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**Institutions, property, and economic growth:
Back to the passage from the *Ancien Régime*
to liberalism in Portugal**

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EDIÇÃO E PROPRIEDADE

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Institutions, property, and economic growth: Back to the passage from the *Ancien Régime* to liberalism in Portugal. The liberal revolution was the biggest institutional breaking point in Portuguese history. It created the modern state and modern private property. This change was particularly complex in Portugal due to the peculiar nature of the country's *Ancien Régime*. The aristocracy was excessively dependent on service to the Crown, thus keeping it as an un-entrepreneurial class, and leading to the underdevelopment of property rights. The nineteenth century was, thus, mostly a period of transition, where the difficulties in destroying the old organization and creating a new one were daunting. But once it was done the Portuguese economy started showing relatively robust signs of growth.

Keywords: property rights; economic growth; liberalism; *Ancien Régime*.

Instituições, propriedade e crescimento económico: de regresso à passagem do Antigo Regime para o liberalismo em Portugal. A revolução liberal foi a maior rutura institucional da história portuguesa. Criou o Estado moderno e a propriedade privada moderna. Esta mudança foi particularmente complexa devido à natureza peculiar do Antigo Regime existente em Portugal. A aristocracia era demasiado dependente da prestação de serviços à Coroa, o que a manteve como uma classe não-empresarial e conduziu ao subdesenvolvimento dos direitos de propriedade. O século XIX foi, assim, sobretudo um período de transição, caracterizado pela dificuldade extrema em destruir a velha organização e criar uma nova. Mas uma vez operada a transição, a economia portuguesa começou a mostrar sinais relativamente robustos de crescimento económico.

Palavras-chave: direitos de propriedade; crescimento económico; liberalismo; Antigo Regime.

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INTRODUCTION

One or two generations ago, Portuguese (and foreign) economic historians approached their material very differently from today. Their explanation of economic events included, on an equal level of importance, political, institutional and social factors along with economic ones properly speaking (consider, for instance, the works of Macedo, 1982 and 1989; Godinho, 1971; Pereira, 1979 and Cabral, 1988). To take one of the most important examples, the economic development of Portugal was explained by these authors through a variety of possible causes, not all of them normally seen as economic in the strictest sense of the word. Despite the fact that their interpretations sometimes differed widely, they all agreed that the general organization of society had a crucial role in the process. All aspects of social and institutional reality were, thus, eligible for consideration.

Recent economic historians have preferred a more technical and specialized approach. In general, this has been for the best. Sometimes old works in economic history displayed only superficial knowledge of such matters as economic theory or statistics. But something was lost in the process as well. Economic historians today prefer to deal either with more mechanic causes of economic performance or, at the most, with politics and policies. The broader

1 Acknowledgements: I am most thankful to Jorge Braga de Macedo for inviting me to organize, together with Álvaro Ferreira da Silva, a conference in tribute to Jorge Borges de Macedo. It was that conference (which took place at the Faculdade de Economia of the Universidade Nova de Lisboa in May 2007) that gave me the opportunity to write this paper. I am also most thankful for all the comments made by the participants in the conference, in particular Álvaro Ferreira da Silva, Jaime Reis, Pedro Lains, Nuno Gonçalo Monteiro, and José Luís Cardoso. Any errors are mine.

questions of prior works have disappeared. For instance, an issue then so important as the impact of the country's institutional structure on economic development is no longer at the fore of research. However, the time may be ripe for a reconciliation of the two approaches. Old questions may gain with a fresh look from modern economic historians (with their increased technical and theoretical sophistication), and modern economic historians may find new interesting questions to ponder by returning to old topics.

One such old topic worthy of return is that of the transition from the *Ancien Régime* to liberalism. The main question posed then by economic historians was why the institutional and social structure of the Portuguese *Ancien Régime* did not favor economic growth, and why the new liberal structure did not provide a solution. Many of the hints of those historians were essentially guesses or, at best, hypotheses. Knowledge of *Ancien Régime* society and institutions was then very superficial or based on general ideas normally imported from French historiography. Fortunately, we now have a much deeper knowledge of the Portuguese version of the *Ancien Régime*. While economic historians have stopped asking those questions, social and institutional historians have continued exploring them. If properly interpreted, their results are a source of important insights for economic history. The opportunity is there, as a result, to renew the ties with other historical disciplines. That is what this article seeks to do in the form of a survey article. It is essentially a review of the literature, and it aims at opening the door to new questions, and suggesting an agenda for future research.

Various ideas are presented in this paper. The first is that Portugal owes to its liberal revolution the creation of the modern state, of modern private property and, consequently, of a modern economy. This is closely connected with another central idea, that the Portuguese *Ancien Régime* had certain particular features that precisely hampered the development of the previous aspects. One such feature, with dramatic consequences for the rest of the institutional system, was the fact that the largest share of the Crown's income originated outside the economy of metropolitan Portugal. Most of that income was obtained from colonial ventures (with an important contribution also coming from customs duties). This allowed the Crown to keep the internal tax system relatively underdeveloped, as well as the administrative centralization that goes with it. Alternatively, the Portuguese Crown adopted a policy of income redistribution that had the Portuguese aristocracy as its main beneficiary and used land donations as its main instrument. But by donating land the Crown did not just give nobles the right to cultivate land; it also gave them certain features of sovereignty, such as the ability to appropriate tributes from the land (something akin to taxation), or the ability to have their own administrative and judicial personnel.

This was crucial not just for the nature of the Crown's power but also for the nature of Portuguese aristocracy, which became an ultra-rentier class, with mostly un-entrepreneurial habits. Although this was not exclusive of Portuguese aristocracy, the current article suggests (more than demonstrates, something that clearly begs for further research) that it was less a feature of the French, Spanish, and other northern European aristocracies, not to mention the archetypical example of an "entrepreneurial aristocracy": the British one. Portuguese aristocracy was not mainly a propertied class; it was a rentier class, earning its income from the rents coming from land donated by the Crown. A very important consequence of this was the relative underdevelopment of the concept of private property (and, hence, of its protection by the law).

It was the task of the liberal revolution to destroy this institutional structure. The idea of the liberals was, precisely, to introduce in the country the clear-cut rules separating private from public, the state from the market, the state from private property. But the rules inherited from the *Ancien Régime* were so complex and intertwined that Portuguese liberals had considerable difficulty in replacing the old rules with the new ones. The consequence of this difficulty was a long transitional period occupying the second half of the nineteenth century and the beginning of the twentieth century, during which land was still being passed from its old status into modern private property. The uncertainty surrounding the process meant that the land was involved in a juridical imbroglio of enormous proportions, leading to slow economic growth. It was only in the beginning of the twentieth century that most of those difficulties were overcome and that the economy could start growing stronger.

As will become clear further below, the main purpose of this paper is not to demonstrate hypotheses, but rather to suggest new ones, profiting from a series of new findings by recent Portuguese institutional and social history. The idea is that economic historians can look at these findings as an important source of ideas for research. The origin of the paper explains its nature. This was a paper prepared for a conference organized as a tribute to Jorge Borges de Macedo and that took place in Lisbon in 2007. I was able to put together a few ideas that I would never have put down on paper if it were not for that occasion. The result is an exploratory paper that invites economic historians to go back to some of the old questions and methods of previous generations of their colleagues.

THE ANCIEN RÉGIME

THE GENERAL FRAMEWORK

The *Ancien Régime's* institutional structure differed from that of liberalism in many respects. Concepts that are typical of liberalism and of institutions today

and that, consequently, we take for granted, did not exist or were not entirely developed during the *Ancien Régime*. This was true of concepts such as the state, civil society, the public sphere, the private sphere, and equality under the law.

The political community did not have the same features we tend to attribute to it today. Being Portuguese did not mean being a citizen (or a subject, for that matter) or an individual, free to pursue through his own will his private intentions under the limits of the law. Nor was the law homogeneous and administered by a sole legitimate power, i.e. the state (for an introduction, cf. Meneses, 2001 and Subtil, 2004). During the *Ancien Régime* we should speak of Portugal mostly as a “dynastic state”, in opposition to a “nation-state” (cf. Monteiro, 2003), which meant that monarchs did not act as impersonal rulers governing the people considered as a whole, but as dynasties mostly concerned with their own survival and aggrandizement, both at the “national” level (against local powers) and at the “international” level (against other monarchic dynasties). This allowed for a vast plurality of identities under the monarchy. The monarchy did not ask for deep allegiance as the modern state does, but only enough docility for certain tributes to be collected and certain laws to be imposed. The Portuguese were not seen (and did not understand themselves) as individuals that happened to be Portuguese, but as members of particular social groups, which were not informal social groups as we have them today, but defined by particular rights and duties established by the law. They were noblemen, members of the clergy, members of the people, inhabitants of a city, members of a profession, etc., etc., in a vast array of particular social situations (cf. Hespanha, 1994; Silva and Hespanha, 1993; and Xavier and Hespanha, 1993).

This is of interest not simply as an exercise in exoticism but due to its profound institutional consequences. Of course, the *Ancien Régime* was not static and knew a certain degree of evolution. But some essential features remained basically unaltered until the Liberal Revolutions of the nineteenth century. The major subdivision within this framework was the one separating the Clergy, the Nobility, and the People. But this was just the most general classification. Below, there were infinite subdivisions classifying cities, regions, professions and many other categories. What is important here is that this was more than an idea without practical consequences, for being part of any of these groups implied a particular set of specific rights and duties. There was no equality of individuals under the law, but the opposite, *difference* under the law. The crucial concept in this context was that of privilege. Privilege should not be understood here in the modern popular sense of the word, but rather in a technical sense: it was the method through which the law was applied to persons. The purpose of the Crown was not to administer justice in a homogeneous way but to use privilege in order to create particular social situations. Exempting a city

from certain taxes or allowing a certain social group to have their own courts or administrative officers was the way for the Crown to create the law and, by doing so, create the particular social groups constituting the political community (for all this, cf. Richet, 1973).

Although most authors on these topics agree on the general framework just depicted, there are subtle differences in interpretation that deserve consideration. Some, despite recognizing the plural nature of the institutions of the Portuguese *Ancien Régime*, also note that there was a certain degree of centrality ascribed to the Crown (cf. Godinho, 1968a; Macedo, 1968a and 1968b; Merêa, 1969 and 2003; Sérgio, 1998; Monteiro, 2003 and Martins, 1987). There is no doubt for these authors that the political organization of the *Ancien Régime* was based on a plurality of powers and on the balance between them, the king being the agent that promoted the balance. But they insist on the fact that, since the very early days of Portugal's existence, the Crown was understood as having powers different from all other social agents. Even if noblemen could administer justice or collect tributes, this was seen as different in quality from the king's prerogatives in the same domains. Many authors even see this tendency as a national specificity (cf. Herculano, 1914-1916; Sérgio, 1998; Macedo, 1968b and, for a different interpretation, although rehabilitating some points of this literature, Monteiro, 2003). Although not having a definite explanation for such specificity, they suggest that it might have to do with the origin of the kingdom as the result of a centralized war effort, which provided it with a significant institutional homogeneity. The Crown never had to bargain with previously installed institutional structures, except for the Muslim ones (which were eradicated), meaning that the intermediate political structures that could seriously balance or confront the Crown's power did not exist on a scale similar to what happened in other countries (Monteiro, 2003).

THE PRIVATE AND PUBLIC SPHERES AND THE QUESTION OF PROPERTY AND PROPERTY RIGHTS

The pluralism of the sources of power in the *Ancien Régime* meant that there was no clear distinction between the public and private spheres, which also implied the absence of a clear distinction between the state (corresponding to the public sphere) and civil society (corresponding to the private sphere). We can see this in aspects we would call either public or private today. Regarding the public dimension, the Crown did not represent the public interest as the state is supposed to represent it today. The Crown was, first, a noble house that had attained the monarchy. But this did not mean that the house should stop pursuing objectives that, in the light of today's liberal conceptions, would be considered private. The Crown's lands, for instance, were not public lands.

They were lands that might have been brought under the Crown's domain when the particular noble house acceded to the Crown or that might have been acquired afterwards, and they were managed alternatively (and without any clear distinction) for purposes we would call private today or for purposes we would call public.

This ambiguity also applied to matters we would call private. The Crown's subjects were not simply private individuals. They were an integral part of particular social situations. This had extremely important effects for two social groups: the Church and the nobility. Both had powers we would call public, of the administrative, judicial, and police type. They also had taxing powers, or, to be more precise, the power to collect compulsory tributes. That is, members of the Church and aristocrats were not simply private individuals pursuing private objectives. They had prerogatives we would call public. For instance, looking at them as landowners, equivalent in their economic decisions to modern entrepreneurs, whose effects on markets were simply those resulting from economic choices, would be profoundly mistaken. In fact, much of their effect on markets was, so to say, political. A significant part of their income originated not in profit, as a result of economic or managerial decisions, but in taxation, or something akin to it. That is, much of their income did not depend on good or bad economic decisions but on the institutional power to "expropriate" producers.

The powers of the nobility and the Church can be classified into two broad categories. First, there were those powers we might call political powers, of an administrative and judicial sort. Second, those powers we might call economic powers, mostly related with the capacity to collect tributes. The first type were particularly significant in the case of the Church, which had its own autonomous government, its own hierarchy, its own judicial system, and diverse other self-regulatory mechanisms. Furthermore, many of the elements of the Church's judicial system were applied outside the Church's realm, in the society at large. As for the aristocracy, it also had its own agents, the *ouvidores* (which were both administrative and judicial officers), and its own courts (although of limited power). Sometimes (but not always) aristocratic domains (*senhorios*) were entirely outside the administrative grip of the Crown. Regarding the second type of powers, that is, the power to collect tributes, they were significant to both the Church and the nobility. The Church had its own general tribute, to be paid by the population at large, the *dízimos* (equivalent to the English tithe), corresponding to about 10% of personal income. Although not called a tax, because it was not collected by the Crown, the *dízimos* corresponded to taxation by another name. The nobles collected many tributes, some in their own lands, some in lands that had been donated to them by the Crown, some in lands that were possessed by other entities but whose collection of tributes had

been granted to them. We will be more specific below. These were not taxes in the literal sense of the word, of course, but were similar to taxes in nature, since they were forced payments (for more details on all of this, cf. Monteiro, 1993 and 1998).

It is the latter economic dimension that interests us most in this article. This dimension reveals the extent to which such established notions as public and private, state, and civil society were underdeveloped in the institutional context of the *Ancien Régime*. Such a typical prerogative of public power today as taxation was disseminated throughout society. The monopoly of taxation, which largely defines the modern state, did not exist. The economic consequences arising from this situation were enormous, both for the nature and evolution of the Crown's finances and, most crucially, for the definition of property and of property rights. Due to this structure of collecting powers, private property and property rights in the sense we speak of them today were to a large extent non-existent. For property was not exactly *private* (it was also *public*, as we saw above) and the rights associated with it did not correspond to the same rights that are associated with it today.

This was particularly visible in the case of the nobility, especially in its relationship with the Crown. A double process took place during the Portuguese *Ancien Régime* in that relationship. On the one hand, the Crown increasingly lowered the threshold granting access to noble status. There was a "democratization" of nobility during the *Ancien Régime*. On the other hand, the Crown created new distinctions within the nobility, mostly as a compensation for the general decline in value of noble titles. This is quite clear in the creation and progressive closure of the group then called the "Greats" (*Os Grandes*), basically the Crown's court aristocracy (Monteiro, 1993, 1998 and 2003). What we have, then, is a substantial change in the nature of nobility as a social group. Instead of the old military nobility, which acquired its status in the long war against Islam and became a landed aristocracy, we have now a vast service nobility (not necessarily landed) and a very restricted court nobility that was paid in lands (which worked as a source of rents) and in rents from lands. Although this is a process common to all European monarchies of the day, especially in the seventeenth and eighteenth centuries, there are reasons to believe that it was taken further in Portugal than in other places (Macedo, 1968c and Monteiro, 1998 and 2003).

The Crown's major instrument for this was its policy of land donation, or concession of rights to rents, to the Greats. Such donations or concessions worked as payment for their service in the Court and arose as something that was specific to the Portuguese Crown and which allowed it to pursue the policy in a systematic manner and for a very long period. This specificity was

based on two facts. First, the vast amount of resources the Crown could use in order to put the policy into practice. Second, the sources of income it could command independently of taxation. Concerning the first, the Crown was in possession of a vast array of assets: it had lands to donate, rents to grant (such as the *comendas* of the military orders and of other religious institutions – the *comendas* were basically entitlements to a share of the income from the land possessed by those institutions), pensions to give (such as the *tenças*), based as well on rents from land, or payments from the Crown's debt (the *padrões de juro*). Again, the reason why the Crown had so much to give was the absence of significant competing powers within the territory. There was no noble house that could approach the size and assets of the reigning dynasty (the House of Bragança), something in which Portugal differed from other European kingdoms (cf. Cunha, 2000 and Monteiro, 2000). Concerning the second fact, most of the Crown's receipts had their origin outside taxation of national economic activity. Most revenues came from colonial trade and customs duties. This had a double consequence: on the one hand, it gave the Crown unusual freedom in the use of its internal resources, namely with the purpose of paying for the service of noblemen. On the other hand, it was an invitation for the Crown not to develop internal taxation and, hence, an invitation not to assert its monopoly over taxation within the territory (cf. Pereira, 1979 and Monteiro, 1998 and 2003).

In order to best understand this problem we must have a clearer notion of the structure of land possession during the Portuguese *Ancien Régime*. The largest owners were, first, the king and the Crown or other institutions closely dependent on both: the university, military orders, and the royal houses (*Bragança*, *Rainhas*, and *Infantado*); then there were the many religious institutions (monasteries, convents, churches, and others); and, finally, the noble houses. What is interesting here is that a large share of the lands under noble and ecclesiastical control was not of their own property, but had its origin in donations made by the Crown (for these topics, cf. Serrão, 1993 and Monteiro, 1998 and 2003). A major consequence was that the Greats were very much dependent on concessions by the Crown instead of being dependent on income from their own possessions. According to recent calculations (Monteiro, 1998), in the second half of the eighteenth century on average about 50% of the income of the Greats' houses originated in donations by the Crown. In the case of certain houses, the importance of donations could reach about 90% of their income. What is more, only about 3% of the income of the Greats' houses derived from the direct cultivation of the land. That is, even in the case of income coming from the houses' own property, most of it was in the form of rent, rather than profit.

Not all income coming from the Crown's donations originated in land that had been donated to noble houses. In reality, the largest part of it came from a specific source of income, the *comendas*. The *comendas* were, basically, entitlements to tributes coming from lands of the military orders. The difference with land donations was that the noble house was not supposed to administer the land, but simply to appropriate a share of the tributes due to the original owner (note that the possessions of the military orders were managed by the Crown during the seventeenth and eighteenth centuries). This is what allowed Monteiro (2003) to call the Portuguese aristocracy in the *Ancien Régime* an "ultra-rentier" class, with a social and economic logic that contrasted heavily with what we might call "entrepreneurial" attitudes. The "aristocratic ethos" (Monteiro, 1998) in Portugal was essentially defined by the service to the Crown.

The basic principles of the houses were those of aggrandizement and exhibition of the trappings of greatness, and service in the Court was the main path to both. In terms of economic choices, aggrandizement and exhibition meant that the aristocratic rationale was not one of saving and investment, but rather of conspicuous consumption. In the words of an author of the time (Damião Faria e Castro, quoted in Monteiro, 1998, p. 232): "The large *seigneurs*, similarly to the prince [i.e. the king], should not cultivate the land on their own [...]. Nobility does not value money the same way as the trader does, for the latter wants it to make more money, and the former to spend it". What is interesting is how this evolution went counter to what happened in most other European countries: "the European trend in the eighteenth century was for Western aristocracies to increasingly become 'proprietary' and less dependent on other mechanisms for the appropriation of the agricultural product. In this respect, Britain was the pioneer [...]. [But] almost all recent studies on the Greats of Spain [...] also call the attention for a renovation process in the eighteenth century, in which they passed from 'seigneurs' to 'proprietary'. And even in France [...] the same dynamics are visible" (Monteiro, 1998, pp. 224-225).

This situation was strictly dependent on the ability of the Crown to keep taxation underdeveloped within the kingdom. Internal taxation depended mainly on two taxes, the *sisá* (an indirect tax on all sorts of transactions) and the *décima* (a direct income tax, covering a wide variety of sources, from profits to wages). According to Silva (2004), they represented about 30% to 35% of the Crown's income. There were other internal taxes, but they were mostly indirect taxes (on consumption of various goods) of relatively small importance. One of the peculiarities of the Portuguese Crown was its ability to appropriate a vast income whose origin was outside the territory, in particular

from colonial ventures. The fact that the Crown was able, through various contractual forms with actual traders, to appropriate a large share of the turnover from colonial trade, allowed it to concentrate a large share of its receipts on those activities. If we add to colonial trade the receipts coming from tariffs we can get an idea of how residual national taxation was (cf. Godinho, 1968a; Hespanha, 1993 and Silva, 2004). According to Silva (2004), between 1716 and 1776, colonial receipts represented more than one third of the Crown's total receipts. Together with customs duties, they amounted to about 60% to 70%. Tilly (1994) compared Portugal's situation to that of current oil-producing countries. It is interesting how much this reality was internalized at the time, for even the most radical reformists of the period never thought of redefining the functions of the state and, most importantly, never moved away from a "vision of the king's power as based on liberality and mercy as retribution for the services of his subjects" (Silva, 2004, p. 252). Liberality and mercy were the doctrinal foundation on which the Crown based itself in order to keep on using land donations and concessions of rents to nobles, thus hampering the development of both a "modern state" (Silva, 2004) and an "entrepreneurial" aristocracy (Monteiro, 1998 and 2003).

The consequences of this framework for the problem of property and property rights were vast. It was because of it that it is so difficult to talk of private property in the *Ancien Régime*, since property was either severely limited by many restrictions or amplified with certain powers not associated with property today. Crucial then was the importance of tributes rather than direct cultivation of the land.² This was the case of collective contracts, such as the *cartas de foral* (contracts applying to donated Crown lands specifying the right of a noble house or a religious institution to appropriate the tributes due to the Crown) or the *aforamentos colectivos* (the ability of noble houses or religious institutions to collect tributes in a certain area). But it was also the case of individual contracts, particularly the *enfiteuse* (a sort of lease for life or even hereditary, in which the owner of a tract of land ceded its direct cultivation in exchange for regular payment). As it is easy to understand, it was the use of property in this way, with successive and sometimes superimposed concessions of rights over the same piece of land, which made of it mostly a source of tributes. And these tributes (and the property connected with them) followed convoluted paths that diluted significantly the ability to exercise property rights in the modern sense of the word. Sometimes it was not even necessary to be the beneficiary of a donation to be entitled to those tributes. This is clearly

2 This and the following paragraphs owe significantly to Monteiro (2003 and, particularly, 2004), but also to Fonseca (1989).

the case of the Church and the collection of the *dízimos*. Although originally intended to be appropriated by the Church, the collection of the *dízimos* had gone through so many transformations that, by the eighteenth century, a vast array of social and economic agents controlled them: the Crown, various religious institutions not originally entitled to them and even many noblemen to whom their collection had been ceded. The importance of all these forms of tributes was enormous, so that, according to Monteiro (2004), they represented a much higher exaction than the taxes collected by the Crown.

A crucial role in the structure of property in the *Ancien Régime* was played by *enfiteuse*. As noted by Monteiro (2004, p. 73), *enfiteuse* was a contract that “created a duality of rights over the same object. The consequence was that there were at least a ‘direct’ and an ‘indirect seigneur’. In reality, the system could be even more complex, for there was also the *subenfiteuse* contract, which created another layer of ‘seigneurs’” over the same piece of land. Although complicated by itself, this system was even more complicated by the fact that many of the *direitos de foral* included *enfiteuse* contracts. That is, when the Crown donated a land to a noble house, the noble house inherited mere tributes but also many *enfiteuse* contracts, creating a most complex situation in terms of definition of property rights. There were also, of course, more modern forms of contracts, such as the *parceria* (share-cropping) and the *arrendamento* (tenancy), but these were clearly a minority in the national context.

The mechanisms restricting the tradability of land were also important. Many lands were completely or partially out of the market. These were the lands that, in the language of the time, were *amortizadas*: Church lands, but also the *morgados* and *capelas*. *Morgados* were contracts through which the land, by decision of an ancestor, was inherited undivided by the eldest son of a noble house. *Capelas* were also lands to be inherited undivided but whose income was to be directed to religious institutions. This implied, of course, that lands under *morgadio* or *capela* could not be sold, neither partially nor in their totality. The same occurred with the lands donated by the Crown to noble houses. Under the *Lei Mental* (of 1434) donated lands could be neither divided nor sold (either in parcels or *in toto*).

As noted by Monteiro (2004, pp. 75-76), “the result of this system was that [...] not only the privileged social categories [...] had ‘property rights’ over the land and its product; a series of individuals [...] and institutions could have them too. [...] Those rights were [...] doubly limited. ‘From below’, i.e. over the same piece of land [...] many individuals or institutions could exert different powers [...]. But also ‘horizontally’, for the *amortização* and *vinculação* [*morgadios* or *capelas*] of lands limited and restricted the possibility of buying and selling them. [...] The most notable and striking effect [of all this] [...] was

felt in the structure of the sources of income of the big Portuguese institutions of the *Ancien Régime* (the Church, the court aristocracy, the houses of the royal family). These were not [...] essentially large landowners, in the sense of having the ‘absolute domain’ over the lands that granted them their income’, but mostly “rentiers”. As noted above, this was a process that perhaps survived longer in Portugal than in other places in Europe and that made of the Portuguese nobility one of the least entrepreneurial on the continent.

CONSEQUENCES FOR ECONOMIC GROWTH

A question that naturally arises is why should these institutional features be important for economic growth. One first set of consequences relates to what Serrão (1993, p. 83) calls the “significant dissociation between ownership of the land and its direct cultivation, which [...] was accompanied by an identical dissociation between the appropriation of the net agrarian income and its production. [...] Exaggerating a little, [...] landowners did not cultivate land, and [...] actual farmers did not possess the property (at least complete) of the lands they cultivated”. The consequences of this framework were mostly important for investment and capital accumulation, because most “agrarian contracts [...] implied a precarious relation with the land, which inhibited producers [...] from making durable investments. Furthermore, the contracts limited farm restructuring, either because they prevented them explicitly or because they listed the crops in which payments were to be made. [...] But its most serious problem was decapitalization [...], since a necessary part of net agrarian income [...] was expropriated” through tributes (Serrão, 1993, p. 85).

This is, of course, connected closely with the prevailing economic attitudes among the Portuguese aristocracy. As noted above, the fact that the most important noblemen were not landowners, but essentially receivers of rent (and had their debts systematically covered by the Crown), allowed for economic irresponsibility (not in a qualifying sense of the word but in the sense of not being directly responsible for a large part of their income sources) and, crucially, did not constitute an incentive for investment. In reality, for the Greats, to invest in the lands that were the source of their income and keep close track of their accounting situation was felt as unnecessary, and even sometimes lacking enough dignity, as ostentatious behaviors were more important than closely monitored management practices. It was not only investment that was limited but also innovation. The fact that many contracts specified the crops in which payments had to be made to the seigneurs limited the ability of farmers to introduce new crops, new species, and new methods associated with them. There were even contracts that explicitly prohibited change of the cultivated crops.

The prohibition of certain lands to be sold or partitioned not only limited economic choice but was also a source of economic irresponsibility. The owner that was subject to such rules could not switch activities or lands, and never had to face the final test for failed management: to lose the land in favor of a more efficient cultivator. This leads us to the role of aristocracy in the promotion of growth. For a long time, in order to explain modern economic growth, it was standard to speak of a “bourgeois revolution”. During that revolution, the aristocracy would supposedly be replaced as the most important social agent by the bourgeoisie, which would bring with it a new approach to the management of economic assets. Old nobles would be replaced by a new entrepreneurial class, and this entrepreneurial class (by promoting investment, innovation, and by taking risky choices) would be a major engine of growth. More recent research has suggested, on the contrary, that in many places it was the aristocracy that progressively acquired an entrepreneurial nature rather than being replaced by a new class. As we saw above, this was typical of many countries in Europe, but not of Portugal.

This set of problems raises many questions for future research. Since all European *Ancien Régimes* shared to a large extent the same features, one important question should be, of course, if they were more present (or survived longer) in Portugal than in other places. According to Monteiro (1998 and 2003) this was true, for instance, both of the dissociation between property and income and of the non-entrepreneurial nature of the Portuguese aristocracy. But more research is certainly in need for these ideas to be corroborated.

These topics are even more important today thanks to the new understanding we have of what the industrial revolution was. Although in its classic version the industrial revolution was seen mostly as the result of a technological shock that drastically changed industrial methods, the new historiographical consensus tells us a different story. Now it is believed that the industrial revolution was, at the start, essentially an agricultural evolution (rather than a revolution), and that Britain distinguished itself from the other countries in the eighteenth and nineteenth centuries mostly as a result of its extraordinary agricultural productivity (rather than industrial productivity) (Crafts, 1985). It was this productivity that allowed for the transfer of labor and savings from agriculture to industry, which was initially a low-productivity and labor-intensive sector. What is more, the beginnings of modern economic growth are no longer seen as the work of inventors and industrial entrepreneurs, but essentially of the traditional nobility and gentry (cf. Allen, 1994). This could be a path of research worth exploring in order to understand Portugal’s inability to follow the pioneers of modern economic growth: it may indeed be true that the peculiarities of the social and institutional structure of the Portuguese *Ancien*

Régime made it more difficult for property rights to be clearly defined and for an entrepreneurial aristocracy to develop. The natural type of research here would be of a comparative sort.

Crucial for the persistence of this structure was, as shown above, the relationship between the Crown and the aristocracy, in particular thanks to the donations policy of the Crown. And for that policy it was also essential that the Crown had sources of income independent of internal taxation. We saw above that colonial trade played a crucial role here. Something that brings us back to an old issue in Portuguese historiography: the role of empire in the country's backwardness. Godinho (1968b) is famous for having suggested in modern historiography (although following nineteenth-century and early-twentieth-century hints) that empire was an essential cause of the country's backwardness. The main idea was that colonial prosperity did not make the Crown feel the need to promote industry using protectionism and subsidies. Not all periods were times of colonial prosperity. But there were enough of them to hamper industrial growth. It was only when colonial trade was depressed that the Crown promoted industry directly. Since most of the eighteenth century was a period of colonial prosperity, in particular thanks to Brazilian gold, Portugal went in the opposite direction of those countries that were then entering the age of modern growth. This perspective was vastly and justly criticized by many authors (see, among others, Macedo, 1982 and Pedreira, 1994) for three reasons. First, for the fact of taking for granted the efficiency of economic policy to foster industrial growth. More important than protectionism and the Crown's subsidies was the inability of economic agents (or of society in general) to promote growth (Pedreira, 1994). Second, for the fact of assuming that protectionism rather than openness was the best path to prosperity. And, third, for implying too large a share of colonial trade in the Portuguese economy. In fact, colonial trade in the eighteenth and nineteenth centuries could not have gone beyond a range between 1% and 3% of GDP (Lains, 1998 and Pedreira, 1998), and its impact on economic development must have been minor.

But thanks to the information we have today on the *Ancien Régime's* institutional structure, maybe there is something to retain from the thesis. Although colonial trade was not large enough to explain the general performance of the economy, it certainly was an extremely important part of the Crown's receipts, allowing it to keep internal taxation undeveloped and continue with its donations policy, thus perpetuating the non-entrepreneurial ways of Portuguese aristocracy. So, perhaps empire was important after all – not as a result of its direct impact on the economy but indirectly, via the Crown's receipts. Here we have another topic certainly worthy of further exploration in future research.

THE LIBERAL REVOLUTION

CHANGES IN INSTITUTIONS AND IN THE PROPERTY STRUCTURE

The liberal revolutions brought drastic changes to the *Ancien Régime*'s institutional structure, although through a convoluted process that had many stages, each with its own peculiarities. The first stage came with what we might call the first liberal revolution, between 1820 and 1823. In this moment some of the most visible aristocratic prerogatives were abolished, specifically personal services and "banal rights". These were of little importance, however, and its abolition was basically symbolic. More importantly, Crown lands were nationalized, including not only the lands under direct control of the Crown but also those that had been donated. Many problems arose with this, however. The first problem was one of definition: what exactly were Crown lands? Some nobility estates, although not seen as such, had in reality been donated a long time ago, normally in the Middle Ages. This opened a loophole in the nationalizing process, which gave rise to a series of disputes over the date from which donations should be considered irreversible. Another question was that of knowing if the *comendas* could be classified as Crown lands. The *comendas* were not lands but entitlements over the income of lands. Still, they posed similar problems: were these entitlements to remain or should they be abolished and nationalized? One further complication was that the liberal parliamentarians believed noble houses were entirely entitled to lands and tributes on donated lands as long as the donations had been made as payment for true service to the Crown and not just out of the "king's caprice". Consequently, donated lands should only revert to the state in the latter case. Again, this opened room for many disputes over the conditions under which lands had been donated (for all this, see Monteiro, 2003).

A debate that became very important in the context of the 1820 revolution was the one over the *direitos de foral* (or the *forais*, as they became known then). This was seen as separate from Crown lands, for nationalizing lands or leaving them under aristocratic control did not necessarily mean abolishing the tributes paid on them. As a matter of fact, due to the budgetary troubles of those years, many parliamentarians thought of keeping the *forais* on nationalized lands in order to increase the state's receipts. The fact is that, in the first liberal revolution, the *forais* were kept in existence, despite a reduction by half in their value (more decisive measures came only in 1832). The big question here was, of course, to whom should property be attributed following the destruction of the *Ancien Régime*'s rules of possession: should it be given to the state, transforming all peasants paying tributes into wage earners paid by the government? To the noble houses receiving the tributes? Or to the

peasants, under the idea that tributes were a form of primitive taxes applied to lands that in the end should be seen as owned by them? This was complicated even further by the existence of *enfiteuse* in Crown lands. *Enfiteuse* was understood by the liberal revolutionaries as something akin to property and, consequently, different from *direitos de foral*. So the solution for it had to be different from that applied to *direitos de foral*: when abolishing the payment of tributes on Crown lands it was necessary to distinguish one sort of payment from the other, for one was seen as legitimate and the other not. But there were yet more complications to follow, for throughout the whole 1820-1823 period no mention was ever made of the Church's lands, a vast mass of territory that was dealt with only after 1832.

In 1832 came the laws that, although still written during the civil war (by the then Minister of Finance in exile, Mouzinho da Silveira), gave the largest blow to the institutional structure of the *Ancien Régime*. The laws abolished the *dízimos* (the tribute paid to the Church), the *comendas*, the *forais*, the *enfiteuse* on Crown lands (although not on other lands), and the Crown lands themselves. Although extremely important, the fact is that this law turned out to be very difficult to apply. Three things could happen to the lands affected by it. One, lands could revert to the property of those paying the tributes, normally small peasants. Two, they could revert to the beneficiaries of the donations, that is, the aristocratic houses to whom the Crown had donated the lands and whom received the tributes. Third, lands could revert to the state (cf. Fonseca, 1989). It is important to understand here that all lands effectively belonging to the noble houses, that is, lands that were under aristocratic control not as a result of donations, were exempted from this process. In those lands, houses continued collecting *foros* and other tributes. That is, if the *foros* were paid on lands now considered public, the payment should stop. If they were paid on lands that reverted to small peasants, the same thing should happen, but not if they were paid on lands that remained under aristocratic control.

This indecision opened room for many conflicts. Most noble houses resorted to various judicial methods in order not to lose their entitlements. One possibility opened by the law was that those affected by it could protest the decision. This judicial device, called executive process (*processo executivo*), effectively suspended the decision. This meant that, while the question of to whom to attribute the land was not resolved, the beneficiary of the donation continued to receive the existing tributes (Silbert, 1970). Sometimes judicial processes were so complicated that they lasted for years, but "in many cases, instead of having to stand long processes, [many of those paying tributes decided to] accept the validity of the *foros* (now simply classified as *enfiteutícos*)" (Silbert, 1970, p. 96). Another serious problem was, of course, the criteria

to be used in order to decide the three final destinations of the lands mentioned above, that is, whether to give them to the beneficiary of the tributes, to the peasant paying the tributes, or to the state.

These problems led to serious corrections of the initial law, first in 1835 and, in what constituted the definite legislation on the topic, in 1846. Although clear in the letter of the law, the 1846 criteria were not clear enough to eliminate all ambiguities. The new law was based on a distinction between “generic title” (*título genérico*) and “specific title” (*título específico*). The first corresponded to the *forais*, that is, those tributes that were seen as akin to taxes (since they did not arise from voluntary contracts and were paid generically by the population). In those cases the tributes were extinguished and the lands could go either to the noble house to whom the land had been donated, or to the state. The second corresponded to contracts involving individuals, that is, *contratos enfiteúticos*. In that case, the land was either to stay under *enfiteuse* or to revert to the *enfiteuta* as full property or to be transformed into a modern tenancy contract (Silbert, 1970 and Pereira, 1979). However, the 1846 law still had a significant number of loopholes, which noble houses used in order to continue collecting *foros*, despite their general abolition (cf. Silbert, 1970 and Silveira, 1988). Also because of those loopholes, disputes over to whom to attribute the ownership of the land continued for a long time. Still, there is no denying that this law was a landmark in the passage from the old to the new institutional and property structure. Unfortunately, the current state of research leaves in obscurity many of the details of the process. We know that it corresponded, “most of all, to a vast redistribution of income [...]. We know who lost (the big court aristocracy, the Church [thanks to the abolition of the *dízimos*], but we know very little of who benefited with the process” (Monteiro, 2003, p. 173).

This was not the end of the transition, however, for a further process ran parallel to the one described above. This was the process called, in the language of the time, *desamortização*, which involved the lands of the Church (in particular those of the orders), and the lands under *morgadio* and *capelas*. The name *desamortização* came from the fact that it dealt with those lands that were under *amortização* in the *Ancien Régime*, i.e. lands that were left out of the market. The lands of the male and military orders were involved in the process after 1834, in the sequence of the definite liberal victory in the 1832-34 civil war. This was a particularly brutal process, for it not only involved the nationalization of their lands but also their extinction (at least the male orders; the female orders were dealt with later and were not extinguished). Extinction implied that nationalization did not simply cover lands but also many other assets (such as buildings, libraries, works of art, furniture, etc.). After being

nationalized, those assets were put on sale to the market via public auction. The whole set of *bens nacionais* (all of the nationalized lands, including the Crown's lands that had been nationalized during the first liberal revolution of 1820 and the ones nationalized in the 1834 wave) were put on public auction after 1835. This was an extremely complex process that took decades to run its course, occupying most of the second half of the nineteenth century and a bit of the twentieth century. Most of the transactions took place in the twenty years after 1835, but the more complicated ones remained unsolved for many years. Also very important was the fact that most of the assets put on public auction were in the end never bought by private agents. According to Silva (1997), between 1835 and 1843, 60% of them were never sold. This means that the whole process was also a crucial moment for the acquisition of infrastructure by the state. Many convents and monasteries, after the process was terminated, were converted into state buildings and still today lodge hospitals, military barracks, educational institutions, and even the Parliament. The bulk of the current state collection of ancient art has the same origin. So the liberal revolution was not only a moment for the creation of modern private property, but also for the creation of public property and the modern state.

Many authors consider the process of creation of modern private property finished with the sale of the nationalized lands. But this excludes from it the extinction of the *morgados* and *capelas* after 1861. And the process of putting these lands on the market (together with some of the lands of female orders) lasted for the entire second half of the nineteenth century (and even part of the twentieth century), and the amount sold between 1861 and 1891 was almost as much as that involving the *bens nacionais* (Silveira, 1988).

CONSEQUENCES

As we can see from all this, the passage from *Ancien Régime* to liberalism in Portugal was far from smooth (a true “juridical imbroglio”, in the words of Silbert, 1978). It took most of the nineteenth century to be resolved and still had many unfinished issues by the beginning of the twentieth century. The Portuguese liberals wanted to apply to economy and society those categories of interpretation and methods of organization that are typical of liberal societies. But, by doing so, they ended up finding a world of extreme complexity, that was difficult to change and in which it was almost impossible to know how to attribute clear property rights. There is no surprise then that the transition from the old forms of land possession to modern property occupied the entire second half of the nineteenth century and that some lands recently *desamortizadas* were still being bought in the first years of the twentieth century (cf. some of the examples given in Fonseca, 1996).

It also might help explain the origin of a very popular idea in the historiography that attributes to Portuguese entrepreneurs an excessive preference for the acquisition of land. According to that idea, this was due to the “aristocratic penchant” displayed by entrepreneurs, something that went along with their will to acquire noble titles (cf. Godinho, 1971 and also Pereira, 1979). However, the context suggests this might have been a mostly rational economic decision. Portuguese entrepreneurs were then finally acquiring the property they needed in order to start using modern methods of production. As a matter of fact, after the elimination of the restrictions coming from the *Ancien Régime*, land flooded the market and most new landowners significantly increased its importance in their asset portfolio (cf. Fonseca, 1996). For a long period in the second half of the nineteenth century buying and selling land was certainly one of the most interesting business opportunities. When the lands first came to the market in massive quantities, the opportunity was created to buy them at relatively low prices. But as soon as the process slowed down, land prices rose sharply, thus generating a high return. The famous businessman of the time José Maria Eugénio de Almeida understood this quite clearly: “I see the value of property rising by the year; I see that the capital increasingly coming from Brazil and the new fortunes formed here in the country look for land as the safest investment [...]. A few years ago there was an abundance of *bens nacionais* [...]. The capital that was looking for land found it easily. Today there are only the remnants of the process left [...]. I know that in some parts of the kingdom this ascending value of land has not been felt yet; [...] but that movement will get there as well” (quoted in Fonseca and Reis, 1987, p. 889).

Furthermore, buying land could also constitute a prior step to the introduction of innovations. For instance, the use of credit from banks grew considerably in the second half of the nineteenth century (Fonseca, 1996), thus showing a new entrepreneurial attitude, as credit was mostly used to invest and introduce innovations in the farms, at least as exemplified by the cases of Alentejo landowners given in Fonseca (1996). Also, Reis (1993b) has shown how crucial it was for these landowners to acquire properties of a certain dimension in order to introduce mechanical harvesters for wheat. The slow introduction of mechanical harvesters was not a consequence of a lack of entrepreneurial spirit on the part of the new landowners, but of the fact that, below a certain size of farm, the technological bias was in favor of labor in the capital-labor mix. Once farms acquired a certain scale, the use of those machines spread with relative ease. How buying land was a necessary step prior to the introduction of capital goods or new technology is again illustrated by the case of Eugénio de Almeida. In the account made by Fonseca and Reis (1987), Eugénio de Almeida bought in 1847, through public auction, a nationalized tract of 1100

hectares. At the moment of acquisition most of the land was uncultivated and decapitalized. Eugénio de Almeida planned to change drastically the face of the farm, by a vast increase in the area under cultivation and by investing in cattle, fruit trees, and new crops. This was done and, with a few setbacks, the process was generally successful.

If we go beyond this piecemeal and qualitative evidence and look at the more general and quantitative data, the connection between land cultivation and capital accumulation is indeed confirmed. The figures given by Lains (2004) show that, between 1865 and 1902, the use of land, capital, and labor grew more or less at an equal pace in Portuguese agriculture. But the expansion of cultivated area was by itself a revolutionary process. In the middle of the nineteenth century, according to the figures presented in Lains (2004), cultivated area was only about 50% of national territory, and unused arable land about 45%. In 1902 cultivated area had risen to about 80% of national territory and uncultivated arable land had fallen to about 17%. Silbert (1978) did not hesitate to refer to the last decades of the nineteenth century and the first of the twentieth century as the period of the Portuguese “agricultural revolution”. This “revolution” would be visible in many aspects, from the introduction of new machinery to the introduction of cattle and new crops, but, according to Silbert (1978, p.124), its “most visible sign [...] was the expansion of cultivated area. The conquest of a large part of those uncultivated lands whose extension was a reason for scandal for all those that had studied for centuries the economic state of the country, was one of the greatest feats of Portuguese history. From 1874 to 1934 cultivated area grew by about 70%”. This process would be impossible under *Ancien Régime* rules. The new liberal institutions were, hence, an inevitable prior step to significant agricultural change.

The figures given by Lains (2004) also display an important growth of agricultural total factor productivity (TFP, or the combined productivity of labor and capital) in the second half of the nineteenth century. Institutional change in itself must have been a cause of TFP growth, since it meant a new approach to farm management, essentially based on entrepreneurial decisions. Efficiency considerations and cost reduction were now an integral part of the agricultural process and one should expect this to have by itself an impact on TFP. Also, new investment brought new technology. In many circumstances, technology was embodied in capital, as in the case of the mechanical harvesters. Lains (2004) notes one further reason for TFP growth: new crops and the switch from low to high productivity crops (cf. also Martins, 2004). Thanks to the action of such landowners as Eugénio de Almeida (cf. Fonseca and Reis, 1987, but also, for other cases, Silbert, 1978 and Fonseca, 1996) the Alentejo passed from being massively dominated by wheat cultivation to become a seriously diversified

region: vineyards and wine production, sheep and cow for dairy products, new swine species, and, in one of the most important agricultural episodes of the time, the systematic planting of cork trees for industrial purposes. Such changes are also visible in the structure of cultivated area. As we noted above, cultivated area jumped in the second half of the nineteenth century from 50% to 80% of national territory, but much of this increase came from forestation. Forests represented only 7% of the territory in 1867, but jumped to 22% in 1902 (cf. Lains, 2004), in a further example of innovation by “sectoral” shift.

These were the most obvious consequences of the process of institutional change from *Ancien Régime* to liberalism. But many others are also worth consideration, and should be marked as points in an agenda for future research. One of them is the creation of a modern tax structure. According to what we know (particularly thanks to Mata, 1985 and Esteves, 2004) modernization of the Portuguese fiscal structure was very incomplete in the nineteenth century. Although most of the tributes competing with the Crown's taxes, as well as many of the taxes coming from the *Ancien Régime* (the most important of which being the *sisá*) were abolished, many others survived, in particular the main direct tax, the *décima*. It is true that the *décima* would later be subdivided into three new taxes, but everything fell short of the creation of a new and modern tax structure. According to Esteves (2004), there was a clear “continuity” in that structure between the *Ancien Régime* and the liberal period. The signs of continuity are visible in the large predominance of indirect taxation and, in particular, of customs duties (cf. Mata, 1985 and Esteves, 2004). In a certain way, there was even a regression in relation to the *Ancien Régime*, for, according to the figures given in Esteves (2004), direct taxes represented around 32% of fiscal receipts in 1812-1817 (i.e. before the 1820 liberal revolution), fell to 12% in 1833-39, and recovered to about 25% by the end of the century, never going above that level. Indirect taxation, on the contrary, jumped from about 15% in 1817-1821 to around 40% in the second half of the century. The introduction of new taxes faced constant reaction, and was at the root of many popular revolts and even a civil war (in 1846-47) (cf. Mata, 1985 and Silva, 1994). This explains why tax coverage in Portugal was particularly low. There was certainly some evolution: in 1851-59, tax receipts represented about 3.5% of GDP, and in 1890-1899 about 5%. But this was still low when compared, for the same period, to the 9% of GDP in Spain, 14% in Italy, 10% in Belgium, 11% in the Netherlands, 7% in Norway, 12% in France, and 7% in Britain (see Esteves, 2004).

All of this points to a series of interesting questions, mostly related to the problem of the creation of the modern liberal state. Its inability to impose a new and efficient tax structure raises the problem of legitimacy. As put by Mata

(2002, p. 993), “the governments of the Constitutional Monarchy did not have enough social support to obtain the necessary fiscal consent for the political program they advanced”. Liberalism was a regime whose first attempt at establishment aborted in 1823, and whose second, and successful, attempt took place only after a two-year civil war. Resistance to new taxation, as illustrated by the many revolts, was enormous, and in the end the successive governments opted for keeping the old tax structure. What is more, not only did liberal governments face extreme difficulties to impose new taxes, but also had to support endemic tax evasion (cf. Mata, 2002 and Esteves, 2004). As José Rodrigues de Freitas once put it in Parliament (quoted in Mata, 2002, p. 992): “if we accept the data coming from the Treasury [...] we would say that in many regions there is not one single palace, no vehicles for the transportation of their owners, and that in the regions where there are no vehicles, there are no horses to pull them”.

As an aside we should note that the problem of tax evasion raises another one: that of the dimension of the shadow economy. Historians have made no attempt to estimate it, although the computation would be interesting for more than one reason. The size of the shadow economy under conditions of such vast tax evasion is essential to estimate the real level and growth of the Portuguese economy. If tax evasion was as large as suggested by the many authors and politicians of the time, then there is the risk that official production and income statistics are unreliable. If true, then an allowance for the black market might considerably increase the level as well as the growth of the Portuguese economy. This is certainly one more topic worth exploring. Also deserving exploration are the true effects of low taxation, or low efficiency in the collection of taxes. These may have been contradictory. On the one hand, they may have worked as a stimulus to growth; on the other, by depriving the government of enough funding to provide infrastructure, they may have had the precise opposite effect. Liberal governments did provide infrastructure, particularly in the form of new roads and railways. However, this brought a growing (and ultimately fatal, with the 1892 external default) debt to the Portuguese state. Also, some authors point to the possibility of the dimension of the networks and their exact locations not being the most adequate (cf. Vieira, 1980). This would surely be another interesting topic for research.

All of these topics are relevant to explain the growth performance of the Portuguese economy in the nineteenth century. One should also be aware that this was an especially important period, since these were the years when the economy lost most of the ground to the more developed ones (cf. Lains, 1994 and Amaral, 2002). The topics raised in this article suggest that the complications of the transition from the *Ancien Régime* to liberalism might have played

a significant role in the process. As we have seen, the passage of land from its former owners to the new ones took almost the entire second half of the century to occur. It is not difficult to suppose that this must have had a severe impact on the expectations of economic agents: many of them were unsure for long periods of time of the final disposition of a vast amount of properties; many nationalized lands waited for decades before being bought in public auctions, something that led to their sharp decapitalization (Silva, 1997). Between nationalization and sale to the market, many lands were left to the interim management of farmers nominated by the government having little interest in investment or general improvement of the properties (Silva, 1997). All this meant that for decades large tracts of land either were left uncultivated or received only minimal, routine management. One should expect this to have had an impact on growth. But, on the other hand, some of the best signs found by Lains (2004) may have been caused by the positive elements brought on by institutional change. It was the new institutional situation that allowed for the vast increase in land cultivation as well as greater capital-intensity and technological change. In the end, the ambiguous record of the Portuguese economy in the second half of the nineteenth century (continuous growth but at a slow pace) may be explainable by the mix between negative and positive incentives.

The nineteenth century should thus be best seen as a transition period for the Portuguese economy, a painful but necessary period that allowed for the installation of a relatively modern agricultural sector and for the exploration of its limits. Before liberalism too many restrictions hampered agricultural development. Liberalism removed those restrictions. There are even signs of an “agriculturization” of the Portuguese economy in this period: according to Reis (2004), the share of agricultural population grew significantly in the nineteenth century, mostly to the detriment of the tertiary sector. In 1806, the percentage of male workers in agriculture was around 52%, with the tertiary sector employing about 33% (industry employing only 15%). In 1841, the percentages were 68% for agriculture, 17% for the tertiary sector, and still 15% for industry. This situation remained more or less unaltered until the end of the century. It was only from then on that industry and services started to absorb increasing numbers of workers.

This broad picture would indicate that the nineteenth-century institutional change was necessary for Portuguese agriculture to explore its potential. This means that it was only in the twentieth century that the economy was ready for industrialization and greater economic growth. This fits the statistical data available, which show us that the Portuguese economy stayed abreast of the more developed economies of the world throughout that century, at least from 1913 on (cf. Reis, 1993a and Amaral, 2002).

CONCLUSION

Understanding the evolution of the Portuguese economy in the nineteenth century requires a detailed study of the impact of the Liberal Revolution on the country's institutional framework. Such a study is of particular importance, for the Liberal Revolution was certainly the largest institutional and political breaking point in Portuguese history. It was liberalism that created the modern state and modern private property and, consequently, the modern economy. Such a change would be worthy of attention in any other country, and recent historiography has shown us that it was particularly complex in Portugal, mostly on account of the peculiar nature of the Portuguese *Ancien Régime*. Of special importance was the persistent Crown policy of land donations, which generated a dependency (rare elsewhere in Europe, at least on an equivalent scale) of the country's aristocracy on service to the Crown. As we saw above, this was crucial for the underdevelopment of property rights and for keeping the aristocracy largely as an un-entrepreneurial class. In many countries of Europe the transition from *Ancien Régime* to liberalism was relatively smooth (particularly in Britain), mostly because the seeds of "modern" society were already largely present in "pre-modern" society. British aristocracy, to take one example, was already a relatively entrepreneurial class before the eighteenth and nineteenth centuries. Portuguese aristocracy, on the contrary, was mostly a service class that made its income out of compulsory payments. Changing the institutional ways of the Portuguese *Ancien Régime* would always have to be a very complicated affair.

This means, as noted above, that the entire nineteenth century was mostly a period of transition, where the difficulties in destroying the old organization and creating a new one were sometimes overwhelming. But once it was done and once the most severe shockwaves passed, the Portuguese economy started showing relatively robust signs. That is the reason why the twentieth century is, in general, a positive period for the Portuguese economy. In its worst moments, although unable to converge to the more developed economies, at least it did not fall further behind. At its best, such as in the 1950s to 1973 period, it closed the gap very rapidly.

Economic history has overlooked some questions that were typical of previous historiographical efforts. Perhaps some of them, when approached in a new manner, would be worth a return. They do not contradict the results obtained by modern economic history and, quite the contrary, give them a new meaning and new possibilities for future research.

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