox political treatment of themes such as greater freedom, a more gainful use of property and less taxation in the future. Most of the population were content with the news that they would be enduring fewer complaints, enjoying more rights and fewer obligations, that bread would be cheaper and more plentiful, and that as a result their happiness and welfare would increase, irrespective of the reflections produced by political economy discourse in this regard.

And these were the circumstances that were instrumental in causing the urban protagonists of the 1820 revolution to turn to the countryside – which is, to a certain extent, illustrated by the very make-up of the parliamentary assemblies where men of letters and landowners accounted for a considerable proportion of the popular representatives – assuming a type of discourse which, in overall economic terms, could in certain cases be likened to certain physiocratic overtones.
Only with the end of the civil war and the victory of the liberal forces in 1834 was it once more possible to conceive in positive terms of building up a new regime, supported on new balances of power and new institutions, both of which would generate a new equilibrium for the nation. From the experience accumulated over the previous decade, there remained the conviction that it was in the countryside that the fate of the liberal political model could be decided. It was therefore not surprising that the countryside should become the focus of attentions once more – and that the measures designed to promote the factory industry continued to be postponed or pushed into the background.

The economic literature produced after 1834 – in particular that of José Ferreira Borges – is to a great extent the mirror of this situation, as political convictions are now moderated by the experience of the civil war: it was high time that the rural country was reformed, the political and national awareness of its inhabitants invigorated, the state set up on new foundations, broader, more fruitful alliances of interest fostered. The most experienced men of the 1820 revolution withdrew before the more audacious, dangerous political feature – democracy itself – and placed their hopes in an effective strengthening of liberalism: some codified, others legislated, and all endeavoured to reflect theoretically upon its action.

At this time José Ferreira Borges wrote two fundamental economic textbooks, one dealing more with the concern for financial reform (Borges 1831) and the other related more to the scope of political economy matters as a whole (Borges 1834). Let us skip the first and concentrate on his *Institutions of Political Economy*.

Ferreira Borges did not claim to be a fully-fledged economist, at least in the sense of being an original thinker. For an active politician like himself – he was a respected lawyer, with a remarkable political culture and experience – political economy was a bewitching science: as he himself recalls,

> political economy is as difficult as any science, [although] its specific intricacy proceeds both from the novelty of this science, and the desire the economist feels – and I must admit I also felt – to solve at once all the problems that come to face him.

(Dias 1988: 263–264)

This positive opinion persuaded him to write on political economy as a way of enlightening his fellow citizens. So he went in search of the appropriate sources to construct a book capable of ‘conveying the reader from the minor to the major, keeping away from the contentions over unsettled questions which are only suited for polemicists and to enlarge essays’ (Dias 1988: 263–264). Both Destutt de Tracy and Heinrich von Storch seemed particularly suited to this role, the former on account of his logical preciseness, the latter for his resourceful lectures on political economy.

The result of this strategy is presented to the public with a considerable amount of arrogance: the supposed reader would be in the presence of nothing more than an attempt to establish the absolute ‘institutions of [this] science, designed to assist political economy in
the same way the Institutions of Caius, Justinian and Teophilus helped jurisprudence, being read and cherished as long as Law exists’ (Borges 1834: xx). As far as its contents are concerned, the book is composed of two different although reasonably interconnected parts: the prolegomena, largely designed for those who already possessed some previous education in political economy, where the logical and etymological concerns of both Destutt de Tracy and Malthus are superimposed on Storch’s analysis, and a second part, intended for the beginner, abridging the original lessons by Storch.

The most consequential notions of the book are located in the prolegomena. There he starts by defining and locating political economy among existing sciences: it is a moral science regarding the study of the natural laws of prosperity, analogous to physics only insofar as they are both the outcome ‘of a large number of well observed facts from which rigorous consequences are deduced’ (1834: 2), and thus different from legal science, since the laws of political economy are not contrived by men.

As those economic phenomena are seen as ‘the result of the workings of human nature, [of its] faculties, needs and will’ (1834: 2), Ferreira Borges attaches great importance to the study of these aspects of human nature, namely to the consequences of the last one, for ‘the faculty of will through the idea of property, which derives from the idea of personality, engenders inside us the ideas of necessity and resources, of wealth and destitution, of rights and duties, of justice and injustice’ (1834: 8). Keeping these lines in mind, Ferreira Borges moves on to the analysis of more orthodox economic themes such as labour, goods, wealth, value, prices, competition and monopoly.

Labour stands for ‘our sole wealth and power’, as a means for producing commodities – an ‘effect and representation’ of our faculties, consisting of ‘everything which can be used either directly or indirectly to fulfil our necessities’. Insofar as this definition of commodities does not imply a physical property for goods, he goes on to argue not only that ‘freedom is our major commodity, and embraces them all’, but also that ‘the sole duty both for man and society is to increase freedom and its value’ (1834: 10–13).

Only one last item – the definition of man as a bartering animal – is needed for him to outline a politically coherent view on the economic workings of society: once this step is taken, society may be seen from an economic standpoint as ‘nothing but an endless series of exchanges, being an exchange a beneficial transaction for every person involved’ (1834: 15).

Due to the fact that this is a politically meaningful statement, Ferreira Borges is very careful with its defence. Therefore he develops the argument about man’s necessities, introducing both the notion of utility, as ‘the quality that makes things suitable to satisfy our needs’, and that of value, portrayed as ‘the judgement regarding the utility of things’. Once he has established that ‘the value of things is given by their comparative utility, which is recognised by those who use them in order to satisfy their needs’, Ferreira Borges argues that in a society where all values are inevitably appropriated – everything that can be evaluated is an external effect of the self via the exertion of labour – and the needs of the individual are
greater than the commodities he can produce, the only way to achieve happiness (consumption) is through ‘violence, persuasion, or exchange’. Avoiding any moralising tone, Ferreira Borges merely asserts that exchange is the best option available, insofar as it is the ‘fastest, safest and most readily available method for procuring whatever one cannot obtain from one’s own work’ (1834: 18–25).

Having demonstrated the excellence of exchange over other methods of acquisition, he only has to prove that exchange is equally favourable to those who are involved in it. That is precisely the role to be performed by the concept of value. Departing from the distinction between direct and indirect value (as a thing is used for consumption or for exchange), Ferreira Borges gradually brings his readers to the conclusion that ‘everything which can be commuted has a value in exchange, [one which] is not subject to the opinion of the seller but to the evaluation of the buyer’ (1834: 30). Therefore, the possible hazard of an exchange is the sole responsibility of the buyer, insofar as the validation of value depends solely on him.

Let us sum up: looking at political economy from the standpoint of an active politician with a solid legal background, Ferreira Borges found in that modern science a new and fascinating set of propositions which he could use in his fight against the vestiges of the Portuguese ancien régime. So he deliberately picked upon a couple of authors (Destutt de Tracy and Storch) who could provide him with the logical and conceptual materials for writing a book – not just a book, but one suitable for the widespread enlightenment of both his compatriots and his fellow lawyers. Hence the two parts of the book, the prolegomena for the quasi-exclusive use of law students, and the abridged version of Storch’s Cours d’Economie Politique (1823) for each and every reader. Nevertheless, the message conveyed was clear and coherent: there is no basis for state intervention on economic matters, for no one is to replace the individual in the subjective evaluations associated with economic life. Thus, each and every Portuguese person was to decide upon the domestic and foreign exchange processes he was prepared to undertake – while also of course, being prepared to be the only person responsible for their outcome.

Whatever the case, one cannot ignore the presence and proximity of classical political economy in relation to the new liberal power, even though one must admit that its place is fairly secondary.

Political economy continued to perform what were obviously auxiliary functions. Although it provided both arguments and reasons, it still failed to provide the basic elements for the building of a global concept of the world. In the case of the works of authors such as Ferreira Borges it may therefore be said that we are dealing with learned readers, who are fairly mindful of economic discourse, though not persons clearly qualified to take up political economy.

For these reasons, their links with this science may be considered at three different levels. Firstly, they used it to buttress their political ideal, demonstrating that it is a knowledge that can only be consistent with a constitutional, parliamentary system. Secondly, they upheld its importance and the accompanying need for it to be taught to the population at large, and to
the civil service in particular. And finally, they used its arguments to reinforce Portugal’s natural agrarian vocation – its genuine advantages in this area, the reliability of a form of development based upon it, the independence resulting from it, its inherent political and social stability, the solid, decent progress characterising it, the promises for the future it contained. Hence the host of expressions designed to emphasise the link between political economy and agricultural well-being, and to link the latter with the potential inherent in international free trade, capable of converting Portugal’s possible agricultural surpluses into a whole range of industrial products that Portugal does not manufacture. In short, there seems to be some indirect evidence of the acceptance of Ricardo’s model conceived to explain comparative advantages in international trade.

THE TEACHING SYSTEM AND THE INSTITUTIONALISATION OF POLITICAL ECONOMY

Though regarded as being of relatively secondary importance, and the subject of a somewhat biased reading, classical political economy survived the liberal revolution of 1820 and the 1832–1834 civil war. And it was with the liberal victory that the projects regarding the teaching of this science would materialise, in both private and public institutions.10

The Trade Association of Oporto and the Mercantile Association of Lisbon set the example: Agostinho A. da Silveira Pinto (1837) and António Oliveira Marreca (1838) published their handbooks and began their respective classes, to be followed, immediately afterwards, by Adrião Forjaz de Sampaio (1839) at the University of Coimbra, where political economy was included in the new curricula for jurists.

Strictly speaking, one cannot compare the meaning and implications of the two types of teaching. This was, however, the decisive moment for the institutional definition of the future of classical political economy in Portugal.

The bourgeois associations, i.e., political and economic class associations, opened up their doors to the science, a move that may have provided the opportunity for making a technical statement of professional interest, as well as for gaining knowledge with a philosophical appeal. Such knowledge was seen more in the old sense of the political philosophy of commerce, about which Silva Lisboa was already speaking in 1804, rather than in the exact ideological sense of the banner of a class interested in a firmly free trade project.

The leaders of the Trade Association of Oporto intended to promote the study of ‘a science which aims at public prosperity, maintaining a close connection with commerce’, a science of utmost importance for every ‘Nation where a parliament discusses and makes laws’ (Pinto 1837: 3). It was a meaningful political and cultural project, which could provide for a sound conceptual basis for the future businessmen (the children of the Association members) that were to attend the classes. Although not an expert in economic matters, the appointed teacher,
Silveira Pinto, was nevertheless fairly well acquainted with political economy and had a suitable – that is, liberal – curriculum. Besides, he did not hesitate to choose Ferreira Borges’ *Institutions of Political Economy* as the appropriate handbook for this course, thereby paying due respect to the godfather of this Association.

The message conveyed by his course was therefore unmistakable: he was not to teach new doctrines thought up by himself, for the lessons would be supported by ‘the most accepted books of the most illustrious authors’, dealing both with ‘those political and economic objects which, by their amenity, importance and correlation to the peculiarities and circumstances of this foremost commercial and industrial city, may act as a preliminary or an introduction to the course’ (Pinto 1837: 7), and with the most important elementary notions of political economy as depicted in Borges (1834).

This project was fulfilled reasonably well. Silveira Pinto meticulously praised all the virtues of liberal government, remarking that ‘it is clear that the obligatory and unavoidable consequence of a modern economic system is the establishment of a constitutional power, hence the carelessness, or to be more precise, the horror which absolute governments cast upon political economy’ (1837: 35).

As far as political economy was concerned, he made an effort to implant a basic idea: one needed to understand the true meaning of wealth, its links with freedom and civilisation, for only then would it be possible to fight conscientiously against all the prejudices associated with the mercantile system. This was the essential message with respect to the pressing need for the study of a science whose basic concepts – value, utility, scarcity, supply and demand – were essential for understanding how wealth is produced and directed towards civilisation and general happiness.

One last item was to be found in his teaching. As Silveira Pinto was addressing a young audience expected to become well-informed businessmen, something had to be said about the proper path for national development.

This model was spelled out from the first to the sixth lessons. Silveira Pinto argued that Portugal should give special protection to agriculture, both as its most profitable human industry and as the only one that could actually provide for the country’s requirements in terms of manufactured goods. In his opinion, the development of an agricultural surplus, namely of Port wine, was the only reliable way for Portugal to acquire – via international trade – all the commodities which it did not produce and could not presume to produce within a reasonable span of time. Once again, it seemed that Portuguese economists were willing to accept Ricardo’s well-known theoretical arguments in favour of a Portuguese specialisation in wine production.

A similar enterprise was simultaneously developed by the Mercantile Association of Lisbon. Although they shared a common didactic project, also aiming at ‘upgrading the intellectual level of its associates by means of a higher education’ (Fonseca 1934: 54), there were some meaningful differences between the two associations, largely on account of the teachers’ characters.
As a matter of fact, António de Oliveira Marreca built up his own course and wrote his own handbook, for he thought that a teacher always feels more comfortable when using a book that, ‘being the result of its own intellectual pattern, is therefore more suited than any other work to renew the vestiges the lessons imprinted over the memory or the intellect of the students’ (Marreca 1983: I, 73). However strong, these feelings did not prevent him from writing a book largely structured upon Say (1828–1829), both in its overall structure and in the emphasis granted to certain issues – namely to entrepreneurship.11

As for the central propositions conveyed by his book, one cannot ignore the important role he attributed to a sound home market. In the absence of such a market, it would be impossible either to implant or to take advantage of the modern instruments of progress and civilisation, such as the division of labour, the intensive use of machines or the concentration of capital. As well as the material aspects, an effective home market would breed better people, for they would become more civilised, hence more capable of understanding the harmony of the interests and other social ties linking them together.

Portugal was, in his opinion, a backward country, precisely because it lacked a reliable internal market, as well as experienced and true entrepreneurs. So the solution was obvious: if Portugal were to develop, it had to make an enduring and conscious effort to build up a society of producers: ‘the goal of political economy is to enlarge productive activities insofar as neither beggars, swindlers, or thieves can escape it, so that every consumer can be considered as a producer’ (1983: I, 174). Developing a line of argument that was clearly inspired by Say’s law of markets, Oliveira Marreca went so far as to ask, ‘to whom would mere consumers be useful if they were not also producers? Who would benefit from the cheapness of goods if no one was able to pay for them, that is to say, if consumers were not producers?’ (1983: I, 174).

One last mention must be made here about the way Oliveira Marreca approached political economy. As we shall see in the next chapter, he discriminated carefully between the scientific assessment of general principles and the empirical appraisal of their appropriateness to particular national circumstances.

Unlike Silveira Pinto, who combined theory with specific economic policy proposals, Oliveira Marreca deliberately refrained from such considerations when teaching the fundamental principles of political economy, acting with extreme prudence and circumspection. This attitude is explicitly to be found in a chapter fully dedicated to discussing the basic precautions everyone must take whenever inclined to put to use the few fundamental truths of political economy. Before applying those truths, one must acknowledge both that political economy has ‘a universal scope, for its statements hold true for mankind and not for any isolated region’ (1983: I, 153). So the neophyte must always bear in mind that

in spite of the undoubted evidence and rigour of the principles expounded . . . whenever applied to the totality of nations – regarded as a large association ruled by the same moral
laws or the same common needs – the circumstances of a particular nation may require their prudent or temporary modification.

(1983: I, 146)

The plain reason for adopting this attitude lies in the fact that

the abrupt changes, the dangerous revolutions that compromise both peace, wealth and the very existence of nations, are not endorsed or supported by political economy, for there is not a single noteworthy economist who does not restrict the implementation of scientific axioms to their concrete pertinence for the general well-being, so that this instrument of progress does not turn into a raving means of destruction.

(1983: I, 154)

Anyway, the fact is that neither teacher was able to keep on with their courses, not only because the students gradually ceased to attend the classes, but also because the sponsors did not in fact give them a second chance.

Almost at the same time, the University of Coimbra offered better institutional conditions for the development of political economy, both at the level of science and political administration. This new subject was placed in the law course and was associated with the training of those who played a central role in the education of a new generation of intellectuals – of a new class whose affirmative voice was founded on the possession of knowledge. And, as a complement, Coimbra also gave it a place in the political and administrative training of new state functionaries, as the former graduate courses in canons and laws had been reduced to no more than a single course.

At this point it may be said that it was only through its academic facet, which had now become compulsory, that classical political economy managed to ensure its political and institutional importance. To do so, it was nevertheless necessary to adjust its scope and raison d’être to the parameters peculiar to what was felt at the time to be a scientific discourse. Moreover, it was necessary to discipline a discourse that had, until then, been open and relatively uncontrolled in terms of implications and modes of application.

This was precisely the key role played by Adrião Forjaz de Sampaio in the course of his long teaching career between 1836 and 1871.

His complex work\textsuperscript{12} may only truly be understood and appraised by giving due consideration to the specific complex institutional circumstances in which it was produced. In other words, his work should be considered in the light of a certain lack of sensitivity that was visible in the extra-university environment with regard to the utility of economic theories, as well as the hostility shown within the university towards the philosophical foundations of more orthodox classical political economy, whether it were the English form, regarded as exceedingly cold, materialist and abstract, or its French counterpart, considered as radically Jacobin and egalitarian, democratic and philosophical.
The university, a fairly closed, conservative environment, was institutionally able to make demands and present obstacles that were far beyond the legitimate perception of a new knowledge: before being given its stamp of approval, one had to meet a number of formal and substantial requirements.

While the social pressures had been exerted in a tangible, more threatening manner (immediately after the 1820 revolution), there were some signs of flexibility about the relevance of some of the alterations that were required for social reasons. However, at the end of the civil war in 1834, the university soon became more rigid again in its relationship with the world at large, by reasserting not only its internal sovereignty, but also the primacy it should exercise over the mental corps of society and state.

The inclusion of political economy as a compulsory element in the curriculum of the future jurists inevitably presupposed adapting a discourse that had, until then, remained open and undisciplined, to the criteria that the University of Coimbra demanded at scientific, pedagogical and ideological levels.

The role of Adrião Forjaz de Sampaio was therefore far more complex than that of his fellow teachers linked to more informal teaching experiences. In addition to conveying a useful, important knowledge, his teaching was meant to train legal specialists.

As well as discovering and exploring new directions, his classes strengthened the knowledge provided in other subjects; whatever the case, the economic doctrines taught by him could never openly contravene the basic legal Weltanschauung which gave unity and charisma to the course.

Roughly speaking, all disciplines were to be under the same philosophical orientation, thoroughly steered by the principles endorsed by the established philosophy of law. Until the late eighteenth century, Portugal stood by the Scholastic philosophers against the modern interpreters of natural law. Then, as a consequence of the reform impetus provided by Marquês de Pombal, a slow but nevertheless firm modernisation movement took place, and K.A. von Martini’s handbook was adopted.

Until 1843, the prevalent culture was a pre-liberal, reformist one, which influenced all of the most distinguished members of the Portuguese intellectual élite. It was only after the 1832–1834 civil war, when the liberals truly began to establish the institutional and intellectual foundations of the new regime, that another philosophical upgrade took place within the university, now adopting both K.F. Krause and I. Kant as the fundamental references. This shift turned out to be momentous, because two conflicting views were simultaneously adopted, one straightforwardly individual (Kant), the other (Krause) more prone to being developed into an organic or holistic archetype of society.

In view of these ideas, one is able to understand a little more about some of Sampaio’s options during the course of his teaching. What immediately springs to mind is his choice of a work by Karl Heinrich Rau (1837) as a model for organising the subjects he was to deal with. In fact, this author had the advantage of being German (a privileged place of origin of modern legal scholarship, and the birthplace of an important tradition for the teaching of
economic and administrative sciences and cameralism), as well as being a teacher; on the other hand his work consisted of a range of economic subjects which was perfectly in keeping with the transition that was now expected of the traditional university spirit (theoretical-practical and national). But one may also get a better understanding of the evolution of his various compendia, from the very first moment when he gave up the teachings of Ferreira Borges in favour of the recovery of Say’s *Catechism* (1821), to the later modification to be seen in his commentaries and in the bibliographical clues he periodically provided.

It is in fact clear that A. Forjaz de Sampaio strove to link up and reconcile the various philosophical and doctrinal tendencies of classical political economy with Portugal’s university environment, in other words, with the demands made by a university which had, for some time, been organised along the lines of the continental tradition. This modern economic scholarship stems from the English culture in which the state respected university autonomy, which resulted in the development of the teaching of political economy in other forms, whether through individual experiences, or academic inclusion within the teaching of moral philosophy. But what was missing from this English culture was the reference to, and weight of, a Catholic tradition. Faced with such difficulties, Forjaz de Sampaio turned to France and Germany to organise his adaptation strategy. The main thing he borrowed from France was a Christian – and later a free exchange – component which provided a greater concordance between economic doctrines and the significant Catholic background of Portugal’s national culture. From Germany not only did he obtain the basic structure for the presentation and treatment of economic subjects, but also a part of the actual curricular organisation model, which was typical of modern post-Smithian cameralism.

This was the first price classical political economy had to pay for admission at the University of Coimbra: as in other European countries where relations between the state and the university were strong – one might even say strategic for the development of both – such was the case in Portugal, where university education in economics had to be in harmony with the public spirit. The state required men of letters who were politically reliable and trustworthy, and technically suited to the performance of new public functions. The university in turn owed a great deal of its prestige to its capacity to produce the men who were to occupy posts in the state institutions.

Faced with this restriction, which removed any chance of designing a course that was largely reliant on the works and approaches to be found among English authors (Smith and, primarily, Ricardo and Malthus), the problem arose as to the choice of textbooks.

At first Say was used, but he was subsequently relegated to a more discreet position. In his place, there appeared two types of authors. Initially classical authors from the field of law – such as Bentham, Montesquieu and Filangieri – were welcomed as a complement to the economic doctrines, though immediately afterwards there appeared some of the basic references of Forjaz de Sampaio, those whom one may unquestionably refer to as his ‘compagnons de route’ – Joseph Droz and Villeneuve-Bargemont, Pellegrino Rossi and Michel Chevalier.
This more extensive basic bibliography is the direct consequence of the second restriction imposed on political economy: to be scientific, its doctrine could not be from one single author, or even one single school, it had to be the outcome of a joint scientific investment by a plurality of researchers of acknowledged merit. For this reason, Forjaz de Sampaio attempts to construct a coherent array of references based on authors who, though different, were not incompatible with one another. Thus, for instance, the Christian version supplied by Villeneuve-Bargemont could fit in with the social considerations of a former Saint-Simonian such as Chevalier, the concern of Rossi for justice, or the moral and pedagogical interests of Droz.

To these authors he added K.H. Rau (1837). Here was a Heidelberg professor who had received a real economic education, was an inheritor of an already long tradition of Staatswissenschaft teaching (cameralism), who possessed the ideal profile to serve as a model for a rigorous, global organisation of subjects referring to economic theory, economic policy and finance. To these advantages may also be added the fact that he belonged to the cultural space in which the Faculty of Law of Coimbra University searched for its sources of inspiration to modernise pedagogical methods.

However important, all these procedures were just a partial solution for the fundamental problem faced by Forjaz de Sampaio – how to attain a real consonance between political economy and the evolving trend in natural law.

Although to different extents, all his books bore the mark of an ongoing philosophical and political dispute, which opposed the fully-fledged liberals to the sympathisers of a less individualistic view both of man and society. On one side of the barricade stood the Portuguese followers of I. Kant and the outright supporters of unfettered individual competition; on the other side, one could find disciples of the several types of socialist thinkers, the eclectic and moderate schools of liberal thought, the authors of a strong Christian persuasion and also the modern disciples of K.F. Krause.

In the face of a troublesome situation like this, the least we can say is that Forjaz de Sampaio subtly managed both to maintain his scientific reputation and to keep political economy as an operative discipline, for he gradually accepted any moral and social demands that would not endanger the fundamental principles of liberalism.

A clear example of his sagacity may be found in the section where he dealt with the organisation of industry. Following a conventional dissertation on production, circulation, distribution and consumption, and just before embarking on the study of economic policy, the author moved on to an analysis of two last items – population and the organisation of industry. There he states: ‘if the doctrines so far advanced are true, one must avow that both industrial phenomena and the relations between co-producers, in their spontaneous development, obey natural laws and presuppose a rule, an order or a natural organisation’ (Sampaio 1995: II, 39). This natural order was allegedly produced and developed through ‘spontaneous association, therefore in accordance with the principle of freedom and that of individual responsibility’ (Sampaio 1995: II, 39). Its virtues were easily emphasised by ‘the
observation both of the mistakes and outrages which occurred with those that were purely artificial (such as slavery, castes, serfdom, and medieval corporation laws), as from those that would certainly follow the socialist and communist utopias’ (Sampaio 1995: II, 39). So far we have been confronted with a strictly orthodox view, for he was merely commenting upon the natural order principle.

But this book (in fact almost all his books) included lengthy annotations, where the student could find additional commentaries and bibliographic references. It is right there, together with a couple of quotations from Bastiat, Bentham and Michel Chevalier, that one may find this curious comment:

> pure freedom, the opposing principle of subordination, is a fine instrument to destroy the hindrances that tie it, but it is unsuited for constructive purposes; for individualism breeds weakness, and strength lies alongside union. Besides, at the doorway of freedom hides laxness, and also anarchy. Without order, as without union and subordination, both labour and capital split apart, and industry ceases. Association must bring together and co-ordinate the individual efforts, reconciling freedom with reason and common will, thus providing for a common and mutually beneficial objective.

(Sampaio 1995: II, 281)

In the absence of these remarks, any student could always accuse political economy of being absolutely insensitive towards social and philosophical matters; if those same remarks were to be found in the main corpus of the book, any reader could accuse Adrião Forjaz de Sampaio of a socialist penchant. Therefore, everyone could use his lessons – i.e., political economy – as a point of departure to think over this (or any other) subject matter. This *modus operandi*, consciously pursued, was of decisive importance both for the acceptance and the enduring presence of classical political economy within the intellectual milieu of the law school at the University of Coimbra.
4 The avoidance of analytical economic thought (1850–1920)

ECONOMICS, POLITICS AND LAW

The second half of the nineteenth century was of decisive importance for the institutionalisation of the teaching of political economy as an autonomous discipline all over Europe. In spite of previous isolated experiences during the eighteenth and early nineteenth centuries in England, France and Germany, it was only then that a true support became visible, at least from the supply side: as Kadish and Tribe emphasise, ‘political economy entered the curriculum of the modern university as a supply-side push which, over several decades, encountered no steady and reliable demand sufficient to promote it from a subject of general interest to a subject of specialised study’ (1993: 3).

Portugal was no exception to this rule. Although several new subjects in political economy were introduced outside the university at grammar school level, many courses never complied with the legal requirements, either through a lack of teaching staff, or through a conspicuous lack of demand. The teaching of political economy became dependent on the teaching of law, which at this time was exclusive to the University of Coimbra. This meant that although acknowledged as a university subject, political economy was nevertheless regarded as a small part of a huge mass of legal theory and technical training, being largely dependent on the needs and trends of law teaching. We must therefore focus once again on the University of Coimbra in order to understand the conditions under which Portuguese economic thought matured.

During this period there was an uninterrupted quest to discover the most appropriate way to design the law curriculum. Two major trends soon emerged, one in favour of the creation of a new specialised branch of administrative law, the other opposed to what was seen as an illogical, expensive specialisation (see Merea 1952).

At the same time, an important change was made in relation to the philosophy of law, both as a subject matter and as a comprehensive way of handling law. This change occurred partly because of the logical discussion that had taken place over its manifold foundations, and partly as a subtle answer to the new social and political concerns and doctrines that were rapidly spreading throughout Europe. In fact, Portuguese political liberalism had originally been supported at the University of Coimbra by a particular blend of the works of Kant and
Krause, fashioned by Vicente Ferrer, who managed to connect a firm individualistic bias with a sincere concern for the secular fulfilment of human nature. In spite of the philosophical conflicts aroused by this mixture of influences, it actually provided a favourable basis for the study of political economy and for the acceptance of competition as the proper means for achieving order and prosperity. This occurred largely because Vicente Ferrer was unable to see that his Kantian views on individualism precluded the relationship between ethics and law that Krause emphasised and advocated. Later, as the study of this new philosophy of law evolved at the hands of a new generation of scholars (such as José Dias Ferreira, João Carvalho Martens and António Costa Lobo in particular), Kant’s individualism was gradually abandoned in favour of a more positive and unselfish view of man and society, and Krause’s organicism took on a prominent role, reinstating the basic association of ethics and law. Accordingly, a new concept – that of mutuality, or reciprocity of services – became increasingly overriding, not only causing competition between individual rights to lose its previous appeal as the object of law, but also changing the way economic competition was rationalised – that is, as a reliable, if not wise, device for achieving progress and order through the swift interaction of unfettered human beings.

This philosophical development proved to be of utmost importance, if not for the acceptance, then at least for the teaching of political economy. This science was fully organised around some well-established tenets that were now regarded with suspicion. The confidence previously placed in the natural and harmonious order that an individualistic competition allegedly provided by means of the market mechanism was no longer endorsed, either by the philosophy of law or by public opinion. Political economy came under attack on several fronts, both inside and outside the university, now being portrayed either as a dismal science or even as no science at all.

This unstable situation became even worse when modern republican ideals began to appear, asking for moral and material improvements and blaming the monarchical regime for all the social and political misfortunes that Portugal had endured, for example, its political and industrial subordination to England.

Portuguese modern republican thought was, in its mid-nineteenth-century beginnings, a complex combination of socialist, anarchist and old republican ideas, into which A. Comte’s positivism and H. Spencer’s evolutionism found their way. In the case of political economy, this association turned out to be extremely unfavourable: not only did political economists now have to deal with ethical considerations, but also with a confused set of philanthropic and co-operative views, ranging from long-standing Christian ideals to the more recent speculations of Proudhon, Fourier, Owen, Marx, Comte and Spencer.

This new political and social trend soon arrived at the University of Coimbra, allowing sociology not only to replace comfortably the remaining prestige of political economy, but also eventually to get a hold on the very foundations of the philosophy of law. From the late 1870s onwards, positivism progressively took over law teaching and the subjects were conceived from a utilitarian standpoint, which strengthened the social concerns previously put forward by the late disciples of Krause by advocating the importance of all kinds of
orderly association between human beings. Only at the beginnings of the twentieth century was it possible to redirect this tendency, replacing positivism by other philosophical bases. Therefore it was only then that political economy could seek to retrieve at least some of its previous conceptual appeal and scientific weight.

A great deal of this complex and unsteady process is clearly shown in a small book that José Marnoco Sousa and Alberto dos Reis wrote in 1907 on behalf of Coimbra Law School:

As we all know, the chair of political economy was entrusted to Adrião Pereira Forjaz de Sampaio, who remained there until 1871. During this period, as the doctrines of the liberal school reigned unchallenged, it is no surprise that his textbook complied with the orientations of that school. However, socialist ideas soon came to the forefront, due to the instability of the economic mechanism, the increasingly precarious situation of the working classes, and the cunning criticisms levelled at capitalist organisation. This movement deeply echoes the teaching of economics, causing the orientation of the classical school to be abandoned, insofar as it did not meet the aspirations of the times. . . . Socialist doctrines were to go on developing, not hesitating to use experimental processes to demonstrate their findings, and also resorting to Darwin’s and Spencer’s theories. That is how socialism got its sociological configuration. . . . However, we could then already see the fierce development of the doctrinal viewpoint that was designed to give political economy a national character. This viewpoint developed in Germany under the influence of List, placing economic life unconditionally under the political and national objectives, and of the historical school, which held that economics could not develop unless by means of the study of the institutions of each particular people.

(Sousa and Reis 1907: 11–12)

As Marnoco Sousa was one of the most influential economic teachers of the early twentieth century, it is only natural that political economy should be so vigorously vindicated:

Among the particular social sciences, no one is more important to the education of a lawyer than economics, as the economic phenomena are the basis of law and only this science allows us to pay due attention to the new forms assumed by property, labour, credit, and circulation, in harmony with the needs of modern societies. Nevertheless, there are still many who disapprove of economics teaching in Law schools, arguing that political economy is a vague and uncertain science.

(Sousa and Reis 1907: 9)

Why is that so? According to Marnoco Sousa, the answer was to be found in the fact that over the previous forty years the teaching of political economy had been in permanent turmoil as a result of continual casual influences. This unstable environment was hardly conducive to a fruitful scholarly work by the successive teachers.
This acted as a stimulus for him to try to improve the way political economy was taught, both by dealing with new problems and new theoretical approaches not in a piecemeal and trivial fashion, but in an orderly way. Therefore he made a considerable effort to include in his teaching some meaningful references to the works of other schools of thought such as the Austrians (Menger, Böhm-Bawerck, Sax, Wieser, Zuckerkandl and Meyer), the socialists (Bernstein and Kautsky), the anarchists (Kropotkin, Tucker, Tolstoy, Reclus, Grave, Malato), and other lesser-known schools such as the Le Play school (Tourville and Demolins) or the so-called solidarity school of Charles Gide.

The outcome of this approach was, at least at first sight, the follow-up of an eclectic kind of political economy, dealing with all kinds of schools and doctrines in a disengaged and indifferent way. However, Marnoco Sousa was only carrying out a strategy to support two arguments: firstly, that his teaching was perfectly up-to-date, taking into account all the recent developments of political economy; secondly, that political economy was a subject matter of meditation and appreciation in several different educational institutions and nations. Moreover, as we shall see towards the end of this chapter, he was also paving the way to ensure the acceptance of his own ideas.

**NATIONALIST, HISTORICAL AND SOCIALIST CONCERNS**

Having sketched out the background, it is now time for us to take a closer look at the actual convictions of some of the major economists of this period.

Dissension with classical political economy first arose on account of its cosmopolitan character. Economists such as António Oliveira Marreca, who had formerly accepted and resolutely spread the gospel of free trade, gradually became aware of its dangers for a minor and rural country like Portugal. As a result – in much the same way as happened with other less important authors – he moved towards a more cautious view of the workings of international market competition, favouring a mild protectionism that could enhance Portugal’s industrial foundations.

In doing so, although this brought him very close to List, he was actually reintroducing a line of reasoning that dated back to the late seventeenth-century economist Duarte Ribeiro de Macedo and was also prompted, under the influence of Chaptal, by the early nineteenth-century economist Acúrsio das Neves.

In an article discussing the arguments in favour of and against free trade, published in 1846 in the *Revista Económica*, Marreca wrote:

Before deciding who is right we must ask if it is wise that in a country where a certain number of factories represent the interests of numerous investors, give productive value to a considerable extent of fixed and variable capitals, nourishment to thousands of workers, an outlet to many raw materials from agriculture, if it is wise to open suddenly our doorway to an invasion of foreign artefacts that are to attack or destroy so many
interests and means of support which rise in good faith under the protection of the law or under its promises?

(1983: II–27)

For him, this problem was easy to solve provided that one bears in mind that ‘the principle of freedom, in spite of being so true and fruitful, is checked by acquired rights’. So, he goes on to argue, if we assume national interests to be similar to individual ones, the same kind of exception should also be made for nations. Besides, one must also realise that national interests do not merely relate to the interests of the year, the month or the day we are living in, for they embrace those of the future and do not confine themselves to the present generation, as they also include those still to come; for a nation is a progressive series of generations that are perpetuated in a certain territory.

(1983: II–28)

On that account he logically concludes:

The brief calculations of individual egoism do not, in consequence, apply to nations. Their economic viewpoint is larger than the mean rule that compels people to buy in the cheapest market. It is important for them to acquire the instruments of wealth that are the main reason for the prosperity and glory of modern nations. To sum up, it is vital for them to have their own factories, be it through momentary sacrifices.

(1983: II–28)

As one may see, the development of this line of reasoning suggests that nations do have an individuality of their own, consisting of interests and needs that are quite different from those of the individuals per se. For that reason we can also trace here a distinct example of the overall influence of Krause’s thought, namely its organicism.

A second illustration of this trend is to be found within the University of Coimbra. After Adrião Forjaz de Sampaio, José Frederico Laranjo was one of the most interesting teachers of political economy at the Law School. In his early career, he was a resolute supporter of Vicente Ferrer’s individualistic ideas, as may clearly be seen not only in a thesis on natural law published in 1877, but also from a paper he wrote in 1871 when he was still a student (see Moncada 1938: 49–87). Twenty years later, he published his *Principles of Political Economy*, where he firmly established the idea that ‘as human interaction is subordinated to law and equity conditions, law and ethics are intimately linked with political economy, its findings must hold up, and history exhibits the need for this harmony’ (Laranjo 1891: 4). In accordance with this idea, Laranjo goes on to establish the exact position occupied by political economy amidst the sciences:
the sciences logically prior to political economy, which rule over it and operate in constant mutual assistance, are psychology, ethics, natural law, statistics, economic history and geography, and all the natural sciences that either study production or its circumstances. On the other hand, political economy rules over commercial and civil legislation, public finance and a great deal of politics; over commercial and civil legislation because, in dealing with wealth, they must enact economic truths; over public finance because taxes must be raised in keeping with the apportioning of wealth and in a way that does not intrude on its growth; over politics because economic reasons have the utmost influence upon it.

(1891: 5)

From this it is easy to grasp that Laranjo was now subscribing to a position where national peculiarities could find their own place on the basis of historical reasoning. This idea is confirmed if one reads the chapter dealing with the proper method for political economy. For this author, a choice must be made between three different methods: what he calls the experimental inductive, the deductive and the complex or mixed. His choice is clearly the last one, a method that ‘brings together the idealist (deductive spiritualist) method and that of historical observation’ (1891: 9). According to Laranjo, this complex method requires two necessary types of analysis: firstly, each order of data is to be studied in order to assert its co-ordination with the other social elements so that one can determine, either from the existence of co-ordination or from its absence, whether modifications are to be performed; secondly, by observing the series of its historical transformations, one can apprehend in which direction those eventual modifications are to be accomplished. This preference is clearly associated with the view that ‘if man is a matter of political economy as a sensitive, moral, progressive being, the results of institutions over human happiness, the ideal of public and individual conscience, the historical evolution, are nothing but a part of economic inquiry’ (1891: 10).

From historical reasoning to socialism is just another step – one that Laranjo was not willing to take, at least without some cautious restrictions. In fact, throughout his Principles of Political Economy one can find a meticulous (and sometimes tiresome) discussion of the reasons advanced by every school of economic thought: whether about trade or industry, value or money, competition or co-operation, Laranjo presumably felt a scholarly (if not compulsory) obligation to display all the possible interpretations involved. Hence it is extremely arduous to collect enough evidence of his own opinions to be able to label his thought accurately. Anyway, it is acceptable that all in all one should think that ‘his inclination was towards the so-called intermediate schools, insofar as we can detect influences from List, the historical school, and most of all from the Kathedersozialisten’² (Merèa 1952). This proclivity can be exemplified by means of a couple of quotations. Firstly, one may refer to his statement asserting that ‘the lesson we can obtain from history is that there is a need to aim at the synthesis that brings together freedom and association, being false every solution that sacrifices the one to the other’ (Laranjo 1891: 38). Secondly, we can stress
the way he pleads on behalf of new ways of organising the production and distribution of commodities: the participation of the workers in the profits and the co-operation for obtaining credit and buying goods are useful not only in themselves but also as an economic and moral basis for co-operation in production, in which the workers associate in order to produce and sell in common, replacing the entrepreneur by an elected manager, taking only an average wage, and splitting the profits only by the end of the year.

(1891: 168)

His conclusion that ‘all these [new co-operative] forms are absolutely superior to those that are prevailing today’ (1891: 174) is in fact undeniable evidence at least of his mistrust of the individualistic polarity between entrepreneurs and mere workers – something he indeed labels as *industrial feudalism*.

**SOCIALIST THOUGHT AND STATE INTERVENTION**

To provide an important example of Portuguese socialist thought, one must inevitably turn to Joaquim Pedro de Oliveira Martins.

This writer deserves to be celebrated among the Portuguese authors who fought against disciplinary specialisation. Being self-educated did not prevent him from becoming a prolific writer, encompassing several fields of analysis within the social sciences, such as psychology, anthropology, sociology, political science and, most of all, history. He was also a journalist and a working politician, therefore becoming one of the most prominent intellectual figures in Portugal towards the end of the nineteenth century.

The early blossoming of his economic ideas can be seen in one of his first books, *A Theory of Socialism* (1872), where socialism was presented as a type of society that would materialise as a result of a natural evolutionary process, in accordance with a universal rule engraved upon the human conscience (justice) and through the workings of a natural law of individual accomplishment (labour). In spite of a number of other definitions scattered throughout the book, Oliveira Martins defined labour as an ‘economic fact relating to production’ (1872: 172), that is, as the process men use to transform nature. His conclusion was that our conceptual attitude towards labour, as the basis of economic relations and mechanisms, was not always the most suitable one.

For him the current explanatory trend in political economy followed the work of Adam Smith, for whom labour was not only the expression of man’s natural liberty, but also an instrument and the fountainhead of wealth. This notion was later subjected to a use that compelled it to overstate natural liberty, turning it into an untrammelled individual desire for betterment, a desire that the utilitarian creed took as the sole and decisive element in the civilising process.

It was this view that Oliveira Martins fought against, opposed to the utilitarian and naturalistic roots of political economy, refusing to accept the possibility of obtaining a
spontaneous social harmony on the sole basis of free will and individual action. The liberal doctrines, including laissez-faire, were emphatically condemned since he considered that they were to be blamed for the gloomy future of political economy and its doctrines.

According to this author, the inceptive liberal persuasion of political economy gave rise (as incongruent as it may seem) to a body of incomplete and ephemeral knowledge, because ‘it lacks the basis, the eternal foundation of a metaphysic of the spirit’ (1872: 73). This amounts to saying that political economy was compelled to live in a condition of immaturity and fruitless confabulation. This original sin, this dogmatic belief in the virtues of an individual drift towards social wealth, annihilated any hope for redemption through progress, allowing the threat of a stationary state to come true: ‘the day would come when progress would inevitably stop, and then backtrack. From that epoch on we would witness a gradual decrease in wages, a growing discomfort and finally decay’ (1872: 269).

In several pages of this book we can find an account of the evolution of political economy from Quesnay to Proudhon, with comments on both the analytical advancements and theoretical weaknesses of the liberal economists he knew best (Smith, Say, Malthus and Bastiat), and the virtues of the socialist agenda as it was displayed by the authors he considered to be most trustworthy (Sismondi, Saint-Simon, Fourier and, above all, Proudhon).

His analysis of the viewpoints of these two schools of economic and social thought prompted Oliveira Martins to establish a contrast between socialists and economists, based solely upon their respective opinions – of approval in the latter case and rejection in the former – concerning the laissez-faire dogma. However extreme this conclusion may seem, it turns out to be a clue to understanding the doctrinal battle that Oliveira Martins steadily fought throughout his work – the relentless denunciation of the flaws of economic liberalism combined with a plea for more effective government action.

The concern of this author with improving political economy by incorporating an ethical factor was closely related to his appeal for a ‘truly social science’ (1872: 285). In this matter, the influence of Stuart Mill is not only clear but is actually admitted by Oliveira Martins. In fact he perfectly understood the polarity established by the English author between positive and normative economics – between the unchangeable laws of production, circulation and exchange, and the flexible arrangements that were to be carried out in keeping with the effects that progress had upon production and distribution structures. For Oliveira Martins, as for Stuart Mill, it was vital to assist the fulfilment of progress through an even distribution of wealth. Individual utility and the drive for self-satisfaction should not in any way upset the notion that the existence and the well-being of each individual were inevitably dependent on mutual co-operation: life in society (civilisation) required the interaction of many individual happinesses so that the utilitarian ethic could remain an instrument of virtuous action, a factor of social justice.

With the help of Stuart Mill, we can now resume the analysis of the role that the concept of labour played in Oliveira Martins’ thought, as a central element of the economic relationship. Viewing labour as the transforming action of man over the natural world,
Oliveira Martins tried to find a solution to the evils caused by a division of labour that he considered to be ‘the cause of the growing intellectual, moral, and material impoverishment of the workers’ (1872: 293). Hence he rejected the Smithian view of the causes of the division of labour (the natural propensity of man to truck, barter and exchange), subscribing to another model of social, political, and institutional organisation – socialism – where work was undertaken through a connection of different functions, that is to say, through ‘a coming together of speciality, combination and method’ (1872: 318).

One year after the *Theory of Socialism*, Oliveira Martins published *Portugal and Socialism*, in which he tried to describe the actual possibilities of the model of society he advocated. There he pleaded for an ‘economic revolution’ that would put an end to the existing inequality in the distribution of wealth, thus preventing an ‘inevitable clash of interests and classes’ (1873: 15). Since he believed that the current situation was due to an ethical dismissal by political economy (as he tried to make clear in the *Theory of Socialism*), this line of reasoning was once again resumed, setting the positive realm governed by economic laws apart from the normative realm of measures designed to correct the effects of a deficient distribution of wealth.

*Portugal and Socialism* produced several messages that his later writings would reinforce, namely the criticism of free competition, a list of several areas in which the state should act in order to guarantee the proper functioning of the labour market (preventing child and female labour, organising professional education, improving hygiene and security, providing for boards of arbitration). Likewise he pressed for changes in regulations governing landed property, called for greater precision and transparency in relation to budgetary policy and insisted on the reorganisation of the circulation of paper money.

Oliveira Martins formulated this last proposal in several of his works, in which he called for stiffer control over the issue of money by the central bank authorities, defended the social role of the loan system and in general opposed all the irregularities that a powerful financial oligarchy inflicted upon the economic system (1877; 1878).

To end our review of this author we must now turn our attention to the way he dealt with some of the economic debates that were widespread in nineteenth-century Portugal.

Since the publication of the *Theory of Socialism* in 1872, he had clearly been trying to introduce a model of political and social organisation that he thought was better suited to the specific Portuguese circumstances. For that reason, the legitimacy of the political economy discourse produced by foreign authors was made strictly dependent throughout his writings not only on the previous consideration of the ethical validity of their doctrinal presuppositions, but also on the analysis of their probable results in terms of economic policy. This led to his constant criticism of everything resembling *laissez-faire*, and his disproportionate optimism in believing ‘the fatal Manchester school to be sinking towards death’, maintaining that ‘the benevolent omnipotence of competition is no longer a dogma’, or taking it for granted that ‘the reaction against free trade irrupts everywhere’ (1877: 58–59). The close watch that Oliveira Martins kept upon the acculturation of foreign theories and doctrines is evident when he maintains that one should ‘refuse to copy models that do not
accommodate us’, or even when he defends the idea that one must always establish ‘the
geographical and historical value of the theories under survey’ (1878: 117).

This concern with the national context was also to be seen when he outlined his strategy
for economic development based upon agriculture, since in his opinion Portugal could not
become either a trading, colonial or manufacturing nation, because ‘neither do we have
enough capital, nor do our middle classes have the shrewdness required to play an important
role in the international financial market’ (1878: 180). Therefore, both in parliament and in
government (where he remained for some time in the late 1880s) Oliveira Martins attempted
to settle some central issues concerning the promotion of Portuguese agriculture. Although
they had little effective success, measures were taken to promote agricultural credit and
landowner associations, together with instructions for the leasing of fallow land (either
public or private), the draining of swamps, the use of public waters, the increase of
woodlands and meadows, and also for the regulation of fishing and hunting (1887).

Just as in other intrinsic aspects of his development programme, he clearly stated his
demand for state guidance and regulation in order to maintain the overall balance of society.
As we have already stressed, the economic justification for state intervention also suggested
the acknowledgement of the limits of a science that attempted to explain the origin of wealth
through the untrammelled action of individuals within the market. In the Regime of Wealth
(1883), he attempted to become more accurate by differentiating what he called crematística
(a field of economic science concerned with the process of wealth formation through the
physical elements that intervene in production, distribution and consumption) from political
economy (a field concerned with the influence of laws, rules of behaviour and constitutional
principles on the process of wealth distribution). Curiously, he attempted to establish this
difference on the same grounds used by W. Stanley Jevons – in the introduction to the second
edition of his Theory of Political Economy (1879) – to argue for the use of the label economics
instead of political economy.3

Although the notion of crematística was not commonly accepted, its use provided
Oliveira Martins with a clear-cut method to promote the objectivity and neutrality of a
science that still ‘had man as a central element, land as an object, and labour as an agent’
(1883: 2). He therefore explained several transactions of crematística (production,
circulation and exchange), always offering examples that could be understood by the
common people. Nevertheless, the role of explaining the reasons why the state had to
intervene, either in order to assure a better distribution of wealth, or to avoid the evils of free
competition, was still entrusted to political economy – thus legitimating an agenda that was
typical of the so-called Kathedersozialisten.

The figure of Oliveira Martins was too conspicuous in the late nineteenth-century
intellectual environment for his opinions to go unnoticed. Not only in the debates of the
epoch, but also in the twentieth century, he became a source of inspiration, on account of his
ideas on national decay, which proved to be a reliable basis for calling for a providential state
intervention.4
THE STATE AND THE MARKET: THE ROLE OF COMPETITION AND ECONOMIC FREEDOM

In spite of all the objections and constraints they had to face, some Portuguese political economists of the late nineteenth century still tried to advocate the basic tenets of classical political economy. A most remarkable example turned out to be Joaquim José Rodrigues de Freitas. He was trained as a civil engineer at the Academia Politécnica do Porto and immediately embarked upon a prolific career, writing for several newspapers, publishing books, working as executive secretary at the Trade Association of Oporto and teaching political economy at the aforementioned school. A few years later, he had already gained a sound reputation as an economist and as a public speaker, becoming increasingly involved in politics – first as a Member of Parliament, later as a leading advocate of modern republican beliefs.

Someone with such energy is likely to be listened to, as well as to arouse controversy. In this case, it can indeed be said that, although he always maintained a compassionate and polished manner, Rodrigues de Freitas spent his whole life fighting against nearly all the fashionable ideas of his generation, including those endorsed by his friend Oliveira Martins.

By 1872, when the influence of Proudhon was quite remarkable among the Portuguese, he wrote a heavily critical book about the economic doctrines endorsed by the Workers’ International Association. His personal style is clearly revealed in his justification of the reasons that led him to write the book: in view of the threat of a social revolution as a result of the dissemination of socialist doctrines, ‘many advocated as the sole feasible answer their downright prohibition’; for him, that repressive and distressed reaction was unacceptable, for only by openly discussing the social revolution, do we bear public testimony to our belief in the liberty of thought and in the principles that we stand for, whilst also fulfilling the duty of expressing to our fellow citizens our thoughts on the social revolution.

Hence, he preferred to write critical reviews of these theories, trusting that he ‘could demonstrate that they are usually false and specially harmful to the working classes’ (Freitas 1883: 6–7).

The main theme for discussion was of course the presumed deleterious effects which economic competition engendered upon the working classes. Unlike other European liberal political economists who reacted violently to these accusations, for Rodrigues de Freitas it was only natural that the working classes, faced with the threat of misery and unemployment and also through their ‘lack of formal education, would endorse mistaken ideas about competition, profits, the role of the entrepreneur and the law of supply and demand’. Living under permanent stress and without the help of a reliable literacy, they were not to blame for being unable to realise that socialist ideas were deceptive, and that there could be no victory ‘in the abrogation of wages, in the establishment of collective ownership of land, in the distribution of goods in favour of the state, and in the hidden war waged upon the use of
machines’. Therefore, it was only despair combined with downright ignorance that turned them into ‘straightforward enemies of the division of labour, of the law of supply and demand, of the diminishing of wages, of landed property and ultimately of capital in many of its manifestations’ (1883: 14). Even if one accepts this line of reasoning, one question still remains: what about the socialist authors, are they also to be considered uneducated as well?

In fact, since Rodrigues de Freitas presumed that as a rule people would not be malevolent, the only possible answer to this question was that, although sincerely committed to finding a solution to the problems that impinged on the working classes, they were nevertheless utterly baffled.

Therefore the only appropriate way to put an end to the spread of socialist doctrines (and also to the ever-increasing social upheaval) was to be found in the dismantling of what he called the principle of logical gravitation – the unfolding of logical necessary consequences from false hypotheses – by means of a greater and more systematic dissemination of scientific notions.

Consequently, he went on to underline the real meaning (and social importance) of some central economic ideas. Firstly, he stressed the utmost importance of understanding that capital is nothing but the result of a provident way of living, which entitled shrewd workers to become entrepreneurs; secondly, he turned to competition and to its avowed enemy, mutualism.

This latter notion is typified as an important economic misconception which nevertheless appeals to people’s feelings: ‘mutualism, one knows, has a payoff under its own name: it promotes itself as brotherly, while competition is taken to be utterly chaotic and conducive to anarchy; mutualism is friendly, or at least pretends to be so’ (1883: 54). However, he goes on to argue, if one stops for a moment and takes a pragmatic look at things, leaving one’s prejudices aside, it is possible to notice the worthiness of competition, endlessly striving to bring about progress, ‘allowing everybody to buy and sell even in the absence of any written agreement, without subordinating them to statutes, without tying their hearts and arresting their souls’ (1883: 54).

Actually, what Rodrigues de Freitas was suggesting is not only that competition stands for freedom, but more importantly that it provides a type of social organisation which not only rewards all virtues achieved under the auspices of liberty, but also accepts human imperfections and seeks gradually to improve them. These are its major assets, which in his opinion, do in fact make up for its inevitable flaws.

Nevertheless, there was yet another reason for him to accept the present situation, in spite of all its evils and disturbances, and still look forward to the future. For him, freedom was the prime condition for progress, because it provided an everlasting possibility for correction and improvement. Believing in everlasting progress, he was persuaded that competition was after all a suitable solution for the economic (and to some extent social) problems faced by mankind; nevertheless he was also sure that competition was merely an ephemeral solution, to be definitively replaced in the future by some other driving principle.
If that is so, one may ask, why not accept mutualism precisely as that substitute driving force that would propel mankind to its betterment? Precisely because when we live in an era of great turmoil and passions which can cloud our judgement, reason advises us to be sceptical of all kinds of forecasting. All one can say is that in due time, and after a substantial process of trial and error, mankind will improve. Such optimism is also to be found in his analysis of world history. There he stresses the different perceptions of time: for individual human beings, time is measured by their lifespan; but for mankind, time has a much larger scale which can be measured in hundreds or even thousands of years. Therefore, it is perfectly understandable that each generation may sometimes lose patience in the face of adversity, welcoming each and every solution, even if uncertain and obscure.

That is why, as a man of science (and more precisely as a political economist), Rodrigues de Freitas could understand and comply with a status quo that, as a mere human being, he would most certainly resist; if not completely, at least in some of its more distressing aspects. Accordingly, he was ready to support every measure that could relieve misery or prevent people’s suffering, provided that it was neither compulsory nor a disguised assault on liberty. Hence his concern and support for every kind of free organisation, ranging from insurance to cultural and professional associations.

Throughout his writings, he never lost his convictions. Whether in the *Principles of Political Economy* (1883), or in the last article he wrote in 1889 (a kind of intellectual obituary of Oliveira Marreca), the only changes to be noted were in the realm of practical improvements, not any doctrinaire shift. A clear example of this resourceful perseverance can be found in his assertion that if Adam Smith was still alive, although no one could tell for sure ‘what functions he would ascribe to the State’, it was nevertheless certain that Smith ‘would not have to revise his doctrines to rescue them from the reproaches levelled at exceeding individualism’, since ‘the legislation designed to protect labour and to foster welfare is not opposed to his ideas’7 (1906: 10–11).

This brings us to the conclusion that his attachment to political economy was intimately linked with faith – directed not towards contemporary political economy in itself, but towards the idea of progress in science, and most of all, in mankind. Or, as we shall see in the next chapter, a time was to come when people would rather embrace the idea of decay than the idea of progress – and accordingly, they would prefer living under a wilful and patronising state to experiencing the uncertainty of freedom.8

**THE FORMATION OF A PLURAL CANON**

In order fully to understand the intellectual pattern of this period, two last authors must be considered: José Marnoco Sousa and António Horta Osório. The former is an excellent example of what one could describe as mainstream Portuguese economic thought in the early twentieth century, while the latter stands for heterodoxy.

As already mentioned, Marnoco Sousa was one of the most important teachers at the law school of the University of Coimbra, having a cogent and lasting impression on his students
and colleagues, largely on account of his remarkable proficiency in teaching ten of the nineteen subjects in the law curriculum (ranging from ecclesiastical law to political economy) during his fifteen-year career.

When he took over the teaching of political economy, he received quite a burdensome inheritance. The law school of Coimbra was then under severe attack because of its alleged overall decline: its teachers were portrayed as being utterly ignorant and pretentious, and the curriculum was perceived as a kind of obsolete Scholastic reminiscence. The reputation of political economy was even worse, since Sousa’s predecessors as teachers had progressively relinquished their commitments – either because they devoted themselves to political activity and government responsibilities, or simply because they did not like the subject they were supposed to teach. He was therefore confronted with the urgent need to restore the lost prestige of the law school and of political economy both inside and outside the university. That was precisely what he began to do as soon as he took over the professorship, both by disentangling the teaching of political economy from the influences of the political environment and by thoroughly systematising its principles in a series of no less than eleven accurate handbooks. In each and every one of these books one can find a concern for the widening and updating of the bibliographical sources of political economy, which led him to a methodical incorporation of references pertaining to new schools of thought (such as the Austrians or the Solidarists). He also made a considerable effort to include all the different problems belonging or related to political economy, changing the topics of his classes and writing different textbooks to assist the students that attended them.

An undertaking such as this, if not accurately performed, was likely to turn into a pedantic display of information, or even degenerate into an ambiguous and disordered survey of facts and ideas. Fortunately, he managed to avoid both these dangers and to make (his own) sense of the doctrines he collected.

To avoid a chaotic display of the various topics of political economy, he embraced Edwin Seligman’s logical approach to economic life – starting from its foundation (land and population), going through its conditions (private property, competition, state), and closing with the study of its operations and purposes (industry, exchange, revenue). The teaching of this systematic core was to be preceded by the study of two essential topics – on method and on the history of economic doctrines – so that the students could make sense of the different doctrinal surveys of economic life (see Seligman 1905).

His last textbook (1910) clearly demonstrates this conviction, for it deals with the concept of economic science (Ch. 1), undertakes a survey of the history of economic thought (Ch. 2) and discusses the method of economic science (Ch. 3) before engaging in the study of economic life. For us, these three introductory chapters illustrate the most important principles of this book, since their subject matter is of decisive importance in shaping the student’s attitude towards economic life and political economy.

In Chapter 1, Marnoco Sousa expresses the idea that needs are the basis and driving force behind civilisation, since the desire to avoid pain and achieve pleasure is the ‘dynamic expression of life’ (1910: 8). This gives rise not only to the economic activity of man,
depicted as a process for acquiring the material means for the relief of his needs, but also to
the conclusion that everything in economic organisation must be subordinated to consumption – for the well-being of consumers is indiscernibly related to public welfare. This thesis is contrasted with others – psychological, sociological and economical – sustained by some economists. The psychological approach as advocated by Alfred Marshall is dismissed because as ‘man’s attributes are unlike those of matter’, it is doubtful that psychological characteristics can be measured accurately. The sociological approach endorsed by Réné Worms is also dismissed on account of its organic character, which assumes that man is completely subordinated to the whole that is personified by the state. Finally, the economical conception followed by Adolphe Landry (‘economic life as the acquisition of goods likely to be exchanged’) is dismissed because it relies on a particular and modern phenomenon (exchange) which is not to be found in several earlier epochs of human history.

Following this line of reasoning, Marnoco Sousa presents several basic political economy concepts (those of production, distribution and consumption, as well as those of utility, wealth, economic goods), always criticising their excesses. For instance, when dealing with the concept of economic man as endorsed by the Austrians, he argues that such a man, ‘a perfectly hedonistic molecule, has not yet came into existence, and never will’ (1910: 24). Next come the issues relating to the definition and proper denomination for political economy, the differentiation of pure from applied science, the identification of the nature of its laws, and also an interesting discussion about the alleged existence of social economics as a separate branch of political economy. In relation to this last issue, Marnoco Sousa rejects such a differentiation, arguing that all social problems are also economic problems, and that political economy should by no means be understood as a synonym for liberalism (with its individualistic orthodoxy) – much the same as social economics should not be misunderstood as the conciliation of political economy with socialism, or as political economy impregnated by sociology.

The idea of a well-balanced position that one senses from reading this chapter is fully confirmed in the next one. In fact, when one reads for the first time the chapters in which Marnoco Sousa deals with the different schools of thought, a feeling of surprise is almost inevitable: not only are there too many schools, at least as compared with those generally acknowledged by today’s standards, but there are also some ‘schools’ and authors that are catalogued in a peculiar way. For instance, one finds several separate individualist schools; we are confronted with intermediate schools such as the Lorian and the Solidarist schools; Stuart Mill is labelled as quasi-heterodox; Smith, although considered to be the founding father of the individualist school, is visibly set apart from its future developments; and so forth.

This peculiar way of dealing with the history of political economy may be better understood if one bears in mind that Marnoco Sousa is now trying to set apart individualism from socialism, a task which he considers to be a treacherous one. He says that virtually none of the criteria – ‘that of the individual, of private property, of equality and of freedom or State
The avoidance of analytical economic thought

conduct’ (1910: 107–108) – which are currently used for establishing a clear-cut boundary between those major systems are completely reliable.

If one is to apply the individual criterion,

what makes the difference between individualism and socialism is that socialism considers society as the foundation and chief end of economic activity, as opposed to individualism, which grants that role to the individual. But socialism also reputes man as the paramount end of economic activity, and attempts to improve man’s overall circumstances. Why does socialism stand for collective property? In order to grant nearly all men an appropriate setting in which to develop their capacities and inclinations, bearing in mind that this end calls for a reliable economic basis. Why does socialism blame the present economic order? Precisely because that particular order keeps too many individuals in a contemptible situation, causing capitalists to be the sole beneficiaries of the status quo.

(1910: 108)

According to the second criterion, ‘socialism differs from individualism because it does not support private property. Nevertheless this criterion leads to a confusion between socialism and communism’ (1910: 109), which as a matter of fact are dissimilar.

According to the criterion of equality,

socialism differs from individualism for it aims at abolishing all existing social inequalities. However, these inequalities cannot be done away with, since they are rooted in the moral and intellectual differences between men. Several socialist schools, [namely the collectivist ones] have accepted this fact, rewarding people in accordance with the work performed.

(1910: 109)

Finally we have the freedom criterion. In his opinion, of all the criteria this is ‘the most rational and reliable’ one, as it detects a meaningful difference between socialism and individualism: the former stands for ‘a system which extends the role of the state to the point where it actually becomes a proprietor, ruling over the production and distribution of wealth’, while the latter stands for ‘a system which relies solely upon the untrammelled expansion of individual action, under the tutelage of law’ (1910: 110).

Having drawn this basic distinction, Marnoco Sousa was then able to explore the several trends displayed by modern and ancient political economy in an orderly way, systematising them by means of their relative support of either individual freedom or government activity.

Therefore, in this particular section of his textbook, one can not only find a meaningful taxonomy of economic doctrines – that is, a systematic array of references concerning schools of thought, their authors and ideas – but also clearly detect his own opinions and preferences.
The first meaningful statement is that ‘economics can only become a true science by merging and co-ordinating the different theories’ (1910: 54). Accordingly, the history of economic thought has to take an incisive look at the several doctrines and schools, distinguishing the substantive amount of truth contained in each one of them from the excesses and fantasies of their promoters. Let us skip his analysis of the first epochs of economic thought (what he calls the fragmentary period) and move on to the analysis of the origin and development of the individualist schools, beginning with physiocracy. According to Marnoco Sousa, the rise of this school can be explained both by the excesses of mercantilism, which promoted an ‘artificial economy where everything was expected from the State’ (1910: 78), and the discrepancy between such a view and ‘the general trend in eighteenth-century thought, which acknowledged the existence of a natural order, at both the social and political levels, concerning rights that could only be violated by the legislator in a violent and artificial manner’ (1910: 79). With this new system (a ‘blend of liberalism and agrarianism’) the study of economic matters ‘ceased to be an assortment of incoherent inquiries into national matters’ (1910: 85), to become a systematic yet biased subject. Meanwhile, in England, the wonders of steam produced the first industrial nation. Therefore, a new historical environment was achieved – an ‘environment that could no longer accept the pettiness of the physiocratic doctrine’ (1910: 85). This new environment caused individualism and optimism to spread by virtue of the works of Adam Smith. With this author, liberalism lost its agrarian disposition and became more tolerant towards legislation and state regulations, also adopting observation and description as the proper method for economic inquiries. This view was spread throughout Europe by Jean-Baptiste Say, but the definitive constitution of the individualist school was due to the works of Malthus and Ricardo. The former revealed the relationship between resources and population and achieved notoriety on account of the fact that this doctrine ‘justified all the abuses perpetrated by the wealthier classes’, as they ‘were no longer to blame for the evil and misery produced by the improvidence and incontinence of the poor’ (1910: 91). The latter contributed to individualism in a great variety of ways. Not only did he discover a rent theory which proved that the ‘proprietor is prone to become ever more affluent without risking capital like the business man or working like the labourer’ (1910: 93), but he also changed the method of scientific inquiry in favour of the deductive and abstract pattern that the individualist school kept for a long time.

According to Marnoco Sousa, the spread of economic individualism was – after Ricardo – performed by a multitude of authors that were mere followers, such as James Mill, McCulloch, Senior, Dunoyer, Rossi, Rau and Von Thünen. But then individualism split into several different schools. The fight against protectionism gave birth to the Manchester school, which had in Bastiat one of its most prominent advocates outside England. Then, fighting socialism, the original individualist school somewhat attenuated its doctrines, giving birth to two new moderate individualistic schools: the semi-heterodox one which, boosted by John Stuart Mill, aimed at achieving ‘a better harmony between individual freedom with increased equality in wealth distribution’ (1910: 98), and the eclectic-liberal
school of Paul Leroy-Beaulieu which asserted that ‘although freedom of work is the normal regime for society, the State must proceed whenever private initiative is inactive or weakened’ (1910: 98). Moreover, this school called for further state intervention (to be performed as ‘an assistance, not a replacement’) to promote social betterment. Finally, Marnoco Sousa mentioned two extreme schools – the Austrian and the mathematical – which in his opinion arose from the overstatement of the deductive method. Concerning both these schools, Marnoco Sousa reinforces the arguments already mentioned when we discussed the proper method for political economy, namely his criticisms of the inception of a molecular economic man.

The second part of his survey of the history of economic thought is dedicated to the study of socialism, collectivism, communism and anarchism. From amongst all the remarks and observations one can find in those pages, it is pertinent to recall a couple of ideas. Firstly, socialism ‘has had an extraordinary importance since it dropped its romantic, sentimental and utopian outlook to become more logical and scientific’. Secondly, ‘current socialism is in a state of chaos, without any doctrinal basis’ because it has proved to be extremely difficult ‘to replace the fading Marxism by another reliable and promising doctrine’ (1910: 107).

Finally, Marnoco Sousa deals with what he calls the intermediate schools – national political economy (List and Carey), the historical school (Sismondi, Knies, Roscher, Ingram and Cliffe Leslie), chair socialism (Schröller, Wagner, Laveleye), Solidarism (Gide, Durkheim, René Worms) and the Lorian school (Achille Loria).

Even though they are not exempted from criticism, one feels that Marnoco Sousa is more sympathetic to those intermediate schools than to any other school or doctrine, largely because he thinks that they ‘broke away from individualism without embracing the radical innovations of socialism’ (1910: 138), hence apparently sharing the ideal of achieving a balance between individualism and socialism, carefully avoiding everything that resembles intemperance.

If one recalls his philosophy of science (‘political economy can only become a true science by merging and co-ordinating the different theories’ (1910: 54)), it is reasonable to assume that for him, each and every one of these schools were pushing political economy closer to its scientific improvement – not that they were flawless, but they were pointing in the right analytical and methodological direction.

It is therefore reasonable to assume, as his contemporaries did, that Marnoco Sousa was in fact a supporter of the Kathedersozialisten, ‘a realistic school currently prevalent at the German university’ (Sousa and Reis 1907: 19). How are we to understand the full meaning of this alleged affiliation? Clearly as a genuine belief that ‘the true doctrine of the action of the State lies somewhere between individualism and socialism so that the State, without exerting an extensive interference, still promotes the intellectual, moral and economic development of society’ (Sousa and Reis 1907: 19). This affiliation is also corroborated by the fact that while teaching, Marnoco Sousa always showed a noticeable concern for the labour movement, ‘whether it be socialist, co-operative, unionist and even anarchist’, always stressing that ‘although without stifling the prolific power of private initiative, one should
not comply with the sacrifice of the weak in the merciless struggle of economic competition’ (Sousa and Reis 1907: 19).

In addition to these testimonies, there are two more important aspects that confirm the world-view of this author. Firstly, among the seven graduation theses supervised by him, four were ascribed to the study of social and labour problems. Secondly, it is important to stress Marnoco Sousa’s activity as the mayor of Coimbra, where he strove after social progress, arguing in favour of an eight-hour working day, supporting the establishment of a weekly rest day and promoting the building of workers’ quarters.

One last question must be addressed before we leave this author: how representative of mainstream Portuguese economic thought are his works and reflections? If one looks back over the other Portuguese authors writing on political economy in the late nineteenth century, it becomes clear that Marnoco Sousa both developed and reinforced what we can call the spirit of the times, by thoroughly bridging the gap between classical political economy (the individualistic school) and the social and political concerns that gradually arose from 1850 onwards, both in academia and society. At the same time, he managed to keep pace with the growing influence of sociology by establishing a theoretical and practical purpose for political economy (‘the study of social activity deployed to satisfy man’s needs by way of material goods’ (1910: 107)), which could not be superseded by any other single or unified social science.

THE DIFFICULT EXISTENCE OF A MATHEMATICAL ECONOMIST

Towards the end of the period covered by this chapter, a book was published that was clearly outside the above-mentioned pattern: its author was António Horta Osório, and his work deserves a mention because it aimed to establish the importance of the mathematical method in political economy, i.e., in the context of the development of the general equilibrium theory of the Lausanne school (Osório 1911). Two years later he had the honour of seeing his book translated and published in France, with an introduction by Vilfredo Pareto (1913).

Although somewhat wary of the alleged comprehensive utility of mathematics in economic reasoning, Pareto maintains that the book by Osório is not only ‘bien ordonné, sachant allier la simplicité de la forme à la profondeur de la pensée’ (‘properly organised, knowing how to put together simplicity of form and thoroughness of thought’), but also that ‘il pourra rendre de grands services aux personnes qui veulent étudier la science’ (‘it may provide an important service to those willing to proceed with scientific studies’) (1913: 288). The same credit would later be given by Schumpeter, by including Osório in a small list of books designed to encourage and disclose the use of mathematics in economic matters, which were published throughout the 1910s (Schumpeter 1954: 957). In those days, such an approach was clearly less important than literary studies; therefore, the freshness of Osório’s book had an importance that both Schumpeter and certain other authors could not ignore.9

We are not dealing here with an original work. Osório follows very closely the works by Walras and Pareto, presenting and discussing them as a whole, but also giving particular
emphasis to their conceptions of pure economics as a particular branch of political economy. Some importance is also given to historical and methodological problems, mainly in order to provide an impressive explanation of the importance and necessity of the use of mathematics in economic analysis. Walras and Pareto are also used as a starting point for the specific development of a general equilibrium model applied to the analysis of the market for final goods.

From all the concepts and theories that are presented to the readers, we think that special emphasis should be given to the way in which the Paretian distinction between utility and ophelimity is discussed, for these concepts are used by Osório as the foundation to his view of economic science – as a disciplinary field restricted to the study of a small part of human behaviour, a kind of ‘rational mechanics of desire’ (1911: 72), while psychology is portrayed as the global science pertaining to the study of human action. Consequently, economics would be no more than one of the branches of the general study of mankind. There is no doubt that the publication of this book in the Portugal of 1911 was a bold accomplishment. One may say about this book that it was quite out of place and time, defying conventional wisdom and mainstream reasoning.

Yet regardless of the peculiar characteristics of Portuguese mainstream economic thought when the book was published, it is important to notice that the topics of Osório’s analysis were somewhat troublesome even for the marginalist and neo-classical economists. It is quite different to accept the importance and usefulness of mathematical concepts as a means of systematising economic reasoning, and to claim, as Osório did, that the scientific character of pure economics in itself demanded the presence of mathematics both as a language, as a logical device for the development of hypotheses and as a procedure for expressing conclusions. For him, pure economics was an abstract and experimental science which had to evaluate its scientific character, like all the exact sciences, not through the practical utility of its conclusions but chiefly by establishing the exactness of its formal internal logic. Therefore, it took a lot of courage – at least as great as his devotion to pure science – to warn his readers that ‘in the present work we will not deal with any practical topic nor find a solution to any concrete problem. Here we will only deal with the abstract relationships among human desires, and between them and the obstacles to their satisfaction’ (1911: 3).

When Osório was writing, the perceptiveness of this methodological attitude was weak, even for those learned in economic matters. And the contrast with the concern shown by Marshall in transforming political economy into a kind of refined common sense, bringing into light some elegant answers to the practical dilemmas of the economic layman, could not be greater. Besides, the entire field of Osório’s analysis (general equilibrium in exchange) was far from being acknowledged by mainstream economics – something that happened only in the 1930s, when Walras was rediscovered by the Anglo-American authors who created the neo-classical synthesis. Therefore the work by Osório was neglected because it did not fit into a system of thought that was opposed to the use of mathematical models.

More consequential than this interlude was the fact that Osório lived in a country whose academic élite, albeit with a certain degree of economic education, were either maladjusted
or openly hostile towards the analytical contents of his book. As we have seen earlier, not only were there many who systematically refused to accept his cold and abstruse abstract reasoning; even those who managed to overcome this aversion were unwilling to accept an excessive furthering of the deductive method, particularly when it amounted to an objectionable use of mathematics.

Theoretical abstractions were generally deemed by Portuguese authors to be an inessential part of a discourse chiefly intended to identify and solve present economic and social problems. Even so, there were several repercussions in Portugal of the conceptual improvement brought about by the marginalist revolution and the theoretical apparatus developed by neo-classical economists both in Europe and in the United States of America. Jevons was partly translated (Jevons 1930), and the doctrines of the Manchester school were closely scrutinised (either approvingly or disapprovingly) by Rodrigues de Freitas and Oliveira Martins. Marnoco Sousa and Bento Carqueja (1926–1931) also summarised and made known the fundamental theses of both the Austrian and Lausanne schools. But on several occasions, these indisputable foundations of the modern canon in economic analysis were laid in Portugal in a disordered manner, devoid of circumspection and thorough analysis.

In an environment that was clearly hostile to pure theory, Osório was condemned to oblivion and his book was dismissed. This explains the immense frustration he felt when his work was rejected when he applied for a teaching position at the Escola Politécnica de Lisboa. Osório was then 29 years old and it was easy to guess that he could have had a fruitful and lengthy career. But the appointment went to Afonso Costa, a leading spokesman for the opposition to the monarchy and the implantation of a republican regime (established in 1910), who eventually became Prime Minister. His work, a minor study on Portuguese emigration, was clearly favoured by a jury that was more interested in a historical and applied study of distinct social and political interest than in the purely theoretical and mathematical speculations of Horta Osório.

This episode evidently affected the career of Horta Osório. The announced continuation of his book through another work on the developments of general equilibrium theory as applied to production was never accomplished. The author, defeated, embarked on a career as a lawyer, leaving his mark on some celebrated and controversial lawsuits. In 1946 he published his second and last book on a topic of which he was particularly fond, called Psychologie de l’art (Osório 1946). After he had left aside economics forever, Osório returned as an author to write on a subject that, after all, was obviously connected with his view of psychology as the science of human action, which pure economics studied on a restricted and specialised scale.

The voluntary withdrawal of Horta Osório represented, from a symbolic point of view, the movement of the early twentieth-century Portuguese economists away from an abstract and analytical line of reasoning which had never had any really enthusiastic support in Portugal. At a time when economics was moving decisively towards the consolidation of its scientific franchise, the Portuguese authors stood aloof from that process: at a moment when
Portugal was experiencing a political situation that was characterised by a fair amount of cosmopolitanism, the economic discourse remained focused on its own political implications, musing on topics of an ideological and doctrinal nature.

Meanwhile, certain poignant events were to take place in 1926, beginning a long period of dictatorship – commonly known as the *Estado Novo* – which would only end in April 1974 through a military-based democratic revolution.

As far as the evolution of Portuguese economic thought is concerned, it is important to stress that the absence of the neo-classical school helped the development of the ambitious project of building up a new type of political economy, that of the corporative state. At the beginning of the next chapter, we shall see what the specific purposes of such a project were.
5 From corporatism to Keynesian economics (1920–1960)

THE ABSENCE OF NEO-CLASSICAL ECONOMICS

In this last chapter, a clearer understanding will be provided of what remains one of the most remarkable and enduring characteristics of Portuguese economic thought: its reluctance to accept the notion of theory for its own sake and the way in which it distanced itself from a theoretical, abstract and scientific discourse, thereby inevitably reinforcing its ideological, doctrinal and political aspects, in other words, theory being conceived on account of its pragmatic gist. And this characteristic is even more notable in this particular case, because here we are talking about a period which, for many other countries in the Western world – and especially those under the influence of Anglo-Saxon thought – represented a decisive moment in their acceptance of the appropriateness and disciplinary superiority of economics as a social science. The development and consolidation of neo-classical reasoning, particularly with regard to the theories of money and interest and the marginal productivity theory, the challenge provided by the Keynesian revolution and the new macroeconomic language which was associated with it, and, finally, the process of academic standardisation brought about by the successive attempts to merge together and synthesise neo-classical and Keynesian economics, were all processes which had very few, or at least somewhat belated, repercussions on Portuguese economic thinking in the first half of the twentieth century.

As has been suggested frequently in earlier chapters, this phenomenon cannot be seen as a simple matter of disorientation caused by a certain resistance to innovation in the field of science. In fact, we have to look for deeper causes, based in the final analysis on the importance that is attached to the usefulness or function of scientific discourse in understanding the existence of and changes in a given economic and social organisation. But it is equally true that, until the middle of the twentieth century, the low level of awareness and the insufficient theoretical training received by Portuguese authors coming into contact with economics-related subjects represented a serious impediment to their being able to keep pace with the developments taking place in the scientific discourse in economics. They were aware of it, but they couldn’t care less, precisely because they were following a different path
of inquiry, one that was closer to the concerns of political economy, as we have already
stressed in the previous chapter.

We should perhaps remember here the case of António Osório, which sheds a great deal
of light on this difficulty in understanding a conceptual language that showed a deliberate
lack of concern for its own social effectiveness or political opportunity. The theory of general
equilibrium, as expounded and commented upon by Osório, was the least promising of all
analytical fields for underlining the practical relevance of economic science. Osório clearly
missed the theoretical target, which does not mean that other contemporary Portuguese
authors were able to hit it.

The teaching of economic subjects in law faculties and other polytechnic courses meant
that economics had a certain stable and instrumental dependence upon the sciences and
techniques of law, accounting and commerce. Economics was essentially expected to
provide some data of an institutional nature, some statistical information, a geographical
description of human and natural resources, a systematisation of the sectors of economic
activity, an explanation of the workings of the monetary and financial system. In short, it was
expected to concentrate on all the aspects that made it possible to recognise and understand
the sphere of human economic action. If, in addition to this, it were to provide additional
information for the comparative analysis of economic systems and different schools of
thought or trends in doctrine, there would undoubtedly be a certain amount of added interest.
And even more so if some elementary notions were to be provided about sacred concepts in
economic thought (value, wealth, capital, income, production, distribution, money, etc.).

This was to be the dominant note in the various compendia of political economy produced
in Portugal throughout the golden age of neo-classical economics, in other words between
the publication of A. Marshall’s *Principles of Economics* in 1890 and J.M. Keynes’ *General
Theory of Employment, Interest and Money* in 1936. The most systematic summarises of
political economy during this phase were Marnoco Sousa and Bento Carqueja. The contents
of their works are repetitive and cumulative and, though showing an upgrading of early
nineteenth-century works, they neglect the real importance of the marginalist and neo-
classical trend, conceived as they were on pre-Marshallian standards. In the case of Marnoco
Sousa – as we saw in the previous chapter – such interest as his work has derives from the
way in which it extends political economy into the field of social economics, with the aim of
seeking solutions for the most urgent social problems, while it is unfortunately much less
concerned with introducing any real innovations into the analytical contents of the subjects
lectured on at the Coimbra Law Faculty.

In this particular context of a limited propensity for theory, we must highlight the contrast
provided by the works of J.P. Costa Leite Lumbrales and J.J. Teixeira Ribeiro. The first work
(Lumbrales 1933) was important because of the up-to-date and timely treatment it gave to
the theme of economic crises – in the context of the Great Depression – and the way in which
it incorporated an overall theoretical study of business cycles. The second work (Ribeiro
A history of Portuguese economic thought

1934) was important because of the way in which it discussed and criticised the different models for the structure of the market and their implications for the determination of equilibrium prices, closely following the most relevant European economic literature available on the subject at that time. These works were Ph.D. dissertations which the authors presented at the Coimbra Law Faculty. In later years, much of their academic labour was devoted to the doctrinal justification of the economic model of corporatism, thereby condemning the lines of theoretical research that their initial academic studies had indicated to an essentially subordinate role. They also published their lessons in economics for law students, once again confirming the absence of any significant innovations.

The full incorporation of a neo-classical approach that had fully digested the theories of marginal utility and consumption, production and marginal productivity, markets and price systems and, in general, the methodological guidelines underlying neo-classical economic thinking, only really began to take place after 1949. The setting for this event was ISCEF (the Technical University of Lisbon), formally founded in 1933, and the first Portuguese university institute that had been specifically created for the teaching of economic science. A profound reform of its curricular and pedagogical structure took place in 1949, involving the replacement of courses of an essentially technical nature in the fields of commerce, bookkeeping, accounting, customs and diplomatic services by more general courses in economics and finance. The driving force behind this reform and, therefore, the main stimulus for the growing maturity of neo-classical economics in Portugal was Pinto Barbosa (1950), whose textbooks reveal both a theoretical quality and pedagogical concern with the teaching of economic science that were in sharp contrast to the experiences at law faculties. Finally, the economy began to have its own autonomous field of development, and economists began to enjoy access to their own tool-box.

But it cannot be forgotten, however, that neo-classical economics was to come onto the scene already in the form of the synthesis with the Keynesian thought that was beginning to gain its first significant foothold in Portugal. Indeed, it was Barbosa’s most highly esteemed students who were to be infected by his modernity and knowledge of the latest theoretical developments and became responsible for some of the most important moments in the spread of Keynesian thought in Portugal, both through their Ph.D. dissertations (Pinto 1956 and Nunes 1956) and their introductory and advanced textbooks (Moura 1962; 1969).

We shall return to the subject of these authors and the spread of Keynesian economics in a later section. For the time being, all we need to remember, as a kind of conclusion, is that the belated institutionalisation of neo-classical economics in Portugal – and the fact that this was consequently absorbed and overtaken by the emerging Keynesianism – may be explained to some extent by the general reluctance to accept a theoretical and doctrinal discourse that was both based on the idea of spontaneous market equilibrium and steadfastly defended the rational, calculating, optimising behaviour of the economic agents. Regardless of the lack of any theoretical aptitude or analytical vocation on the part of Portuguese
economists, the barriers to the coherent implantation of neo-classical economic thought were above all raised by the incompatibility created by the ideology of self-regulating market mechanisms and the belief in the virtues of sociability inherent in a model of free and perfect competition. The incompatibility that we refer to here is naturally the clash of neo-classical thinking with the fearsome strength of the ideology characteristic of the corporative state.

SALAZAR AND THE RISE OF THE CORPORATIVE STATE

The political and economic experiment of corporatism represents one of the most interesting stages in the study of the historical evolution of economic thought in Portugal. The corporative movement in itself is part of the broader tradition of experiments with authoritarianism that so agitated and disturbed the European and international political scene, especially after the First World War. At its origin lay the discontent and general weariness of many social sectors with the vicissitudes of the various liberal regimes – based on democratic systems of political representation – vicissitudes which had been allowed to become greatly magnified throughout the period beginning with the proclamation of the First Portuguese Republic in 1910.

The relatively undistinguished part played by Portugal in the First World War, the situation of extreme disequilibrium in the public finances, the social agitation provoked by a workers’ movement that enjoyed a certain power to make demands, the lack of any moral or political system of reference which might replace the symbolic importance of the overthrown monarchy, the succession of conflicts of interest in a parliament that was highly vulnerable to the pressures of public opinion and, as is obvious, the precarious situation of an unindustrialised economy that was relatively dependent on foreign trade, are some of the reasons that serve to explain the success of the military insurrection of May 1926 that brought an end to sixteen troubled years of republican parliamentary democracy. In 1917, an identical dictatorial solution had already been attempted, although this had had a fairly ephemeral existence. But in 1926, the country gave itself up to the builders of a regime that was soon to take on the appearance of an essentially fascist system.

Going against the course of the events that had brought about the downfall of identical dictatorships in other corners of Europe, the Portuguese corporative-fascist regime revealed an uncommon longevity and maintained its main features until it was in turn overthrown by another military coup, this time of a democratic nature, in April 1974. Portugal managed to escape the dire effects of the Great Depression, did not suffer any serious consequences from the civil war in neighbouring Spain, managed rather cleverly to remain neutral during the Second World War – with a record sheet that included both actions that were to the liking of the Germans and actions of co-operation with the Allies – and kept itself well removed from the processes of European reconstruction and decolonisation that took place in the post-war period.

Between 1928 and 1968, or in other words for a period of forty consecutive years, Portugal had as its head of government – in the first four years as Minister of Finance – a man
to whom the corporative regime was to owe a great deal of its durability and survival: António Oliveira Salazar.

It was while he was at the Coimbra Law Faculty that Salazar began his short university career in the area of economics and public finance. In one of the works which he published at that time (Salazar 1916), he sketched out some of the key ideas which would guide his policy to put the public finances back on an even keel some twelve years later: control of inflation and monetary stabilisation through the integration of the Portuguese currency in the gold standard system, progressive elimination of the trade deficit and, above all, the strict application of the sacred principle of the balanced budget. At the institutional level, Salazar paid particular attention to ensuring the solidity of the bodies that would be responsible for carrying out such policies, clearly anticipating his involvement in the building of the new regime created as a result of the military coup of 1926.

In an attempt to summarise the essential nature of the programme of action that was drawn up by Salazar, we would say that order and stability at the social and political level were closely linked to order and stability at the monetary and financial level, with the aim of creating conditions that were favourable to a controlled process of investment and economic growth. Naturally, the state was to play a major role throughout the whole of this process. And it is precisely this expanded and renewed mission of the state that represented one of the mainstays in the drawing up of the two documents that lay behind the founding of the corporative Estado Novo in 1933: the political Constitution and the Estatuto do Trabalho Nacional (Charter of National Labour). It is in these two documents that the essence of the corporative economic organisation is defined, together with the basic premises of economic nationalism.

Salazar’s involvement in the definition of the doctrinal framework of the Estado Novo is clearly demonstrated in a lecture which he gave during the founding year of 1933 about the economic concepts of the new constitution (Salazar 1933). In this lecture, he sets out to advocate the need for a new system that could serve as an alternative to the capitalist and socialist models, believing in the feasibility of the corporation as a basic organisation for the promotion of justice, equity and co-operation between individuals. The family, private property, interclass corporative associations, the protective and beneficent state, are the key elements in his strategy of arguing in favour of a third system that would make it possible for the individual to fully realise himself, both at a material and a spiritual level (see Brito 1989: 53–54).

In thus analysing the roots of corporatist thinking, Salazar tried to find a sound justification for the importance of the lesson that Portugal was to give the world. The lesser impact of the Great Depression in Portugal helped to sustain the myth of the superiority of the corporative formula, largely limited by the small size of the Portuguese economy and, generally speaking, by a situation of economic backwardness that could be clearly seen in the major role that the agricultural sector played in determining the evolution of the economy, the somewhat primitive nature of the financial markets and the almost complete absence of unemployment.
All this made it possible for Salazar to cast a glance over the world around him and note that there had been a wide range of different measures taken and a considerable number of palliatives introduced:

The policy of powerful cartels, the policy of formidable trusts, the policy of high wages, the policy of overproduction, the policy of abundant credit, the policy of artificial valuations, the policy of huge public expenditure, the policy of excessive consumption, the policy of exclusivist nationalism, the policy of the State-police that does nothing and the policy of the State-entrepreneur that aims at doing everything.

(1933: 185)

To counteract the weaknesses of the liberal capitalist and socialist planning systems, Salazar offered salvation through the corporative model, which brought with it two fundamental ingredients: nationalism and authoritarianism. In the case of nationalism, this feeling was expressed through a widespread and excessive belief in the nation’s own internal capacities and the potentialities of its available resources, so that it became possible simultaneously to mobilise and mythologise the energies of a nation that was proud of its own past. Salazar (1918) had clearly set the tone for what he regarded as the correct approach to these themes in the study which he had made of the crisis in the means of subsistence – in the historical context of the end of the First World War – and of the need for the country to build its own economic autonomy in terms of food, or in other words to centre the country’s development process on the agricultural sector. The basic underlying idea was that the country should depend upon its own resources and that consequently it would have to sacrifice its development process to this imperative of autarky and economic autonomy. The second ingredient that we mentioned – authoritarianism – was expressed through a widespread belief in the values of order, internal security, social and political equilibrium and the solving of any eventual conflicts by the use of force. The creation of wealth and economic development would therefore be subordinate to the maintenance of these values. Once again, this gave rise to restrictions on the rate of progress and represented a firm belief in the ancestral virtues of a rural country, impregnated with Catholic religious feelings, the people’s gentle customs and mild manners, political resignation and social routine. For these reasons, it is not surprising to discover that Salazar showed a clear preference for developing the agricultural sector, based on the idea of putting into practice a number of plans that had been formulated in the past, but had been permanently postponed. We shall return to this subject in the next section.

POLITICAL ECONOMY AND THE ECONOMIC POLICIES OF CORPORATISM

As Rosas (1994) pointed out, the economic and social equilibrium achieved during the period of the *Estado Novo* was based on three fundamental pillars: the equilibrium of the tensions between the world of labour and the world of capital, achieved through a strong repression both of working-class movements and of all manner of demands made by the
workers; the equilibrium between the various groupings of distinct economic and social interests – such as the owners of the great agricultural estates and the owners of large industrial and financial concerns – each of whom had their own lobbies and series of political demands; and the equilibrium achieved inside each of these interest groups through the attenuation of the conflicts between lower and upper strata.

Corporative organisation was fully to materialise these objectives of equilibrium and social harmony by entrusting the state with a fundamental and leading role in the whole process, with the aim of achieving an effective control of the social and economic life of the nation. The following articles of the *Estatuto do Trabalho Nacional* (Charter of National Labour) clearly indicate the core of this corporative message:

The economic organisation of the nation must effect the maximum amount of production and wealth that is socially useful and establish a collective life from which may result power for the State and justice among all the citizens.

(Article 2)

The hierarchy of functions and of social interests is an essential condition of the organisation of the national economy.

(Article 8)

As far as the problem of economic regulation is concerned – despite the formal acceptance that ‘private enterprise is the most prolific instrument of progress and of the economy of the nation’, and that state intervention should be limited to situations where ‘the establishment of such enterprises has in view the attainment of social benefits superior to those that would be obtained without State action’ – there are always a great number of possible direct actions, according to the idea that ‘the State has the right and the duty of the supreme co-ordination and regulation of economic and social life and of establishing the aims thereof (Articles 4, 6 and 7).

The institutionalisation of the *Estado Novo*, through the approval of a coherent legal framework designed to guide economic, social and political life, therefore respected the essence of the corporatist ideology – i.e., following Manoilesco, ‘the doctrine of the functional organisation of the nation’ (1936: 82) – based on the submission of the individual to the superior interests of the nation and the defence of its permanent moral and spiritual integrity.2

The guiding role played by the state in economic life was designed to achieve three essential objectives (see Brito 1989: 57–58). First of all, to consolidate the spirit of co-operation and mutual help between producers, through the establishment of intercorporative agreements with the capacity to determine technical rules and standards, fix prices and wages, and reduce production costs. Secondly, to discipline and exercise an effective control over the production process, through the harmonious conjugation of the various corporative plans, so as to prevent contradictions or excessive fluctuations of supply in relation to
demand. In other words, corporations would be subject to supervision and a corporative control of their activity, so as to lessen the unexpected effects of free private enterprise. Thirdly – and this was something which would give an overall coherence to the first two objectives – to lessen the negative effects of the system of free competition and fix the limits and barriers to the entry of new firms in certain sectors of economic activity, which would thereby bring about the possibility of a certain distortion in one of the fundamental bases of the capitalist system, i.e., the mechanism existing for the determination of the market equilibrium price. Let us now take a closer look at what the corporative attitude in relation to competition and the price system actually consisted of.

In relation to this question, Salazar’s own words once again reveal certain general guidelines that are worthy of attention:

However great may be the benefits of competition, there is no doubt that it does not represent a permanent economic force, for it tends towards its own self-destruction, nor can the community enjoy the advantages which it offers without suffering a loss. It can sometimes be seen that, by successively eliminating the weakest, competitors can arrive at a monopoly situation. . . . And it can also be seen that, in the course of this struggle, capital is wasted and the fate and interests of labour are at stake. Nowadays, nobody ever thinks of establishing unlimited competition as a basic principle in a national economy. (Salazar 1933: 293–294)

Although he recognised some of the advantages that are inherent in competition, Salazar did not leave any room for doubt about the need to control its more unpleasant consequences – the wastage and squandering of resources – and to establish regulations governing the forms under which the economic agents might take part in the production process. His attitude was, broadly speaking, antagonistic, although he none the less admitted the possibility of a kind of peaceful coexistence between the system of competition and corporative organisation. But it was equally true that this complementarity between the two models presupposed that the corporative option would gradually gain the upper hand.

This negative view of competition was shared by many other ideologists of the corporative system, among whom special mention should be made of Marcello Caetano, who was to succeed Salazar as a result of the illness which overtook the latter in 1968. For Caetano, the excesses of the system of competition also represented the prime justification for the corrective intervention and regulatory function of the state: ‘when economic life strays from its normal course and allows itself to become dominated by the spirit of speculation and plutocratic selfishness, the State must intervene to re-establish equilibrium’ (Caetano 1935: 43).

Caetano’s contribution to consolidating the foundations of the great corporative edifice was particularly important from the legal and political point of view, which in fact makes it possible to confirm the extent to which political economy was dependent on the law. Such a state of dependence obviously had an influence on the academic thinking being brought to
bear on economic matters throughout the second half of the nineteenth century. It is for this very reason that we should not be surprised to discover that it was this same author who provided the most consistent explanations for and definitions of one of the most important economic concepts in the political economy of corporatism: the concept of corporative price. Its definition was obviously influenced by normative concerns about the justice of a just price, but also by the objective and subjective criteria set out in any elementary manual of political economy: the cost of production; utility; rareté; and the greater or lesser ease of obtaining goods. All this taken together results in a theory in which price is not determined by the intersection of the supply and demand curves, but by an administrative and normative process in which political criteria play a major role. Consequently,

fixing a just price means determining the minimum cost of production and the maximum legitimate profit which can be added to it. Now the fixing of a just price in a corporative system, which will then become the compulsory minimum price . . . determines a genuine monopoly price: competition, even if legitimate, cannot cause it to be lowered and runs the risk of being imposed on the public.

(Caetano 1935: 145)

In short, we see that two of the main conceptual bases of neo-classical economic thinking – the market system based on the model of perfect competition and the price system – are criticised and downplayed by Portuguese theorists in matters of corporative political economy.

Scepticism arising from the economic performances provided by the market, and consequently the compensatory function that was attributed to corporative organisations and the state, had inevitable repercussions on the way in which economic policy was conducted during the period of the Estado Novo. One of the most notable aspects of this policy was that which was incorporated in a series of laws put together in a cumulative fashion between the 1930s and 1950s and which were known under the general heading of industrial conditioning laws. Through this legislation, extremely strict rules and procedures, involving great bureaucratic detail, were established for the setting up of industrial companies and the beginning of industrial activity. The basic aim was to prevent the various different sectors of Portuguese industry from being disturbed by internal or external competition, thus encouraging a system that was based on the granting of privileges, the awarding of exclusive manufacturing rights and the state’s taking on direct responsibility for the dynamics and pace of growth in such industrial sectors.

Protection meant the regulation of competition, but it also meant containing and controlling industrial growth. In this context, in which the process of industrial conditioning was seen as an instrument for the corporatisation of industry, it is not surprising that some of the doctrinists of this period, whose main concern was with the need to modernise the country by intensifying industrial production, soon found their initial expectations about the virtues of industrial conditioning completely thwarted. Protection did not in fact represent a simple
provisional stage and, instead, threatened to prolong for ever more the administrative and political restrictions imposed on the overall process of economic development.

As we have already pointed out, one of the essential prerogatives of the Estado Novo was the maintenance of political equilibrium between different groups representing distinct economic and social interests. Thus, the limited effects of industrial conditioning laws on the definition of a development strategy have to be seen in the light of the relative influence of both the power and arguments of industrial groups in comparison with the power and arguments of the social groups connected with land use. And in relation to this particular question, it is important to note that the Estado Novo had a tendency to overvalue these latter groups in particular. We have already referred to this choice in relation to Salazar’s own options regarding the destiny of the Portuguese economy, which was itself lacking in the most basic requirements of subsistence. But there was a much broader group of authors who, during the period when the Estado Novo was beginning to emerge and its constitution was being decided upon, advocated the need to consolidate the agrarian base for the country’s economic development.

In keeping with the approach to questions of agrarian investment suggested by Oliveira Martins – to which we referred in the previous chapter – authors such as Anselmo de Andrade (1902), Quirino de Jesus and Ezequiel de Campos (1923) were noted for the great accuracy of their descriptions and the correctness of their diagnoses of the main problems facing Portuguese agriculture (see Rosas 1988; 1992). The solutions they found for these problems were essentially demographic (incentives for internal colonisation and repopulation of the countryside), technical (the use of hydraulics in irrigation systems), legal (reform of the structure of property ownership) and financial (reorganisation of banking activity and the agricultural credit and taxation systems). Overall, such instruments embodied a strategy for the reorganisation and modernisation of farming systems that would make it possible to reduce costs, increase productivity and improve access to raw materials and food. In this way, the advantages brought about by a developed agricultural system would have repercussions on the economy as a whole, with there being no doubt as to the priorities that needed to be established as guidelines for government policy:

An examination of the country’s natural resources and the hereditary capacity of the Portuguese people also suggests that preference should be given to the role of agriculture in overall national activity, as a means of solving the crisis. Any attempt, in the Portuguese case, to give precedence to industry over agriculture is a pernicious paradox.

(Jesus and Campos 1923: 96)

This development strategy met with firm opposition in certain more archaic sectors, representative of an old Portuguese rural monarchy, who understandably feared an agrarian reform that might call into question certain ancestral privileges. The fact of the matter was, however, that such privileges and interests were also an essential part of the political guarantee of the Estado Novo, so that developmentalist reforms, bearing the stamp of
productivity and progress, could never be fully consummated. This was the inevitable political counterpart that arose from the obvious difficulties involved in managing such clearly opposed interests, which Salazar successfully managed to keep in check for so long.

But, in the midst of the different strategic options that were possible in the confrontation between the (conditioned) industrialists and (moderate) agrarians, there still remained the concept of a corporative state inclined towards intervention and deliberately seeking to limit and regulate competition. This characteristic clearly explains the difficulties that were faced by neo-classical economic thought in Portugal in its simple attempt to survive. And it also helps us to understand the reception that was given to Keynesian ideas and their spread, as we shall see in the next section.

THE AMBIGUOUS RECEPTION GIVEN TO KEYNESIAN IDEAS

In the historical context depicted above, neo-classical economic theory could not find any fertile ground in which to grow and bear fruit. The basic premises of free competition, the spontaneous equilibrium of markets and non-intervention by the state could never be welcomed by the Portuguese corporatist theorists, so the attempts to achieve any form of analytical systematisation were nothing more than a preliminary academic exercise included in a limited number of university subjects. As unconditional opponents of laissez-faire, the corporatist ideologists extolled the notion of a self-governing economy which none the less had nothing to do with the processes of spontaneous market equilibrium that were so much to the liking of neo-classical economists. The self-governing economy presupposed that at the founding stage of the corporative organisation there would be a massive intervention by the state, which thereafter would gradually decline in importance. As Brito summarised the situation:

A systematic state intervention must be followed by a further supplementary intervention, after which economic development results from the spontaneous co-ordination of the plans of the great social and economic groupings within the corporations, which are merely inspected and supervised by the state.

(1989: 54)

The fragile implantation of the neo-classical discourse in Portugal gave rise to an apparently paradoxical situation in the assimilation of the Keynesian message from the end of the 1930s onwards. Keynes could not be seen at the outset as an entirely unwelcome author for the simple reason that he showed sympathy for a certain type of state intervention in the directing of economic life. This was in fact to become one of the reasons for a possible assimilation of his message. However, the fact that there was no pressing need to criticise or combat the ideas on which Keynes (1936) had declared theoretical and political war made it a rather unstimulating and pointless exercise to try and assimilate this critical demolition proposed by the *General Theory*. 

But if, on the one hand, a certain indifference could be noted in regard to any changes that Keynes might have brought to the prevailing economic discourse (for some Portuguese authors of the time the whole process was somewhat akin to preaching to the converted), it could be seen, on the other hand, that Keynes’ message might have serious implications for the maintenance of the social and economic equilibrium that was the hallmark of the corporatist state. In fact, Keynes’ work gave rise to a series of economic policy guidelines that it would have been almost impossible for the economic intelligentsia in control at that time to accept.

Keynes’ ideas about the problems of disequilibrium, the unpredictability of economic agents and the unstable nature of economic life, the precariousness of decision-making processes that were subject to assessments made by animal spirits, or even the contingency of the expectations and state of confidence of economic agents, were quite out of keeping with the set of morals inspired by corporative organisation or the conformist ethics of the *homo corporativus*. The prevailing guidelines of economic policy had taken on the air of dogmas that were extremely difficult to question: the balanced budget, the orderly behaviour of consumers, the exaltation of the virtues of saving, the intransigent defence of the internal and external stability of the Portuguese currency (in order to avoid inflationary pressures), the preservation and growth of the gold reserves and the belief in a mythical system of full employment and an integrated labour market achieved through the essential goodness of the corporation system. All this represented the complete opposite of Keynes’ world and provided clear evidence of the lack of any opportunity for a Keynesian economic policy ever to be successfully introduced in Portugal.

Furthermore, the logic of the routine functioning of the corporations and the absence of economic research centres, as well as the failure to provide any technical support services represented major barriers to the emergence of any sort of Keynesian administrative modernity and those instruments of which it made use and the development of which it promoted (statistical series, accounting systems, sophisticated econometric models, etc.). The modernity that might have been induced by the application of the Marshall plan for the post-war re-construction of Europe had only the very slightest of repercussions in Portugal, in view of Salazar’s logic of standing ‘proudly alone’ that restricted the use that was made of American aid.

Last but not least, as we mentioned earlier, the low level of theoretical training given to the Portuguese economists who graduated in the 1920s and 1930s created serious obstacles to the understanding of a discourse which, although it introduced a number of innovative and revolutionary concepts, essentially remained faithful to the theoretical corpus that characterised the tradition of Marshall and Pigou and with which Keynes still maintained strong umbilical connections.

We are thus led to conclude that the possibilities of Keynes’ economic ideas ever being considered theoretically, doctrinally and politically feasible in Portugal were extremely tenuous. However, although it was weak and may not have reached many ears, the Keynesian voice was in fact heard among the Portuguese with some significant results, as we shall
attempt both to document and demonstrate in the next section. And we shall once again witness the continuing existence of this series of ambiguities which meant that Keynes’ ideas were capable of simultaneously arousing both sympathy and animosity. Indeed, his economic vision proved not only to be a useful tool for convincing people of the importance of economic intervention by the state, but also showed itself to be a dangerous instrument of change, affording a certain amount of cover for those who supported profound and radical changes in the economic and political territory on which the \textit{Estado Novo} had laid its very foundations.\footnote{4}

\section*{THE SPREAD OF KEYNESIAN ECONOMICS}

It was during the course of the Second World War that some authors – particularly those who had spent some time in England in the service of Portuguese diplomacy – gained their first knowledge of the \textit{General Theory} and made the odd reference to some of its passages. However, such references were quite sporadic and never suggested that any serious reading or effective assimilation had taken place of Keynes’ valuable contribution to economic theory.

After the end of the Second World War, the situation was to become a little different and important contributions began to appear that progressively assimilated and then imposed the new economics on the Portuguese scene.

At first, Keynes’ theory was given only a preliminary, pedagogical dissemination, through the pages of the \textit{Revista de Economia} (Economic Review), a quarterly journal independent of any university and published between 1948 and 1964, which gave a most enthusiastic reception to the \textit{General Theory}. From the very first year of its publication, various contributions were to appear assessing and presenting the most essential aspects of the new economics, namely the articles by Loureiro (1949) and Abreu (1948; 1949), focusing on aspects of Keynesian macroeconomics.

As a general rule, these presentations did not spark off any theoretical debate among Portuguese authors, although it was possible to detect different theoretical positions in relation to some of the topics discussed. The most interesting case is perhaps the discussion of Keynes’ theory of interest. Indeed, while some economists limited themselves to a defence of ‘orthodox’ points of view, i.e., those directly supported by reference to certain passages from the \textit{General Theory} (Abreu 1948), others very quickly accepted the version of Keynesianism expressed through the IS-LM model (among others, Pinto 1956 and Beleza 1955).

This increasing reference to a theoretical approach that had already been transformed by virtue of the neo-classical synthesis, as well as the structural weakness of marginalist and Marshallian economics, are factors which help to explain why little attention was given to the comparison of neo-classical and Keynesian models. The only exception, where such a comparison is in fact attempted, is to be found in the above-mentioned article by Loureiro (1949).
There was, however, some consideration given to the comparison of Keynesian and Marxian thought. In fact, it was at this time that Marxian economics was beginning to make its appearance in Portuguese economic thought, also through the pages of the Revista de Economia. This belated and rather scanty dissemination was certainly due to the political hostility shown towards Marxists during this period. The discussion of Keynesian themes provided an excellent opportunity for a subtle presentation of a theoretical approach that was considered politically dangerous. In some cases, there was a tendency to accentuate the existence of ‘quite remarkable coincidences between Keynes’ theory and the author of Das Kapital, particularly with regard to the question of chronic unemployment and the long-term fall in profit’ (Loureiro 1949: 16); in other cases, particular attention was given to the fact that Keynes had accepted a subjective concept of value and had given greater importance to the subjective factor of the expectations of economic agents in lessening the role played by the objective laws that regulated the capitalist system, as well as attaching greater importance to circulation in lessening the role played by production and, therefore, not having truly reformulated the core theory (Sousa 1950).

Another sign of the willingness to accept Keynesian ideas was the changes that took place at the university level. The 1949 reform of the curriculum of ISCEF, which at that time was the only Portuguese university institute dedicated solely to the study of economics and business administration, led to a significant increase in the importance given to economic theory and meant that greater interest was taken in all the major innovations in the international scene of economic thinking, while at the same time finally challenging the supremacy which until then had been enjoyed by the traditional law schools in the training of economists.

According to the information provided by M. Jacinto Nunes (1986), a few copies of the General Theory had been circulating amongst ISCEF students since 1948. However, it was only after 1950, when the new curriculum was introduced, that for the first time in Portugal there was a university subject devoted specifically to Keynesian macroeconomics, as well as a number of other subjects – such as public finance, development economics and econometrics – in which Keynesian concepts played a fairly significant part.

The 1949 reform also led to a fairly successful period of catching up. This involved a recovery of the knowledge of texts written earlier to promote or discuss the General Theory and originally published before the war, which at the time had passed unnoticed by Portuguese economists. These texts and the theoretical discussions to which they referred were now made known in a series of collections of economic readings, but also through occasional direct contact with some of the most important economists of that time, such as John Hicks, who visited ISCEF in 1956 and gave a series of lectures there. Among the economic literature that appeared in the post-war period, Portuguese economists frequently showed a liking for the works of Klein (1947) and Hansen (1948). It is curious to note here what little impact Samuelson (1948) had in Portugal during the years immediately after publication of his work, never being used as a main textbook during the phase in which its obvious quality offered undeniable comparative advantages.
One consequence of all this was the publication in the mid-1950s of various essays and Ph.D. dissertations of pure theoretical research, which until then had been quite uncommon in Portuguese universities, and which were clearly based on the theoretical principles of Keynes. This was the case, for example, with the above-mentioned study by Beleza (1955) on the theory of interest, and also Nunes (1956) on public finance, as well as Pinto (1956) on growth theory.

The exact moment when Keynesian ideas can be said to have been definitively accepted in Portugal was, however, with the publication by Moura of two textbooks for undergraduate students (1962; 1969), the second of which was devoted specifically to the subject of Keynesian macroeconomics. The innovations that were introduced at a pedagogical level were clearly visible; and there were also significant alterations in the scientific exposition given to the different subject matters. These textbooks introduced the real mathematical structure of Keynes’ theory into Portuguese economic literature, while no attempt was made to avoid considerations about its economic policy implications. They enjoyed a number of re-editions, which were used to educate the successive generations of Portuguese economists who studied at ISCEF for a period of almost twenty years and were, without any doubt, the most important vehicle for the spread of Keynesianism in Portugal.

KEYNESIANISM, POLITICS AND ECONOMIC POLICY

Despite the progress described above, the reception that was given to the propositions of the General Theory at the political level was much less enthusiastic and more ambiguous. In fact, the strategy that was followed throughout the 1930s and 1940s was aimed fundamentally at conserving the structures of an under-developed form of capitalism, maintaining the various social balances and the pax politica, even if all this meant imposing serious obstacles to the process of economic growth. Sustained by a vision which characterised society in accordance with the prejudices of an extremely conservative Catholicism, such a strategy was to find its ideal instrument in the interventionist, authoritarian state which attempted to regulate everything. And the corporative doctrine represented its very rationale.

Keynesian economics had little relevance in the world of Salazar. The slogans of Salazar’s propaganda were in complete contradiction to the Keynesian message: in contrast to Keynes’ description of gold as a ‘barbarian relic’, Salazar had an almost religious vision of the country’s gold reserves; the apology for the consumer society was firmly opposed by Salazar’s motto ‘produce and save’; the idea of functional finances was contradicted by Salazar’s idea of a balanced budget at all costs.

This vision of economic life was reflected in the various political assemblies and in the executive bodies responsible for directing economic and financial policy. Whenever they incorporated Keynesian ideas, they did so in a watered-down and superficial manner. In fact, it should be pointed out that in the post-war period no type of short-run macroeconomic policy was ever developed, as the factors which would normally justify this – such as
unemployment and external disequilibrium – did not represent real problems for the Portuguese economy at that time.

From 1955 onwards, when Pinto Barbosa became Minister of Finance, the situation altered slightly. These types of documents began to include data from the national accounts and a Keynesian lexicon. However, this evidence of Keynesianism was no more than a mere conceptual representation of economic life and did not represent any significant alteration in the traditional public finance orthodoxy.

Something similar occurred in relation to long-run economic policy. The great novelty which appeared during these years was the introduction of the plan as one of the main instruments of economic policy. The first Plano de Fomento (Development Plan) thus appeared in 1953, consisting of little more than a list of public works which were to be sponsored by the government. The discourse which gave substance to, or simply justified, this plan was totally insensitive to the assessment of its impact in macroeconomic terms. The second Plano de Fomento, which succeeded it and was implemented in 1958, already contained in the explanation given for its design certain projections that were based upon a Harrod-Domar growth model. However, just as had happened in the case of the short-run economic policy, this was no more than a rhetorical device designed to give the plan credibility, if only because the data used in it were unrealistic.

Throughout the period that we have been considering here, the government remained largely immune to the Keynesian message, doing no more than incorporating data from the national accounts that were themselves based on this message. This was what happened at the National Statistical Institute, which, because of the nature of its specific duties, was obliged to structure its information output in accordance with the technical requirements of the process of economic planning. However, the studies published in this Institute’s journal remained faithful to the traditional model of empirical, and essentially descriptive, economic studies, without any visible influence of the language of Keynesian concepts.

Generally speaking, therefore, we may consider that the public bodies that were responsible for directing Portuguese economic life were quite impervious to any of the theoretical reflections and economic policy recommendations usually associated with Keynes’ legacy. In the system of economic management that was current at that time, the state intervention that was carried out in accordance with the Lei do Condicionamento Industrial (‘industrial conditioning’ laws) was guided by bureaucratic criteria which were generally unaware of the principles of economic rationality, particularly those of the Keynesian framework.

In spite of what has just been said, the relationship that the élite of Salazar’s regime had with Keynesianism did not always involve a formal rejection of this theory. In fact, some economists who were aligned both politically and ideologically with Salazar attempted to adhere to the ideas of Keynesian economics in such a way as to reduce its eventual critical impact on the dominant concepts of the Estado Novo. The discursive strategy adopted in this operation consisted basically of deliberately identifying corporative interventionism as similar to Keynesian interventionism, so that the corporative Estado Novo would be seen as a concrete realisation of one of Keynes’ ideas. In the case of the economic policies introduced to combat unemployment, it was even suggested that ‘some of the Keynesian doctrines,
although they were not in fact known, none the less corresponded to certain attitudes established in our laws and shared by the Portuguese government’ (Oliveira 1947: 147).

It should be noted that this acceptance of Keynesianism came at a time when the Estado Novo was attempting to overcome its first great crisis. This led to a new strategy based on the encouragement of a faster rate of economic growth, even though this continued to be applied within a context of relative autonomy in international terms. The result was a compromise between the conservatism that derived from the 1930s and developmentalist economic thinking, which made use of Keynesianism as an instrument for the reconstruction of a social consensus that was now under threat.

The main protagonist in this process was Correia, an engineer who had been trained in London and was fully cognisant of the Anglo-Saxon economic culture (see Bastien 1985). He interpreted and brought to the Portuguese environment many of the doctrinaire elements of Keynesianism, particularly the call for a moral dimension to planning, the stimulus for the socialisation of investment and the proposal for income distribution policies. His voice could not, however, be fully heard at the heart of a political apparatus that was fearful of the consequences of such a strategy of modernisation and economic progress. Correia was a man who was doubly isolated, insofar as his political alignment on the side of the dictatorship’s authoritarian interventionism also forced him to keep a distance from those political and cultural forces that were opposed to Salazar’s regime and welcomed the Keynesian programme with the inclusion of certain proposals arising from their political opposition.

Indeed, it was in the name of the scientific modernity that derived from the knowledge of Keynesian economics that some economists who were opposed to the Estado Novo – and therefore prevented from pursuing an academic career at Portuguese universities – launched themselves into the dissemination of these ideas, especially through the Revista de Economia, the main highlights of which we have already referred to. In this way, they chose to pursue a course of Keynesian militancy in opposition to the regime, transforming economic theory into a cultural capital which furnished them with the necessary instruments for demanding their entitlement to development and progress.

**CONCLUDING REMARKS: PEACEFUL COEXISTENCE IN ‘THE AGE OF EXTREMES’**

The Portuguese economists who were directly or indirectly involved in the spreading of Keynesian ideas in our country like to recount a rather curious and elucidatory tale. During the break in a meeting of the Council of Ministers held towards the end of the 1950s, António Salazar came unexpectedly upon one of the members of his cabinet confessing in a conversation between ministers that he had a certain sympathy for the Keynesian creed. The small informal circle that had formed quickly broke up to hear the comment of their leader, who was passing close by them and with a magnificent sense of timing replied: ‘Don’t worry. You’ll get over it, you’ll get over it!’ (Nunes 1986: 59).

This short anecdote clearly reveals the way in which putative or apprentice Keynesians were able to coexist quite happily with other theorists inside the apparatus of the corporative
state. Their ideological beliefs were seen as minor symptoms of a passing disease from which a sudden recovery was soon expected.

One of the reasons for Salazar’s lack of concern as to the risks of contagion was certainly to be found in the ease with which those who suffered from the disease could be detected. There were few of them and they were well known, so the regime had at its disposal appropriate means for identifying those who had become infected with the virus and thus preventing the risks of an epidemic breaking out. Indeed, in Portugal’s case, the disease was not able to spread in the way that Samuelson described it:

The *General Theory* caught most economists under the age of 35 with the unexpected virulence of a disease first attacking an isolated tribe of South Sea islanders. Economists beyond 50 turned out to be quite immune to the ailment. With time, most economists in between began to run the fever, often without knowing or admitting their condition.

(1946: 190)

Such a phenomenon occurred with particular intensity in the Anglo-Saxon world over the ten years following the publication of the *General Theory*, as is clearly shown in the statistical study carried out by Moggridge on the basis of his analysis of 392 articles published in economics journals between 1936 and 1948 (1995: 224). And here we should perhaps stress that his conclusions clearly suffer from one important shortcoming, namely that they do not include a survey of any articles that were not published in the English language.

Portugal maintained a high rate of immunity in the face of this almost contagious spread of the theory, which naturally left Salazar feeling quite unperturbed. But such resistance to the Keynesian strain is not really very surprising if we bear in mind the various studies that have been undertaken into the spread of Keynes’ ideas in several European countries and which do in fact stress the great diversity of experiences and the different rates of discovery, acceptance and use of the theoretical work and ideological and political programme of John Maynard Keynes.6

It was only in the 1950s that significant developments were noted in relation to the assimilation of Keynesian theory in Portugal. This clearly highlights the resistance to the affirmation of the new economics in a university environment which was somewhat late in institutionalising the teaching of economic science in modern terms. The fact that the first significant Portuguese texts presenting the Keynesian creed were published around 19487 also demonstrates how necessary it was to captivate a public opinion that was reasonably enlightened but unfamiliar with the conceptual terminology of the *General Theory*. It is for this reason that the efforts made to spread and popularise a new economic discourse were so important.

In spite of the closed and repressive nature of the political regime of the *Estado Novo*, it cannot be said that those who supported or sympathised with Keynesianism had been persecuted or marginalised because of this. The reasons for the nation’s general backwardness and reluctance to accept outside influences were more complex in nature and one should not simplistically argue that Keynes’ ideas did not catch on in a deeper or more
lasting way purely because of the likelihood that they might disturb the political order and the economic and social equilibrium that were the hallmark of the corporative regime; all the more so because the very message of Keynesianism constituted a powerful argument against a common enemy: the system of free competition and the liberal doctrine of the market economy.

And thus we find ourselves returning once again to a basic theme underlying the last sections of this chapter: the question of ambiguity, or rather the problem of the ambivalence of an economic and political discourse that not only served to reinforce the authority of the state in the economic sphere, but also gave rise to rates of development which might represent a threat to the equilibrium of the corporative system.

In relation to this problem of the convergence between corporatism and Keynesian economic policy, it is obvious that there was a very tenuous similarity in their views about the unsatisfactory operation of market forces and the strategic role of the state in directing the nation’s economic life. The contents and forms of such intervention do, however, have quite distinct characteristics, as was shown by Winkler:

The logic of corporatist state intervention, the means by which it is supposed to work, is completely different from Keynesian intervention. It is no longer just a matter of attempting to stabilize the aggregate economic environment, so that market processes can work with some semblance of normality. Rather, the corporatist state tries to exercise direct control over the internal decision making of companies and over the bargaining strategies of unions.

(1977: 82)

To confuse the two styles of state economic intervention would be equivalent to confusing the Keynesian concept of a ‘socialisation of investment’ with ‘socialist planning’, or in other words to associate Keynes’ name and work with the idea of a ‘planned economy’. There is no denying that it was Keynes himself who put forward the arguments that ensured that this matter would remain forever cloaked in a certain ambiguity. And the curious fact is that, among the Portuguese authors who saw in Keynes a pretext for defending a strategy of industrial development, the subject of economic planning represented the central axis of a pragmatic discourse supposedly free of any preconceptions of an ideological nature. It doesn’t matter whether the plan is socialist, Keynesian or corporatist. What matters is that the plan serves as an instrument for co-ordinating a strategy of economic development.

As we said at the end of the previous section, Correia, the engineer, was one of the main proponents of these developmentalist ideas. He quotes and discusses in some detail (1952: xi-xv) the well-known letter which Keynes wrote to Hayek commenting on the recent publication of the latter’s famous work, *The Road to Serfdom*. It is worth remembering the contents of the letter in order to gain a better understanding of its use by the Portuguese author. Keynes wrote to Hayek as follows:

The voyage has given me the chance to read your book properly. In my opinion it is a grand book. We all have the greatest reason to be grateful to you for saying so well what needs
so much to be said. You will not expect me to accept quite all the economic dicta in it. But morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved argument.

I should therefore conclude your theme rather differently. I should say that what we want is not no planning, or even less planning; indeed, I should say that we almost certainly want more. But the planning should take place in a community in which as many people as possible, both leaders and followers, wholly share your own moral position. Moderate planning will be safe if those carrying it out are rightly oriented in their own minds and hearts to the moral issue.

What we need, therefore, in my opinion, is not a change in our economic programmes, which would only lead in practice to disillusion with the results of your philosophy. What we need is the restoration of right moral thinking – a return to proper moral values in our social philosophy.

(1944: 385–387, our emphases)

Correia did not refer to the first paragraph which we have transcribed here, in which Keynes praised a book that was centred on the idea that economic planning was a step on the road to serfdom. What the Portuguese author was interested in capturing was the spirit with which Keynes turned the matter on its head, or in other words how Keynes took advantage of the situation to revive the idea of the strategic importance of planning. In doing so, he described his proposal as being part of a higher ‘moral issue’ and claimed a ‘return to proper moral values’. This was the doctrinal security which Correia needed, so that he was able to cloak his own proposals for economic planning in the guise of the authoritative arguments of a famous author who also knew how to speak of ethics. The corporative ideology of the Estado Novo was also concerned with the morality of human action and might thus become more permeable to the arguments of all those who invoked the question of morality when talking of progress.

After all, it was through Keynes’ own words that we rediscovered a source that might help to bring his own discourse closer to the uses that were made of it by Portuguese authors during the two decades following the publication of the General Theory. Keynesianism was thus able to adapt to the prevailing atmosphere of that time, accepting a subordinate but worthy existence in the context of the Portuguese economy and society during the period of the Estado Novo.
Epilogue

The fact that some Keynesians were able to live quite happily with the economic discourse of corporatism – in the terms which we described in the last chapter of this book – stands as a clear example of the general Portuguese attitude towards the production and consumption of economic knowledge. Such an attitude consisted basically of deciding whether it was opportune and advantageous to use or adapt certain tools of analysis, or certain doctrinal frames of reference, in the pursuit of the objectives and strategies of equilibrium and development in economic, social and political fields.

Throughout our consideration of the most significant moments in the historical evolution of economic thought in Portugal, the reader has frequently been confronted with this singular way of facing up to problems. In the golden age of the Portuguese Discoveries (lasting until the last quarter of the sixteenth century), we saw the importance of an ethical discourse that was concerned with legitimating new commercial and economic practices and relations at a worldwide level. In the period when the output of mercantilist literature was at its most intense (the second half of the seventeenth century), we noted the concern with defining paths of restoration and progress to which access could be gained by different routes (control of the balance of trade, populationism, manufacturing protectionism, bullionism). During the most interesting phase in the spread of illuminist thought (the second half of the eighteenth century), we came across Portuguese authors who were reading and adapting physiocratic and Smithian ideas for the purpose of explaining both the natural order of society and the need to change the obsolete structures of the ancien régime. During the most triumphal period of classical political economy (the first half of the nineteenth century), we were confronted with a certain ambiguity in the reception given to a transforming and modernising discourse that none the less had difficulty in overcoming the practical implications involved in the economic organisation of a dependent and peripheral nation. After the institutionalisation and disciplinary autonomy of political economy had paved the way for the discovery of the new territory of economics (the second half of the nineteenth century), we noted how Portuguese economic thinking consolidated its links with law, ethics, sociology and both nationalist and socialist concerns. Finally, when contemporary economics strengthened its analytical content and theoretical capacities through the neo-
classical and Keynesian models (the first half of the twentieth century), we noted how Portuguese authors decanted the doctrinal and political ingredients that best fitted in with their mythical alternative route to economic development.

We have attempted in this book to reconstruct the most significant debates that took place at all of these times, trying to put forward explanations about the social determination and historical grounds for the scientific beliefs that were held in the past, and their implications for the organisation and running of economic and social life. It has been our intention to increase the audience of people interested in this particular historical experience, which above all was important in that it served to highlight a certain selective availability of reading matter and a critical capacity for adapting the scientific messages and programmes of action put forward by the worldly philosophers.

In summarising and presenting the main conclusions of our own and other scholars’ research into the main stages of Portuguese economic thought, we have strengthened our own belief that the universal history of economic thought is a process that is in a constant state of reconstruction. More than anything else, it is a process which can only benefit from the clear awareness that there are no abstract paths nor any perfectly and unanimously agreed routes to be followed in building up our knowledge about the economic reality in which we live.
INTRODUCTION

1 Henry David Thoreau, quoted by Arrow 1985: 320.
2 As well as the institutions: the analysis of schools and research centres and the study of the economic professions are no less important. Regarding the importance of the cultural context in which professions exist, see MacDonald 1995: 66–99.
3 It is worth remembering that this is a recent feature: for instance, it took Marjorie Grice-Hutchinson (1993) some fifty years to establish the School of Salamanca as an accepted fact.
4 See pioneering essays by Dorfman 1955 and Hutchison 1955. For an overview of this theme of the international flow of economic theories and doctrines, see Spengler 1970 and Colander and Coats 1989. See also Lluch 1980 for the discussion of these problems applied to the Spanish case.
6 On those exotic contrasts, and on the relevant cultural dialogues they provide, see Dasgupta 1993; Sugiyama and Mizuta 1988; and Morris-Suzuki 1989. On the differences pertaining to Western culture, see Baeck 1994.
7 This seems to be the Scandinavian guideline for an understanding to this problem, as also confirmed by Boserup 1980 when referring to the Danish case.
8 A selection of some of the most significant texts of the last twenty-five years on problems of the object and method of the history of economic thought may be found in Blaug 1991.
10 Briefly stated we have: absolutism or rational reconstruction as being the vision which concerns the internal process of positive evolution of economic science, whose point of reference is the theoretical advances achieved at the present time; and relativism or historical reconstruction as being the vision that concerns historical conditions and circumstances, of a social, economic, institutional or political nature, within which economic science emerges and develops.
11 Even if it were merely a case of plastic surgery, it is none the less interesting to note the developments that have begun to appear following the Rorty-Blaug scheme. See Backhouse 1992, and Dockès and Servet 1992.
12 A clear example in defence of this extreme vision of rational reconstruction is given by Walker 1988. As regards Blang’s present position, see Blang 1997: xvii–xix.
13 Which is, in itself, a difficult or impossible task. Instead, it is easier and preferable to identify ideas coming into being in specific space and time contexts.
For an overall assessment of these themes see the classics Klamer 1983; McCloskey 1985; and also Amariglio 1988; Klamer 1988; King 1988; Beed 1991; Ruccio 1991; and Samuels 1991.

For substantiation of the attitude of methodological pluralism inherent in the exposition presented here, see Caldwell 1988.

A clear proof of this tradition lies in the fact that the Discursó by Duarte Ribeiro de Macedo, after having circulated for several years in manuscript form, was eventually printed for the first time in 1813, when there was a new attempt at an industrial take-off.

Such were the cases of the textbooks by H. Storch (available through his French translation dated 1815) and of J.-B. Say, which were more widely read and popular than the renowned works of Smith and Ricardo. An interesting analysis of this problem of the use of secondary authors in peripheral countries (bearing in mind the characteristics peculiar to the economic, social and institutional environment of such countries) is given by Trescott 1989.

1 THE GOLDEN AGE AND THE MERCANTILIST ERA (1500–1750)

1 For a general account of the development of economic ideas in medieval Portugal, see Magalhães 1967: 1–57; and Amzalak 1928.

2 The Portuguese bibliography on these subjects is very extensive and rich. For an exceptional overall presentation of the problem, given by one of the authors who has provided the best and most challenging contributions to the advance of knowledge in this scientific field, see Godinho 1990. This book also presents suggestions for further reading. For readers not acquainted with Portuguese, see particularly Boxer 1969.

3 Besides Braudel, see also, with the aim of discussing the Portuguese contribution to the creation of a new economic order founded on a world-wide basis, Wallerstein 1974.

4 A general presentation of the main authors and books written during this period may be seen in Magalhães 1967 and Castro 1978.

5 On Pedro de Santarém see Amzalak 1917; Magalhães 1967; and Van Houdt 1992.

6 For a concise approach to the importance of the School of Salamanca in the history of economic thought, see Schumpeter 1954: 94–107; Vilar 1962; Grice-Hutchinson 1993; and Baeck 1988.

7 This proposal met with fleeting success in the Brazilian case; as far as the plans for a Far Eastern company were concerned, however, the proposal never got off paper. It should be noted that more specific and better grounded attention had already been given to this theme in the writings of Duarte Gomes Solis (1622; 1628).

8 For a study of the population problem in Spanish economic thought, see Rodríguez 1984.

9 It should be noted here that this approach to the question was also understood as representing the best means for solving the problems of begging and idleness in urban areas.

10 It should be remembered that it was precisely during this period of his career that he wrote the text that we have been analysing. Other important influences on his thinking were the works of Botero (published in 1588 and 1589) and Sancho de Moncada (published in 1619).

11 This is not the place to undertake a critical analysis of the historiography of mercantilism, an area in which there has been particularly intense activity in recent years, not only in terms of re-editions (Heckscher 1994) but also in the production of surveys by countries and themes (Magnusson 1993; 1994) and in the presentation of innovative proposals of rational reconstruction. In relation to the specific case of refuting the idea that there was a general lack of continuity and cohesion in mercantilist thought, see Wiles 1987. In all the above-mentioned works, there is either no reference whatsoever to Portuguese authors or else it is simply episodic. The only exception is Baeck 1995:
124  *A history of Portuguese economic thought*

201–204. For an overall presentation of Portuguese mercantilism see Castro 1979 and Macedo 1971.

12  See Perrota 1993.

13  A paradigmatic approach to this view of things, which places the Methuen Treaty at the origin of all the evils that beset the Portuguese economy, is presented (in English) by Sideri 1970.

14  On the subject of the importance of Anglo-Portuguese trading relations for the development of the English economy in the period preceding the industrial revolution (1700–1770), see Fisher 1971.

15  See Macedo 1989, in particular.

2  THE NEW PATH TO THE WEALTH OF THE PORTUGUESE NATION (1750–1808)

1  The General Agricultural and Wine Company of the Upper Douro valley.

2  The Whale Fishing Company.

3  The Board of Trade. On the economic conditions and institutional constraints related to the development of industry and trade during this period see Pedreira 1994.

4  For a detailed analysis of this economic literature see Cardoso 1989: 35–123. A summary description is also provided in Cardoso 1990a; and 1990b. See also Pedreira 1995.

5  It should be noted that many of these *Memórias* remained unpublished. A selection of the most important is now available in *Memórias Económicas Inéditas (1780–1808)* 1987.

6  For a general appraisal of Souza Coutinho’s economic work see Cardoso 1989: 125–211; and Silva Lisboa 1993. His most important economic writings have been recently reprinted in Coutinho 1993.


8  For a brief presentation of Lisboa’s economic writings see Almodovar 1994.

9  A good example of an author who was aware of the modernity of economic discourse but at the same time closely linked to a mercantilist creed was J.J. Azeredo Coutinho (1794). See Pedreira 1988; and 1992.

3  THE DIFFICULT RECEPTION OF CLASSICAL POLITICAL ECONOMY (1810–1850)

1  The most important economic texts by Solano Constâncio are collected in Constâncio 1995. For an overview of his life and work see Almodovar 1995 and Cardoso 1995.

2  *Anais das Ciências, das Artes e das Letras*. This journal was written in Portuguese and was published in Paris between 1818 and 1822. It is the most important publication for the study of Constâncio’s economic ideas (see in particular Constâncio 1821a).

3  As a result of this empirical tendency, Solano Constâncio not only approved of the progress of statistical studies, but he was extremely receptive to the *Cours de Philosophie Positive* published by Auguste Comte.


5  An interesting account of the appraisal of Silva Lisboa by Brazilian historians may be found in Rocha 1996. See also Almodovar 1995: 41–66.

Notes

7 For an analysis of the economic and financial thought of Ferreira Borges see Almodovar 1995 and Franco 1995.
8 In the case of Storch, it is important to recall the opinion of Jerôme-Adolphe Blanqui (1880), who sees him as one of the major authors of the eclectic political economy school – a school that managed to bypass all the conundrums of this science, providing for more consensual and satisfactory answers.
9 Storch is in fact deprived of all his peculiarities (namely his theory of civilisation), for Ferreira Borges was solely interested in expounding the consensual aspects of political economy. For a detailed analysis of this purification process see Almodovar 1995: 217–236.
10 It should be noted that the first attempt to sketch a compendium of political economy was a resolution of the Parliament in 1821. See Almeida 1821. A brief survey of this political initiative is presented by Almodovar 1995: 159–188; and Brandão 1993.
11 Although Oliveira Marreca was not the first Portuguese author to read and publicise the doctrines of Jean-Baptiste Say, he was the first to give due emphasis to entrepreneurship as a separate type of economic agency.
12 Adrião Forjaz published no less than eleven editions of his lessons, starting with a free translation of Say 1821. His major works were recently collected in Sampaio 1995. A summary presentation of his economic ideas is given by Pedrosa 1995.
13 Forjaz de Sampaio was partially assisted in his work by Silvestre Pinheiro Ferreira, a Portuguese diplomat and philosopher who spent most of his life outside Portugal. Both on the work of Pinheiro Ferreira and its relation to the work of Forjaz Sampaio see Pereira 1996.
14 See Martini 1767. Karl Anton von Martini was a teacher of natural law at the Catholic university of Vienna; together with Jacob von Sonnenfels (1789), he outlined the fundamental doctrines to be implemented by Joseph II of Austria.
15 Karl Friedrich Krause was a disciple of Immanuel Kant, who somehow betrayed his mentor by adopting a broad organic view including not only the universe in itself but also every particular form of social organisation.
16 For a detailed account on the several French political economists that were read and followed in Portugal throughout the nineteenth century see Breton and Lutfalla 1991.

4 THE AVOIDANCE OF ANALYTICAL ECONOMIC THOUGHT (1850–1920)

1 See Chapter 3. Oliveira Marreca started out as a liberal economist in line with Say’s ideas and ended as a respected economist of the republican persuasion.
2 It is virtually impossible to render into English the continental denomination of this school. Schumpeter referred to ‘chair socialists’ as a literal translation of Kathedersocialisten, but he nevertheless considered this label a misfortune, and preferred to talk about ‘a group whose work turned around the interests of the time for social reform’ (Schumpeter 1954: 877).
3 One should note that Jevons had an undeniable impact upon this book, published in 1883, to the point that Oliveira Martins actually dismissed his previous agreement about labour as the sole source of wealth. Accordingly he defended utility as a basis of value, also accepting price as being determined by a principle of diminishing marginal utility.
4 For an appraisal of the economic and social ideas of Oliveira Martins, see Cardoso 1992.
5 These kinds of schools were based upon the Napoleonic model, that is, as high-level professional schools positioned somewhere between the grammar school and the university. Their purpose was to train all kinds of engineers and industrial managers.
6 Either denying that misery really existed by statistical comparisons of contemporary and earlier standards of living, or by bluntly accepting it as ‘hell on earth’ – that is to say, as a threat that could effectively prevent workers from being lazy and careless. In relation to the development of these doctrines in France, see Breton and Lutfalla 1991.

7 In support of this idea, he goes on to argue that according to Smith, ‘whenever parliament seeks to settle conflicts between workers and employers, it always listens to the latter; when regulations are favourable to the workers, it is always fair; but injustice often arises when regulation favours the employers’ (Freitas 1906: 10–11).

8 An analysis of Rodrigues de Freitas’ social and economic thought is offered in Almodovar 1996 and Alves 1996.

9 There are some references to Osório in works by Eric Roll, Don Patinkin, Michel Brodsk and Robert Kuenne. For an analysis of these and other aspects of Osório’s book, see Farto 1996. The reference to the assessment of this Portuguese author made in the *History of Economic Analysis* is not intended as a criticism of Schumpeter’s selective unawareness of other Portuguese authors, but only as a way of stressing the quality of the book which Osório wrote on the mathematical analysis of exchange.

5 FROM CORPORATISM TO KEYNESIAN ECONOMICS (1920–1960)

1 See Rosas 1994; Brito 1990; and Valério 1995.

2 The Portuguese theoretical corporatists had as their main sources of foreign intellectual legitimation the works of Ugo Spirito (1934) and Manoilesco (1936), although they also sought historical justification in the successful experiences of medieval corporative organisation. The basic principle inherent in the concept of corporation was that

\[
\text{it is the function, and not the profession, that defines the corporative group in relation to the nation. As regards the profession it must not be considered socially as an egotistic means by which a certain category of men assures its existence, but as a means by which man renders himself useful to the community by accomplishing, just like the corporation, a certain socially necessary function.} \\
\text{(Manoilesco 1936: 80–82)}
\]

3 The following sections are partially based on Bastien and Cardoso 1997. We gratefully acknowledge the kindness shown by Carlos Bastien in giving us his permission to borrow from a coauthored unpublished paper.

4 For detailed bibliographical references covering the period 1945–1954, see Bastien 1989, where a systematic analysis of the subject is provided.

5 It should also be added that Marxian thought had a very restricted impact on the Portuguese cultural milieu of the late nineteenth century. As explained in the previous chapter, the sources of the socialist tradition in Portugal were not to be found in Marx’s ideas (see Bastien 1988).

6 To mention but a few recent publications, cf. Arena and Maricic 1988; Hall 1989; Colander and Landreth 1996; and Psalidopoulos 1996.

7 It should be remembered that this is the time when important works were published by Klein, Samuelson and Patinkin, which proved to be crucial for the development of the neo-classical synthesis.

8 For a synthetic critical presentation of this erroneous identification, see Cairncross 1978; and Winch 1989.
Amzalak, Moses B., 1917, Os Seguros Segundo Pedro de Santarém, Santerna, Jurisconsulto Português do século XVI, Lisbon: pub. by the author.
Andrade, Anselmo, 1902, Portugal Económico, Lisbon: Manuel Gomes Editor.
Barbosa, António M. Pinto, 1950, *Economia I*, Lisbon: ISCEF.


References


Canard, Nicolas-François, 1801, Principes d’économie politique, Paris: Chez F. Buisson.


Cardoso, José Luís, 1995, ‘Introduction to Francisco S. Constâncio, Leituras e Ensaios de Economia Política (1808–1842), Lisbon: Banco de Portugal (Series of Portuguese Economic Classics).


Castro, Armando, 1979, As Doutrinas Económicas em Portugal na Expansão e na Decadência séculos XVI a XVIII, Lisbon: Instituto de Cultura Portuguesa.

Castro, Armando, 1980, O Pensamento Económico no Portugal Moderno de fins do século XVIII a começos do século XX, Lisbon: Instituto de Cultura Portuguesa.


Constâncio, Francisco S., 1821, ‘Lettres à M. Malthus, etc. ou Cartas a M. Malthus sobre diversos assuntos de economia política, e particularmente, sobre as causas da estagnação do comércio. Por J.-B. Say etc., Paris, 1820’, Anais das Ciências, das Artes e das Letras, Tomo XII, Parte I: 28–51,


Franco, A. Sousa, 1995, ‘Introduction’ to José Ferreira Borges, Princípios de Sintelologia (1831) and Instituições de Economia Política (1834), Lisbon: Banco de Portugal (Series of Portuguese Economic Classics).


A history of Portuguese economic thought


Lumbrerales, J. P. Costa Leite, 1933, Ensaio sobre a Teoria das Crises Económicas, Coimbra: Coimbra Editora.


Martini, 1767, Positiones de Lege Naturali, Wien.


Martins, J.P. Oliveira, 1883, O Regime das Riquezas (Elementos de Crematística), Lisbon: Livraria Bertrand.


Moura, F. Pereira de, 1969, Análise Económica da Conjuntura, Lisbon: AEISCEF.


Nunes, Jacinto, 1956, Rendimento Nacional e Equilíbrio Orçamental, Lisbon: ISCEF.


Oliveira, A. Aguedo de, 1947, Portugal Perante as Tendências da Economia Mundial, Lisbon: Centro de Estudos Económicos.


Osório, António Horta, 1913, Théorie mathématique de l’échange, Paris: Girard and Brière.


References


A history of Portuguese economic thought


<table>
<thead>
<tr>
<th>Name</th>
<th>Page Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abreu, Luís Simôes de</td>
<td>112</td>
</tr>
<tr>
<td>Almeida, Manuel de</td>
<td>125</td>
</tr>
<tr>
<td>Almodovar, António</td>
<td>122, 124–6</td>
</tr>
<tr>
<td>Alves, Jorge Fernandes</td>
<td>126</td>
</tr>
<tr>
<td>Amariglio, Jack L.</td>
<td>123</td>
</tr>
<tr>
<td>Amzalak, Moses B.</td>
<td>123</td>
</tr>
<tr>
<td>Andrade, Anselmo de</td>
<td>109</td>
</tr>
<tr>
<td>Arena, Richard</td>
<td>126</td>
</tr>
<tr>
<td>Arrow, Kenneth</td>
<td>122</td>
</tr>
<tr>
<td>Augello, Massimo</td>
<td>122</td>
</tr>
<tr>
<td>Backhouse, Roger</td>
<td>122</td>
</tr>
<tr>
<td>Baeck, Louis</td>
<td>122–4</td>
</tr>
<tr>
<td>Barber, William J.</td>
<td>122</td>
</tr>
<tr>
<td>Barbosa, António</td>
<td>114</td>
</tr>
<tr>
<td>Barros, João de</td>
<td>16–17</td>
</tr>
<tr>
<td>Bastiat, Frédéric</td>
<td>77, 85, 94</td>
</tr>
<tr>
<td>Bastien, Carlos</td>
<td>116, 126</td>
</tr>
<tr>
<td>Beed, Clive</td>
<td>123</td>
</tr>
<tr>
<td>Beleza, José J. Pizarro</td>
<td>112, 113</td>
</tr>
<tr>
<td>Bentham, Jeremy</td>
<td>75, 77</td>
</tr>
<tr>
<td>Bernstein, Eduard</td>
<td>81</td>
</tr>
<tr>
<td>Bianchini, Marco</td>
<td>122</td>
</tr>
<tr>
<td>Blanqui, Jérôme-Adolphe</td>
<td>125</td>
</tr>
<tr>
<td>Blaug, Mark</td>
<td>6–7, 122</td>
</tr>
<tr>
<td>Böhm-Bawerck, Eugene</td>
<td>81</td>
</tr>
<tr>
<td>Borges, José Ferreira</td>
<td>67–71, 75, 124–5</td>
</tr>
<tr>
<td>Boserup, Mogens</td>
<td>122</td>
</tr>
<tr>
<td>Botero, Giovanni</td>
<td>28, 123</td>
</tr>
<tr>
<td>Boxer, Charles R.</td>
<td>123</td>
</tr>
<tr>
<td>Boylan, Thomas A. 4</td>
<td>122</td>
</tr>
<tr>
<td>Brandão, Maria de</td>
<td>125</td>
</tr>
<tr>
<td>Braudel, Fernand</td>
<td>15, 123</td>
</tr>
<tr>
<td>Breton, Yves</td>
<td>125</td>
</tr>
<tr>
<td>Brito, José M.</td>
<td>104, 106, 110, 126</td>
</tr>
<tr>
<td>Brito, Joaquim José Rodrigues de</td>
<td>10, 43–8, 50–2, 61–2</td>
</tr>
<tr>
<td>Brodsk, Michel</td>
<td>126</td>
</tr>
<tr>
<td>Caetano, Marcelo</td>
<td>107–8</td>
</tr>
<tr>
<td>Cairncross, Alec</td>
<td>126</td>
</tr>
<tr>
<td>Caldwell, Bruce</td>
<td>123</td>
</tr>
<tr>
<td>Camões, Luis de</td>
<td>21</td>
</tr>
<tr>
<td>Campos, Ezequiel de</td>
<td>12, 109</td>
</tr>
<tr>
<td>Canard, Nicolas-François</td>
<td>51</td>
</tr>
<tr>
<td>Cardoso, José Luís</td>
<td>124–6</td>
</tr>
<tr>
<td>Carey, Matthew</td>
<td>95</td>
</tr>
<tr>
<td>Carneiro, Manuel Borges</td>
<td>63</td>
</tr>
<tr>
<td>Carqueja, Bento</td>
<td>98, 101</td>
</tr>
<tr>
<td>Castro, Armando</td>
<td>123–4</td>
</tr>
<tr>
<td>Chaptal, J.A.C.</td>
<td>58, 81</td>
</tr>
<tr>
<td>Chevalier, Michel</td>
<td>75–7</td>
</tr>
<tr>
<td>Coats, A.W.</td>
<td>122</td>
</tr>
<tr>
<td>Colander, David C.</td>
<td>122, 126</td>
</tr>
<tr>
<td>Colbert, Jean-Baptiste</td>
<td>30</td>
</tr>
<tr>
<td>Comte, Auguste</td>
<td>79, 124</td>
</tr>
<tr>
<td>Condillac, Étienne Mably</td>
<td>51</td>
</tr>
<tr>
<td>Constâncio, Francisco Solano</td>
<td>11, 56–8, 65, 124</td>
</tr>
<tr>
<td>Correia, J.D. Araújo</td>
<td>116, 118–19</td>
</tr>
<tr>
<td>Costa, Afonso</td>
<td>98</td>
</tr>
<tr>
<td>Coutinho, Rodrigo de Souza</td>
<td>42–3, 56, 58–9, 124</td>
</tr>
<tr>
<td>Coutinho, J.J. de Azeredo</td>
<td>124</td>
</tr>
<tr>
<td>Cunha, Luis da</td>
<td>34</td>
</tr>
<tr>
<td>Custódio, Jorge</td>
<td>124</td>
</tr>
<tr>
<td>Darwin, Charles</td>
<td>80</td>
</tr>
<tr>
<td>Dasgupta, Ajit</td>
<td>4, 122</td>
</tr>
<tr>
<td>Demolins, Edmond</td>
<td>81</td>
</tr>
<tr>
<td>Dias, José H. Rodrigues</td>
<td>67–8</td>
</tr>
<tr>
<td>Dockès, Pierre</td>
<td>122</td>
</tr>
<tr>
<td>Dorfman, Joseph</td>
<td>122</td>
</tr>
<tr>
<td>Droz, Joseph</td>
<td>75–6</td>
</tr>
<tr>
<td>Dunoyer, Charles</td>
<td>94</td>
</tr>
<tr>
<td>Durkheim, Émile</td>
<td>95</td>
</tr>
</tbody>
</table>
Ekelund Jr., Robert B. 37
Ericeira (Count of) 31, 34
Faria, Manuel Severim de 26–9, 32–4
Farto, Manuel 126
Ferreira, José Dias 79
Ferreira, Silvestre Pinheiro 125
Ferrer, Vicente 79, 82
Filangieri, Gaetano 75
Fisher, H.E.S. 124
Foley, Timothy P. 4, 122
Fonseca, A. Roque da 72
Fourier, Charles 79, 85
Franco, A. Sousa 124
Franco, Francisco Soares 63
Freitas, Joaquim José Rodrigues de 12, 88–90, 98, 126
Gama, Vasco da 21
Gide, Charles 81, 95
Gioli, Gabriella 122
Godinho, Vitorino Magalhães 123
Groenewegen, Peter 4–5
Grotius, Hugo 44
Gusmão, Alexandre 34
Hall, Peter A. 126
Hansen, Alvin H. 113
Hayek, Friedrich A. von 118
Heckscher, Eli 123
Heertje, Arnold 4
Henry, the Navigator (Prince) 15
Hicks, John 113
Hobbes, Thomas 44
Hutchison, Terence W. 122
Ingram, John K. 95
Jesus, Quirino de 109
Jevons, William Stanley 87, 98, 125
João V (of Portugal) 34
José (of Portugal) 36, 38
Joseph II (of Austria) 125
Kadish, Alon 78, 122
Kant, Immanuel 74, 76, 79, 125
Kautsky, Karl 81
Keynes, John Maynard 12, 101, 110–15, 117–19
King, J.E. 123
Klamer, Arjo 123
Klein, Lawrence R. 113, 126
Knies, Karl 95
Krause, Karl Friedrich 74, 76, 79–80, 82, 125
Kropotkin, Peter 81
Kuenne, Robert 126
Landreth, Harry 126
Landry, Adolphe 92
Laranjo, José Frederico 12, 82–3
Laveleye, Émile 95
Lemesle, Lucette Levan 122
Leroy-Beaulieu, Paul 94
Leslie, Cliff 95
Linhares (Count of), see Coutinho, Rodrigo de Souza
Lisboa, Bento da Silva 53
Lisboa, José da Silva 10–11, 51–2, 56, 61–3, 65, 70, 124
List, Friedrich 11, 34, 80–1, 95
Lluch, Ernest 122
Lobo, António Costa 79
Locke, John 44
Loria, Achille 95
Loureiro, F. Pinto 112–13
Lumbrales, J. P. Costa Leite 12, 101
Lutfalla, Michel 125
MacDonald, Keith 122
Macedo, Duarte Ribeiro de 9, 29–34, 81
Macedo, Jorge Borges 124
Magalhães, José Calvet 123
Magnusson, Lars 123
Malthus, Thomas R. 11, 29, 58, 68, 75, 85, 94
Manoilesco, Mihail 106, 126
Maricic, Anna 126
Marreca, António de Oliveira 11, 70, 72, 81, 90, 125
Marshall, Alfred 92, 97, 101, 111
Martens, João Carvalho 79
Martini, Karl Anton von 74, 125
Martins, Joaquim Pedro de Oliveira 12, 84–8, 98, 109, 125
Marugan, F. 50
Marx, Karl 79
McCloskey, D. 123
McCulloch, John R. 94
McFarlane, Bruce 4–5
Medina, Juan de 20
Melo, Sebastião José de Carvalho e, see Pombal (Marquês de)
Menger, Carl 81
Mercado, Tomás de 20
Merea, Paulo 78, 83
Meyer, Rudolf 81
Mill, James 94
Mill, John Stuart 85, 92, 94
Mizuta, Hiroshi 122
Moggridge, Donald E. 117
Molina, Luis de 20
Moncada, Luis Cabral 82, 123
Montesquieu 75
Morris-Suzuki, Tessa 4–5, 122
Moura, Francisco Pereira de 102, 113
Navarro, Martin Azpilcueta 20
Neill, Robin 4–5
Neves, José Acúrdo das 11, 56, 59–62, 65, 81, 124
Nunes, Manuel Jacinto 102, 113, 116
Oliveira, Artur Águedo de 115
Osório, António Horta 12, 90, 96–8, 101, 126
Owen, Robert 79
Pais, Álvaro 14
Pais, Durando 14
Palyi, Melchior 50
Pareto, Vilfredo 12, 96–7
Patinkin, Don 126
Pedreira, Jorge M. 124
Pedro (Prince of Portugal) 15
Pedro II (of Portugal) 31
Pedrosa, Alcino 125
Pereira, José Esteves Pereira 124–5
Perrota, Cosimo 124
Pigou, A. Cecil 111
Pinto, Agostinho A. da Silveira 11, 70–2
Pinto, Luis M. Teixeira 102, 112–13
Pombal (Marquês de) 35–8, 40, 74
Proudhon, Pierre-Joseph 79, 85, 88
Psalidopoulos, Michalis 126
Pufendorf, Samuel 44
Quesnay, François 40, 43–4, 46–7, 65, 85
Rau, Karl Heinrich 74, 76, 94
Rebelo, Fernã 16, 18–20
Reclus, Elisée 81
Reis, Albertos dos 80, 95–6
Ribeiro, José J. Teixeira 12, 101
Ricardo, David 10–11, 34, 58, 70–1, 75, 94, 123
Rocha, António Penalves 124
Rodríguez, Manuel Martín 123
Roggi, Piero 122
Roll, Erich 126
Rorty, Richard 6, 122
Rosas, Fernando 105, 109, 126
Roscher, Wilhelm 95
Rossi, Pellegrino 75–6, 94
Ruccio, David 123
Saint-Simon, Claude Henri de 85
Salazar, António Oliveira 104–5, 107, 109, 111, 114–17
Sampaio, Adrião Forjaz de 11, 70, 73–7, 80, 82, 125
Samuels, Warren 123
Samuelson, Paul A. 113, 117, 126
Sandelin, Bo 4–5
Santarém, Pedro de 16–18, 123
Sax, Émile 81
Say, Jean-Baptiste 11, 61, 72, 75, 85, 94, 123, 125
Schmoller, Gustav 95
Schumpeter, Joseph A. 4, 40, 96, 123, 125–6
Schwartz, Pedro 50
Seligman, Edwin R. 91
Senior, Nassau 94
Serrão, J. Vicente 40
Servet, Jean-Michel 122
Sideri, Sandro 124
Silva, A. Diniz 124
Sismondi, Simonde de 57–8, 85, 95
Smith, Adam 10, 34, 49–56, 59–62, 64–5, 75, 84–5, 90, 92, 94, 123, 125
Smith, R.S. 50
Solís, Duarte Gomes 22–3, 123
Sonnenfels, Joseph von 125
Soto, Domingo de 20
Sousa, José Marnoco e 12, 80–1, 90–6, 98, 101, 113
Spencer, Herbert 79–80
Spengler, Joseph 122
Spirito, Ugo 126
Steuart, James 52
Storch, Heinrich von 68–9, 123, 125
Sugiyama, Chuhei 122
Thoreau, Henry David 122
Thünen, Johann Heinrich von 94
Tollison, Robert D. 37
Tolstoy, Léon 81
Tourville, Henri 81
Tracy, Destutt de 68–9
Trescott, Paul 123
Trib, Keith 78, 122
Tucker, Josiah 81
Valério, Nuno 126
Van Daal, Jan 4
Van Houdt, Toon 123
Vandelli, Domingos 40, 42–3
Vieira, (Pe) António 23–6, 32–3
Vilanova-Portugal, Tomás A. 49
Vilar, Pierre 123
Villeneuve-Bargemont, Alban de 75–6
Wagner, Adolph 95
Walker, Donald 122
Wallerstein, Immanuel 123
Walras, Léon 97
Waszek, N. 122
Wellington (Duke of) 53
Wieser, Friedrich von 81
Wiles, Richard C. 123
Winch, Donald 126
Winkler, J.T. 118
Worms, René 92, 95
Zuckerkandl, R. 81
Subject index

Academy of Sciences of Lisbon 10, 39–41, 56
agrarian reform 64, 109
agrarianism 40, 52, 61
agriculture 12, 14, 27, 39–40, 46–8, 58–61, 63–5, 71, 81, 87, 109
ancien régime 10–11, 41, 43–4, 49, 54, 120
arts and manufactures 27–9, 31
associations 70–1, 73, 87, 90, 104
balance of trade 9, 30, 32, 38, 59, 120
budget 86, 104, 111, 114
bullionism 120
business cycles 101
capitalism 58, 114
circular flow 39
circulation 22, 76, 80, 85–7, 113
circulation of money 19–20, 31–2, 43, 50
civilisation 61–2, 71–2, 85, 91
classical political economy 4, 10–11, 29, 55–8, 61–2, 64–6, 69–70, 73, 75, 77, 80–1, 88, 96, 120
colonies and colonial trade 22, 37, 39, 53–4
commerce, see trade
competition 17, 34, 37–8, 51–2, 68, 76, 79, 81, 83, 86–9, 91, 96, 103, 107–8, 110, 118
consumers 8, 34, 72, 92, 111, 114
consumption 9, 30, 34, 47, 58, 69, 76, 87, 92, 102, 105, 120
corporations 49, 59, 77, 104, 107, 110–11
corporatism 102–3, 105, 108, 118, 120
crisis 37, 55, 58, 73, 105, 109, 115
culture 1, 3, 8, 23, 65, 67, 74–5, 116, 123
currency 18, 32, 104, 111
decadence 10, 85, 87, 90
demand 17, 20, 51, 71, 78, 88–9, 106, 108
dependence (political and economic) 9, 33, 45, 54
despotism 43–5, 48–9, 54, 64
discipline 6, 11, 49, 73, 76, 78, 106
discoveries 16, 39, 120
distribution 58, 76, 83, 85–8, 92–4, 101, 116
division of labour 45–6, 49, 53, 61, 72, 85–6, 89
economic activity 17, 25, 31, 48, 52, 92–3, 101, 107
economic agents 17, 38–9, 41, 49, 51, 102, 107, 111, 113
economic and financial policy 9–11, 22, 24, 28, 30–1, 34, 37–40, 42, 47, 50–2, 58, 72, 76, 86, 104–5, 108–9, 111, 114–16, 118
economic and financial resources 23–6, 28–30, 36, 39–40, 59–60, 64, 68, 94, 101, 105, 107, 109
economic culture 1, 116
economic development 9, 11, 33, 38, 40, 52–3, 55, 61–2, 64, 87, 95, 105, 108–10, 118, 121
economic discourse 2, 7, 9, 11, 13, 16, 32, 49, 54, 56–7, 66–7, 69–70, 73, 99, 110, 117, 120
economic doctrines 74–5, 88, 91, 93
economic education 76, 98
economic freedom 25, 40–1, 52, 61, 88
economic growth 29, 58, 104, 114–15
economic history 34, 82
economic liberalism 39, 53–4, 85
economic literature 9, 11, 15, 17, 21–3, 28, 32, 34, 50, 53, 102, 113–14
economic planning 115, 118–19
economic policy 9–11, 30–1, 34, 37–9, 47, 51, 58, 72, 76, 86, 108, 111, 114–15 118
economic progress 5, 26, 29, 32, 116
economic reforms 40–1, 49, 53, 56, 59
economic regulation 9–10, 18, 59, 86–7, 94, 106–8
economic restoration 9, 23, 26, 29, 31
economic science 7, 13, 29, 87, 91, 97, 101–2, 117, 123
economic system 12, 39, 71, 86, 101
education 38, 68, 72, 75–6, 80, 86, 88, 98
emigration 27, 29, 98
employment 23, 57, 62, 111
Enlightenment 37–40
ethics 39, 79, 82, 119–120
exchange 15–22, 19, 31, 37, 47, 62, 68–9, 85–7, 91–2, 97
expectations 24, 111, 113
factory industry 61, 64, 67, 81–2
First World War 103, 105
freedom 17, 25, 40–1, 49, 52, 61, 65–6, 68, 71, 76–7, 82–3, 88–90, 93–4
French Revolution 41–4, 67
general equilibrium 96–8, 101
gold 22, 33–4, 37, 104, 111, 114
government 4, 14, 38, 41–2, 47–8, 51, 54, 59–62, 71, 91, 103, 109, 115
Great Depression 101, 103–4
historical school 80, 83, 95
income 37, 40, 101, 116
individualism 39, 77, 79, 90, 92–5
industrial policy 28, 30, 38
infant industry 34
inflation 22, 104
institutionalisation 10–11, 70, 73, 78, 102, 106, 120
insurance 15, 17–18, 21, 90
internal debt 24
investment 22–3, 76, 104, 109, 116, 118
Jesuits 36
just price 108
Keynesian thought 12, 100–2, 110–18, 120–1
legal despotism 43–5, 48–9, 64
liberal revolution 11, 42, 55, 63, 67, 70, 74
liberalism 11, 39, 41–2, 53–4, 62, 66–7, 71, 74, 76, 78, 80, 84–5, 88, 92, 94, 103, 105, 118
liberty 84, 88–90
luxury 21, 34
manufactures 9, 27–9, 31, 59, 60, 62–4
marginalism 11, 97–8, 100–2, 112
market process and relations 10, 15–21, 40, 49, 51–2, 61, 63, 72, 79, 81, 86–7, 97, 102–3, 107–8, 110–11, 118
Marshall plan 111
means of subsistence 26–9, 105, 109
mercantilism 9, 15, 27, 30, 32, 35, 37–8, 40, 53–4, 65–6, 69, 71, 94, 120
merchants 17, 22, 24–6, 31, 37
misery 88, 90, 94
modernisation 55–6, 63, 74, 109, 116
money 17–26, 30–2, 43, 47, 50, 83, 100–1
monopolies 37–8, 43, 49, 68, 107–8
mutualism 79, 89
Napoleonic wars 52, 55, 59
nationalism 1–2, 104–5
natural law 39, 43–6, 48–9, 54, 68, 76, 82, 84
natural order 45–6, 48–9, 51, 76–7, 94, 120
neo-classical economics 4, 11–12, 97–103, 108, 110, 112, 121
order 23, 27, 30–1, 41, 43–6, 48–9, 51 59–60, 69, 72, 76–9, 83, 86–7, 90, 104–5, 111, 117–18, 120
organicism 79, 82
philosophy 39, 43, 49, 54, 70, 74, 78–9, 95, 119, 123
physiocracy 10, 39, 40, 44, 46–7, 49–50, 52–4, 61, 64, 94
political and social order 41, 43–5, 49, 77, 79, 87, 93, 104–5, 117
population 9, 11, 24, 26–30, 32, 63–4, 66, 70, 76, 91, 94
producers 72, 76, 106
production 13, 23–5, 28, 30–1, 34, 38, 40–1, 47, 49, 56, 61, 76, 83–5, 87, 92–3, 98, 101–2, 106–8, 113, 120
progress 5, 8–9, 23, 26, 29, 32–3, 41, 44, 57, 59, 60–5, 70, 72–3, 79, 85, 89, 90, 96, 105–6, 109, 114, 116, 119–120
property 14, 25, 39, 49, 58, 63–4, 66, 68, 80, 86, 88–9, 91, 93, 104, 109
protectionism 10–11, 27, 34, 36, 38, 81–2, 94, 108, 120
public finance 37, 43, 50, 63, 83, 103–4, 113–14
quantity theory of money 20, 21
raw materials 28, 30–1, 47, 81, 109
reform 25, 38–41, 43–4, 49–50, 53–6, 59–60, 63–5, 67, 74, 102, 109, 113
rent 11, 31, 37, 94
revolution 11, 42, 55, 63, 66–7, 70, 74, 86, 88, 98–100
risk 17–19, 60, 108
saving 57, 111, 114
School of Salamanca 3, 20, 22
Second World War 103, 112
silver 22, 24–5
slavery 57, 62, 77
Smithian political economy 10, 49–56, 59, 61–2, 64–5, 75, 84, 86, 90, 92, 94, 120
social classes 36, 39–40, 55, 58, 61, 80, 86–9, 91, 94
social economics 92, 101
socialism 12, 76–7, 79–81, 83–6, 88–9, 92–5, 104–5, 118, 120
solidarity 45, 81
spread and assimilation of economic ideas 1–3, 5, 7, 9–10, 12–13, 24, 37, 39–40, 42, 44, 48–50, 53–6, 81, 94, 102, 110, 112, 114, 117, 120
State 26, 37, 46–7, 56, 64, 66, 69, 75, 86–8, 90–5, 99, 105–8
supply 17, 20, 22, 24, 31, 43, 51, 57, 71, 78, 88–9, 106, 108
taxation 9, 24, 26–7, 30–2, 37, 39–40, 43, 47, 49–50, 58, 63, 65–6, 83, 109
teaching of political economy 12, 78–80, 91
trade 9–11, 15–17, 21–2, 24–30, 32–4, 36–8, 40, 43, 47, 49, 53, 57–60, 62, 64, 70–1, 81, 83, 86, 101–4, 120
tradition 2, 4, 6, 8, 10–11, 13–14, 19, 30, 51, 65, 74–6, 103, 111
unemployment 58, 88, 104, 113–15
usury 14–15, 18–19
value 2, 10, 17, 19–22, 24–6, 28, 30, 40, 46–7, 50–2, 60, 68–9, 71, 81, 83, 101
wealth 14, 17, 21–2, 24, 27, 32, 36, 40, 46–8, 52, 56, 58, 60–2, 68, 71, 73, 82–7, 92–4, 101, 105–6
wine 34, 37, 71
workers 28, 57, 59–60, 80–1, 84–5, 88–9, 96, 103, 106