



Money, Banking and Politics in Early Nineteenth-Century Portugal

José Luís Cardoso

6.1 INTRODUCTION

This contribution seeks to present the main political debates and proposals presented on the subject of money, credit and public debt in the context of the Portuguese liberal revolution of 1820. The first Portuguese bank (*Banco de Lisboa*) was founded in 1821, in a period of significant economic and political change. The new political situation, which marked the end of the absolutist regime and the beginning of a constitutional monarchy, created an opportunity for lively debates in the public sphere on topics relating to monetary theories and policies. The control of the issue of paper money and the management of public debt were particularly relevant matters that were subject to scrutiny in parliamentary debates and public opinion making (pamphlets and journals). These matters were closely linked to the formation of the Bank of Lisbon.

For a better understanding and contextualization of the public debate about the motives for the creation of the Bank of Lisbon, in the first

J. L. Cardoso (✉)

Instituto de Ciências Sociais, Universidade de Lisboa, Lisbon, Portugal

e-mail: jcardoso@ics.ulisboa.pt

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section I shall briefly deal with the antecedents of banking organization in Portugal, paying special attention to the attempts to create a national bank in the early nineteenth century.

By focusing on the political conditions inherent in the public discussion about monetary problems and banking solutions, I shall argue that the close links between money, credit, banks and politics constitute an important starting point when analysing the history of banking in the early nineteenth century. Therefore, the Portuguese case serves as a useful illustration of a global issue relating to the links between economic and financial institutions, banking activities and political change.

6.2 THE EARLY BEGINNINGS OF THE BANKING SYSTEM IN PORTUGAL

The first consistent and well-grounded attempt to create a banking institution in Portugal occurred in 1797, the year when the Minister Rodrigo de Sousa Coutinho presented his project for the constitution of a national bank, which he named *Banco Nacional Brigantino* (Coutinho [1797] 1993).

The development of banking activities—such as money counting, deposits, loans and the discounting of bills of exchange—had naturally increased as a result of the process of commercial expansion that Portugal had been experiencing, especially since the second half of the fifteenth century. Notwithstanding the regularity of such practices, their size never made it necessary to institutionalize banks or banking services, with their own autonomy and specialization. Portugal did not keep pace with the creation of specialized banking institutions in the main European markets (Roover 1974), especially in Italy and the Netherlands. The efforts to create banking institutions began relatively late on and were finally materialized in the form of two events of special political significance: in October 1808, the creation of the *Banco do Brasil* (following the transfer of the king and his court from Lisbon to Rio de Janeiro in the context of the Napoleonic wars), and, in December 1821, the establishment of the first Portuguese bank, the *Banco de Lisboa*, created by a decision of Parliament, meeting after the Portuguese liberal revolution of 1820.

The fact that there were no banking institutions in Portugal and its empire before 1808 does not mean that the sort of financial transactions normally conducted through banks had not been taking place before that time. In fact, individual borrowing and lending practices, conducted on

a personal basis or through private institutions that centralized lending operations, are well known and well documented (Rocha 1996, 1998). The involvement of rich merchants in the profitable operations of discounting bills of exchange and lending money by charging an interest rate has also been carefully analysed (Madureira 1994; Pedreira 1996).

In this network of credit and finance operations prior to the establishment of an organized banking system, it is also important to bear in mind the role played by religious organizations, such as the poor-relief institutions known as *Misericórdias* (Holy Houses of Mercy), brotherhoods and convents, which were approached by high-ranking social groups, namely nobles and merchants, looking for the means to pay their current and future investment expenses (Monteiro 1992). This involved a network of agents who shared mutual rights and obligations, arising from their simultaneous participation as debtors and creditors.

The creation of institutions specially dedicated to the operations of deposit-taking and financing is a subject referred to in various opinions and *arbitrios* written in the years 1796 and 1797 by Domingos Vandelli, an Italian naturalist who had lived in Portugal since 1764.¹ In his proposals for setting up banking institutions, he explicitly advocated the participation of foreigners in the bank's capital, namely Jews of Portuguese origin who had become established in England and the Netherlands, and mentioned the name of the minister Sousa Coutinho as the person best qualified to promote the organization of a bank. However, his mistrust of the local management of the bank led him to admit the possibility of 'welcoming people from London or Amsterdam to direct this new establishment' (Vandelli [1796–97] 1994, p. 382). His main concern, however, was the difficulty of setting up a bank due to the distrust of the shareholders about receiving 'discredited paper' in exchange for the funds invested (ibid., p. 402).

It was certainly these difficulties and the dubious credibility of the system of public finance that explained the inability of Sousa Coutinho to find the financial support necessary for his National Bank project, dated July 1797, when he was in charge of the Ministry of the Navy and Overseas Dominions. The capital of the bank would be 1600 *contos* (c. £400,000),² distributed equally between the State and private shareholders. Under the terms of its bylaws, the bank proposed to fulfil several objectives for the issue of banknotes, the deposit of metallic money, payment advances and the discounting of bills of exchange. However, the crucial problem underlying the proposal for the bank's formation was the

loan to the State of the amount necessary for the amortization of the internal public debt, arising from the loan of 4000 *contos* taken out in November 1796.³

Sousa Coutinho's banking solution was designed to make the State appear credible and to reassure public opinion regarding the process of public debt management. However, what prevailed was another solution linked to the issue of new debt securities of a very low nominal value (small *apólices*). These bonds began to circulate as inconvertible paper money and, due to their uncontrolled and fraudulent issue, caused inflationary effects and disturbances to the monetary circulation.⁴ As we shall see later on, it was the negative consequences of this issue of paper money, which replaced the previous bonds (*apólices*) that were supposed to serve as debt securities and whose discounting resulted in huge losses (about 25% of the initial value) for their owners, that lay behind the creation of the Bank of Lisbon in 1821.

The failure to implement Sousa Coutinho's project could be explained by the lack of commitment on the part of the great merchants who had been contacted for this purpose. The initiative of creating a bank did not deserve their consideration, certainly because they could not expect it to provide them with a profitable capital investment, when compared with the gains to be made through informal lending. This also meant that, as far as the performance of their own business was concerned, credit practices were carried out through an informal structure of bank-like operations, namely payment delays and deferrals, as well as through personal borrowing operations at low interest rates (Pedreira 1996). The same thing happened in situations of lesser economic impact, but perhaps greater social significance, which involved daily credit operations conducted among low income social groups. Thus, at the dawn of the nineteenth century, economic activities took place in Portugal with the aid of parabanking instruments, but without an institution specifically conceived for this purpose.

It is in this context that we can understand how, during the period under analysis, several projects had been presented for the formation of banks whose functions did not expressly involve the specific needs of financing the State, managing the public debt or reorganizing the circulation of paper money. Their objective would be, above all, to aid the development of economic activities and to serve the private economic agents.⁵

Taken together, these different proposals provide a very significant testimony to the monetary and financial problems that were under debate in Portugal in the early years of the nineteenth century, thereby anticipating the type of solutions that would later be encountered in the debates on the creation of the Bank of Lisbon in the new political climate of the liberal revolution of 1820. It should be emphasized, however, that the theoretical framework of bank projects viewed in the light of the teachings of political economy was certainly not one of the most important features of the proposals that were narrowly disseminated in the early years of the nineteenth century. José Acúrsio das Neves was one of the rare authors who, in the period before the liberal revolution of 1820, discussed the problems of banking organization based on the arguments and principles of political economy (Neves [1814–17], pp. 403–471).

Acúrsio das Neves presented the wide range of different forms that existed for the circulation of paper money, in order to establish a clear distinction between the convertible banknotes, which were used like money and complemented the circulation of specie, and the debt securities and credit paper issued by the State (*apólices*) or by private individuals (bills of exchange and land bills). The latter were not intended to be used as currency, but were technical instruments placed at the service of the expansion of productive and mercantile activities, provided that they were carefully managed.

Acúrsio das Neves' concern was to warn of the negative consequences of an excess of paper money circulating in Portugal, using the approaches of Adam Smith and J.-B. Say, who recommended prudence and control over the quantity issued, taking into account the level of wealth created and represented.

The theme also served as a pretext for Acúrsio das Neves to undertake a brief survey of the process that had been followed in setting up the main European banks, explaining their distinct vocations: in some cases, they had the priority objectives of withdrawing inconvertible paper money from circulation and managing the public debt system; in other cases, their purpose was to take deposits and make loans and advances, with the aim of fostering the development of agriculture and manufactures. He also paid special attention to the case of savings banks, which were designed to capture significant amounts of small private savings and could play an important role in boosting investment in productive economic sectors.

The panorama presented by Acúrsio das Neves anticipated and heralded the discussion about the need for a banking institution in Portugal that was to occur after the liberal revolution of 1820. When Acúrsio das Neves published his book, the Bank of Brazil was already in operation, to which he made a short reference. This bank had been established in Rio de Janeiro on October 1808 and was part of the set of economic and financial measures associated with the move of the Portuguese court to Brazil at the end of 1807, when Portugal was invaded by the Napoleonic army. Those measures included the inaugural Royal *Carta* (28 January 1808), which established new rules opening Brazilian ports to international trade, the new legislative framework accepting the installation of manufactures in Brazil (1 April 1808) and the creation or adaptation of royal institutions—such as the Board of Trade or the Royal Exchequer—to the new political environment resulting from the court's expected lengthy stay in Rio de Janeiro. The lack of specie in circulation, the excessive demand for money due to the opening of the ports and the consequent increase in transactions, which were, in turn, related to the increase in public services and the greater expenditure involved in establishing the court in Brazil, were all factors that justified the devising of new solutions designed to improve monetary circulation. However, this experiment was to fail when the main reasons for its creation no longer existed, i.e. when the king and his court returned to the European continent. Meanwhile, a revolution had taken place in Porto and Lisbon, significantly altering the political make-up of economic and financial institutions.⁶

6.3 THE LIBERAL REVOLUTION OF 1820: THE DEBATES ABOUT DEBT AND MONEY IN THE PUBLIC SPHERE

The Portuguese liberal revolution of 1820 was possible thanks to the combination of a variety of short-term conditions and structural factors. Among these, emphasis should be given to the dissatisfaction that several social sectors felt towards the political fragility of the kingdom and its colonial dominions and what they considered to be the continuation of obstacles that impeded the full development of national capacities. Portugal was then a European country with the seat of its imperial power in Brazil, in the hands of a regency controlled both politically and militarily by its British ally, who had played a prominent role in the liberation of Portugal after the French invasions between 1808 and 1811.

The establishment of a constitutional monarchy and a new form for the exercise of sovereignty (based on the legislative power) created the appropriate institutional and political conditions for dismantling the *ancien régime*'s economic and social structure. Although its fundamental purpose was the elaboration of a constitutional code, the first Portuguese Parliament discussed and legislated on a wide range of matters relating to social, economic and political life, seeking to give the form of law to everything that lacked regulation, as well as to respond to the various requests emanating from an effervescent civil society eager for solutions to its individual and collective problems.

Freedom of expression and freedom of the press were among the first concerns to merit the attention of liberal politicians who did not hesitate in establishing the conditions for the formation of an active public sphere committed to the exercise of free and responsible citizenship. The proliferation of newspapers and pamphlets dedicated to a wide range of topics considered to be of public interest, as well as the abundant flow of petitions, *manifestos* and proposals to the deputies and to the parliamentary committees, were eloquent signs of the strength of a public opinion that claimed the right to play an important part in building a new society.

It is therefore not surprising that, among the issues that caught the attention of anonymous citizens or competent public officials and intellectuals, we find matters relating to the economic and financial situation of the country and the specific problems of public credit, as well as to the necessary remedies for redeeming public debt and for stabilizing the credibility of institutions that had been designed for that purpose.

In the months following the revolutionary movements of 1820, strong public pressure was exerted, demanding that a solution be found to the problems that had long afflicted both the holders of increasingly depreciated paper money and the public and private institutions forced to accept payments in the form of paper. In some cases, solutions were presented for the consolidation of the public debt and for the extinction of inconvertible paper money, which required the occurrence of one of the following conditions: the existence of an institution already prepared for this mission, such as the Royal Exchequer, or the creation of a new institution specifically designed for that purpose. It was in this last context that the urgency of setting up a bank was discussed.

The political climate created by the liberal revolution allowed for the presentation of solutions that involved a criticism (and ultimately the loss) of the privileges held by members of the *ancien régime*'s social orders,

aiming at a diversification of the sources for funding debt repayment, namely by selling off chapels and ecclesiastical benefices, auctioning public lands and enclosures, and creating a special tax on urban buildings (Moniz 1820).

The solution by means of taxation policies, thus providing the State with an increase in revenues for debt repayment, met with the approval of another participant in this public debate (Pinto 1820). The *Cortes* (Parliament or Constitutional Assembly) were not yet assembled, and therefore the suggestions presented in this pamphlet were addressed to the government, particularly regarding the allocation of existing taxes to the amortization of debt securities. The theme also mobilized merchants and manufacturers, as was the case with Francisco Azevedo, who published two pamphlets in 1822 dedicated to the subject of discounting paper money (Azevedo 1822a, b). In one of these pamphlets, he proposed technical measures that would prevent the counterfeit issue of paper money and allow for the replacement of old paper bonds. In this way, the State needed to be rigorously aware of the amount of debt securities that should be redeemed and could define a tax-guaranteed plan for the allocation of funds.

State creditors kept hoping that the revolution initiated in 1820 would resolve the default situation in which the State found itself, paying off the public debt and its interest. It was vital that the State should gain the confidence of the holders of debt securities and maintain its good reputation with the political body of the nation.⁷

Among the various pamphlets published at the time, it is worth mentioning Vicente da Costa's proposal for the creation of a bank specifically designed for overseeing the process of public debt management (Costa 1822). The author acknowledged from the start that, due to an unexpected delay in publication, his proposal had lost momentum, since the *Cortes* had already approved the constitution of the Bank of Lisbon. But the problem he was discussing did not fail to give rise to contributions that served to keep people thinking about the role of a bank in the new constitutional political conjuncture. Costa's main concern was to reactivate what he considered to be a 'stalled circulation' that prevented a normal relationship between sellers and buyers in the market.

The difficulty of finding shareholders for such a venture could be resolved by resorting to the holders of public debt, through the conversion of their interest-bearing debt securities into the bank's capital.

In this way, the former public debt was extinguished and the new capital would appreciate thanks to the bank's income-generating operations. Shareholders would therefore receive an interest payment (corresponding to the debt securities converted into shares) and dividends, based on the results of the bank's operations.

Costa gave special attention to the need to distinguish between different types of fiduciary circulation (paper money issued by the State and banknotes issued by a private bank). Furthermore, he warned of the inflationary risks of an excessive monetary circulation (mainly in the form of banknotes) and asked for a rigorous selection of qualified people for the bank's management. Finally, we should note Vicente da Costa's insistence on a political dimension that was not always made explicit in the technical literature on financial and banking matters: the bank rendered a service to the Constitution, the State and the political revolution, so that the Constitution and the State therefore had to repay and compensate the bank for the importance of its mission.

The contents of these proposals and messages were extended to other areas of the public sphere, particularly in the newspapers dedicated to the current national and international political debates that had proliferated in Lisbon and Porto since September 1820. Accompanying the public debate on technical solutions relating to the debt amortization process, the newspapers opened their pages to the collaboration of authors who presented and discussed proposals for the payments owed to private creditors.

6.4 PARLIAMENTARY PAPERS AND THE CREATION OF THE BANK OF LISBON

The *Cortes* and their specialized committees also received many expressions of concern about the state of the country in a wide range of fields, including naturally the domain of public credit and the credibility of financial institutions. In the years 1821 and 1822, the Public Finance Committee received a total of 63 memoranda and reports on the financial situation, in addition to some 330 letters and petitions relating to the private problems of citizens and institutions who complained of tax evasion, abuses of power and contract cancellations, or claimed some of the rights and benefits facilitated by the new political regime.⁸ Among the reports whose content was of greatest analytical interest, the most noteworthy were the observations and proposals on the circulation of paper

money, the amortization of public debt, the elimination or creation of taxes and, in general, the problems relating to the reform of the system for the administration of public finance. Of course, the question of the creation of a banking institution was the main focus of many of these texts (namely Gallard 1821; Jordão 1821), in which the positive expectations about the political conditions offered by the new liberal regime were directly invoked.

Thus, when the details of the proposal for the creation of the Bank of Lisbon were discussed in Parliament between 13 and 29 December 1821, its members could not ignore the multiple contributions originating from an enlightened public sphere that was aware of the important opportunity that the political moment provided. They were also fully acquainted with the language of political economy and could therefore argue in terms that proved the relevance of Parliament as a place for enhancing the links between economic doctrine and the course of political events. Throughout the parliamentary debates taking place on the formation of the bank, opinions were often expressed about the autonomy of its decision-making processes, with a clearly majority position prevailing over the need for its independence from the executive and legislative powers.

The creation of the Bank of Lisbon was inseparable from a broadly shared concern for financial equilibrium, as was clearly expressed in the preamble to the Law that set it up, ‘taking into account the public advantage resulting from the establishment of a Loan, Deposit and Discount Bank, which banishes usury, and promotes the convenience of transactions between individuals, and is simultaneously applicable to the amortization of paper money’ (*Regulamento* 1822, p. 3).

In order that this aim of amortizing the large amount of paper money in circulation could be realized, the Bank was legally obliged to lend the State the sum of 2000 *contos* in banknotes, at an interest rate of 4%, which would gradually replace the debt securities (*apólices*) that circulated as currency and whose uncontrolled issue had begun in 1796. The capital stock of the Bank of Lisbon was 5000 *contos* (10,000 shares of 500,000 *reis* each)⁹ and its subscription would be made by individual shareholders, without any restrictions in terms of nationality. Consequently, it was a private bank with a public mission established by the political will of the *Cortes*, which regarded the Bank of Lisbon as an instrument of credibility that would guarantee the proper functioning of the mechanisms of fiduciary circulation.

The compulsory loan to the State had as its counterpart the benefits received by the Bank of Lisbon, namely those referring to the total exemption from taxes on banking operations and the State's obligation to accept banknotes issued by the bank in public offices. The issuing of these banknotes enjoyed a monopoly of 20 years. The bank was thus protected against competition in the various profitable areas of business that could be dedicated to it, namely the discounting of bills of exchange, loans against pledges and mortgages, deposits, transfers and payments of services requested by its customers.¹⁰

As an institution, the Bank of Lisbon displayed similar characteristics to other private banks created in Europe at the same time, with its multiple purposes being linked by two primary functions serving the needs of the modern fiscal state: the amortization and management of the public debt and the issuing of banknotes, in order to guarantee the efficiency of monetary circulation (Pohl 1994; Attack and Neal 2009). The Portuguese experience benefited greatly from the lessons provided by the trajectories of the Bank of England, created in 1694 (Temin and Voth 2013), and the Bank of San Carlos, established in Spain in 1782 (Tedde de Lorca 1999).

During the early years of its activity, the Bank of Lisbon performed well in the aftermath of the absolutist counterrevolution that had occurred in Portugal in April 1823, also withstanding the political changes that were subsequently introduced.¹¹ The revocation of the Constitution of 1822 and all the liberal legislation produced since the beginning of the 1820 revolution had no effect on the situation of the Bank of Lisbon, which, curiously, was the only institution created by the liberal regime to keep its status unchanged. The operating results of the Bank of Lisbon and the dividends distributed to the shareholders allow us to conclude that the contemporary political vicissitudes did not affect the bank's overall performance or the fulfilment of its basic activities (Reis 1996). The bank's highly coveted technical independence from the legislative and executive powers thus seemed to be a factor in the bank's survival, regardless of the changes taking place in the political regime.

However, at the end of 1827, a critical situation of some importance was declared, which led the bank's management to suspend the conversion of paper money (originally issued in the context of the first public loan of November 1796) and banknotes (issued by the bank) into metallic money (silver and gold). This decision was opposed by the government that called on the Bank of Lisbon to re-establish its commitments and

obligations to the public, thus challenging the desired political neutrality of the bank.

This positioning clearly demonstrated the attention given by the government to the activities of the Bank of Lisbon, whose solvency and credibility were fundamental for ensuring the stability of the financial system. In fact, the government's dependence on borrowing from the Bank of Lisbon to sustain public debt, as well as the advances made on regular payments to the different sectors of public administration, justified the political warning concerning the breach of statutory obligations.

This context of a banking crisis served as an opportune pretext for the analysis and debate that José Ferreira Borges, one of the most important liberal politicians, produced on the subject (Borges 1827). For Ferreira Borges, the explanation for the crisis was not the one presented by the bank's directors, who claimed that the unfavourable balance of trade required payments abroad in bullion, thus giving rise to a run on the bank by traders who needed to carry out their transactions. This excess demand for liquidity in bullion would have given rise to cash-flow difficulties which, in turn, would have provoked fear and panic from holders of paper money, who suddenly demanded its conversion into specie.

Irrespective of whether these situations might have occurred, Ferreira Borges diminished their significance, on the one hand, by explaining that commercial crises could not be treated like simple short-term episodes, and, on the other hand, by demonstrating his knowledge of the automatic mechanisms of regulation between specie flows, price determination and the balance of trade.¹² For those who were frightened by the outflow of money, he offered the explanation that this short-term effect would generate an increase in future competitiveness due to the reduction in domestic prices that would make export products more attractive. Furthermore, he was also inspired by the doctrinal conviction that 'nothing will better prove what can be attained from the absolute freedom of trade than the study of our situation without it compared to the one we have with it' (Borges 1827, p. 28).

As far as the display of panic was concerned, Ferreira Borges considered it momentary and insignificant, compared to banking crises in other countries. In his opinion, the craving for bullion concealed the main reason for the suspension of convertibility that the bank's directors had approved, namely the excess of banknotes in circulation. He was careful to explain that the issue of banknotes by the Bank of Lisbon had been justified by the need to withdraw and replace the paper money (initially equivalent

to public debt securities) in circulation. And he was also concerned about explaining that the evil was not in the issue of banknotes, which were a fundamental resource for guaranteeing monetary circulation, but rather in the excess amount that was issued.¹³

One of the appeals of this text by Ferreira Borges is the way in which he develops his argument by comparing the situation experienced by the Bank of Lisbon with the examples given by recent European banking history, namely the Bank of England and the Bank of France. Recalling that the institutional nature of the Bank of Lisbon was similar to that of the Bank of England (a private bank engaged in circulation and deposit activities, but also fulfilling the role of state lender and the agency administering the public debt), Ferreira Borges relied on the Bank of England's experience to show that the magnitude of the situation which led to the suspension of the convertibility of its notes in 1797 (and which lasted until 1821), as well as the institutional reputation of the Bank of England, were not comparable to the episode which afflicted the directors of the Bank of Lisbon in 1827.¹⁴

In addition to historical evidence, Ferreira Borges also relied on the theoretical arguments provided by political economists attentive to monetary phenomena and banking crises, such as Heinrich Storch, Thomas Joplin, David Buchanan, John R. McCulloch and, above all, the 'wise economist and financier David Ricardo' (Borges 1827, p. 16). Borges explicitly cited the text by Ricardo (1816) in which he presented the concept of a money market with a secure currency. Although he was not interested, nor even prepared, to discuss the analytical contents of Ricardo's proposal, Borges made typical use of the argument of authority, provided by his reference to the name of the 'wise economist and financier', to sustain his own broad vision of a money market that is not self-regulated and requires the assistance and control of a single (central) bank with a monopoly over the issue of banknotes.¹⁵

Finally, it is also worth noting how Ferreira Borges condemned the lack of transparency and reliable information provided by the Bank of Lisbon about its operations, calling for the need for public scrutiny, to which the bank's activities necessarily had to be subject: 'Without this publicity, the bank's credit will always be more subject to the shocks inherent in similar institutions than if their frank and open march presents the public with its regularity. It is a great mistake to suppose that in this case the mystery is the foundation of its existence' (Borges 1827, p. 14).

6.5 CONCLUDING REMARKS

Studies in banking history offer a diversity of themes and perspectives to be explored. The role of banks in the issue of banknotes and the acceleration of monetary circulation, their place within the political system, especially in the definition and implementation of monetary policies, the instrumental nature of their economic functions in raising savings and investments, their contribution to balancing the financial system, are common generic features that make banks indispensable for the stability of contemporary capitalist economies. It was only at the beginning of the nineteenth century that this indispensability began to be clearly discerned.

This contribution towards the history of the early years of the Bank of Lisbon and its immediate antecedents allows us to illustrate, as a case study, some of the more general and common characteristics of the banking history of the period under analysis. But the specificity of the Portuguese case suggests that special attention should be paid to the relationship between public debt, banking organization, political process and the formation of the public sphere.

The creation of the Bank of Lisbon took place at a particularly fertile historical moment for the explanation of how economic circumstances, the political context and the public sphere interfered with the decision-making processes that justified its establishment at the end of 1821. The history of the Bank of Lisbon is an integral part of the history of the Portuguese liberal revolution and of the dismantling of the old economic and financial system.

The analysis of failed attempts to set up banks in the early years of the nineteenth century, as well as the unsuccessful experience of the creation of the Bank of Brazil in 1808 (serving the Portuguese court residing in Rio de Janeiro between 1808 and 1821), makes it possible to understand the essential features that the Bank of Lisbon displayed: a private bank with a mandate to issue banknotes for the purposes of regularizing monetary circulation, and with the function of financing the State for current payments and for the amortization and consolidation of the public debt. Furthermore, the Bank of Lisbon also had the opportunity to develop other business areas that demonstrated, in its first years of activity, how it was possible to reconcile the shareholders' particular interests and the general interest supposedly represented by the State.

Those who, in Portugal, most actively participated in the public debate on these matters in the early decades of the nineteenth century did not

reveal any particular enthusiasm for theoretical and analytical approaches, namely those relating to the monetary controversies that took place in England on the occasion of the parliamentary debates on the Bullion Report (1810–11) and on the resumption of convertibility (1819–21). Nevertheless, they bear fundamental witness to the understanding of how an enlightened public sphere, deeply aware of the importance of the state of confidence and trust in the public debt and credit system, is an indispensable condition for the success of public policies in monetary and financial issues.

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NOTES

1. Vandelli played a major role in the enlightened reform of the University of Coimbra in 1772 and the creation of the Royal Academy of Sciences in Lisbon in 1779. He was one of the most important contributors to Portuguese economic and financial thought in the late eighteenth century (Cardoso 1990).
2. Around 1800, 1 *conto* = 1 million *réis* = £275 sterling (source: Reis 1836, pp. 22–23).
3. This amount corresponds to roughly half of the total annual average revenue of the Portuguese Exchequer throughout the period from 1797 to 1803 (Costa 2016, p. 606).
4. The theme has received attention and debate in Portuguese historiography. For an overview, see Silveira (1987), Cardoso (1989), Madureira (1994), and Costa (2016).
5. This different typology applied to three bank projects sent to Sousa Coutinho, from 1801 to 1803. On the content and meaning of these bank projects, including their full transcript, see Cardoso (1997). It was also at the initiative of Sousa Coutinho that the Portuguese translation of a brief history of the Bank of England (Fortune 1801) was published in 1801, with the obvious intention of clarifying public opinion on the advantages of creating a similar institution in Portugal.
6. On the history of the Bank of Brazil, with an emphasis on the period corresponding to the Portuguese court's stay in Rio de Janeiro, see Cardoso (2010).

7. The creation of a climate of confidence, in relation to both the debt system and the monetary system, was crucial for the authors participating in this public debate. This positioning revealed the understanding of a fundamental link between the high levels of confidence on the part of the economic agents and the possibilities of economic development. For the English case, see Capie (2004).
8. *Arquivo Histórico Parlamentar, Comissão de Fazenda* (Parliamentary Historical Archives, Public Finance Committee). A selection of these petitions and memoranda was published in Pinheiro (1991).
9. Corresponding in 1821 to £1,250,000 (1 *conto* = £250).
10. The history of the Bank of Lisbon has attracted the attention of several scholars, especially from the viewpoint of studying the background of the Bank of Portugal established in 1846 after a merger between the Bank of Lisbon and the financial company *Conflança Nacional*. See Peres (1971), Reis (1996), Valério (2007), and Nunes (2018).
11. Portugal then experienced a period of some political instability, culminating in the civil war of 1832–1834, which ended in the definitive victory of the liberal forces.
12. Although there is no textual evidence confirming his reading of David Hume's *Essays*, it is clear that Borges was aware of the meaning of Hume's famous price-specie flow mechanism.
13. The Board of Directors of the Bank of Lisbon did not accept José Ferreira Borges' approach to the problem and immediately published a pamphlet showing that the issue of paper money was within the conventional limits (*Breve Ensaio* 1828).
14. On the explanation of the restriction policy pursued by the Bank of England following the decision of non-convertibility of paper money in 1797, stressing the role of its institutional reputation, see O'Brien and Palma (2019).
15. This Ricardian topic has been brilliantly addressed by Annalisa Rosselli (1999), to whom this chapter is dedicated. On Ricardo's ideas on money and banks, see also Arnon (2010), Deleplace (2013), and Diatkine (2013).

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