

The Marquês de Pombal (1699-1782). How He Broke Britain's Commercial Ascendancy in Portugal

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During the early years of the eighteenth century opportunities for commerce in the Portugal trade were greatly increased because of the gold and, later, diamonds, which began arriving from Brazil. The newly wealthy in Brazil were importing not only their necessities but luxuries, clothes, weapons, household goods and furniture via Portugal, their mother country, regardless of cost.¹ Portugal and its capital, Lisbon, had become one of Europe's most important international trading centres. Nonetheless, trade there remained largely in the hands of foreign merchants and it was generally acknowledged that the British merchants controlled more trade than all the other nations put together.² Portugal itself was not self-sufficient in basic necessities, such as wheat, nor was she able to supply the needs of her colonies. Even fish, in the shape of dried cod, was imported from Newfoundland where it had been caught and dried by Englishmen. Apart from wine, salt, oil and fruit, Portugal itself had very little to offer for a return trade. Brazilian sugar and tobacco were not required in Britain because Britain's own colonies supplied her needs. Hides and Brazil wood were not of sufficient value to cover the cost to Portugal of her own necessities and the requirements of her overseas empire. Thus, most of those imports had to be paid for in Brazilian gold, with the result

¹ C.R. Boxer, *The Golden Age of Brazil, 1695-1750*, (Berkeley and Los Angeles 1962), p. 220.

² *Description de la ville de Lisbonne*, (Paris 1730), pp. 224, 250-1.

that by the mid-eighteenth century Portuguese gold coins were common currency in England.³ The Marquês de Pombal was to say that the effigy of John V was more commonly seen in London than that of George II.⁴ Such a situation would have been unthinkable during the early sixteenth century when Portuguese merchants had been the financiers of kings in Europe. There were grave problems in Portugal's economy and society which inhibited Portuguese merchants from competing on equal terms with foreign merchants and it was generally acknowledged that the Portuguese economy was not in a healthy state. The royal fifths of the gold and, later, the diamonds coming from Brazil, were not invested productively by John V but were spent on the church, on establishing the patriarchate and on buildings such as the Palace of Mafra. In 1709, in order to increase revenue, the Portuguese government had to sell offices, including those in the Mint and the Casa da Índia. Many of the sources of revenue were mortgaged and pensions, annuities and salaries were paid directly from the customs houses, tobacco monopoly and other royal establishments.⁵

Portugal's economy was dependent on the Brazil trade and so it was closely controlled by the Portuguese government. Foreigners based in Portugal had to trade with Brazil through factors or commission agents who were resident in Brazil or who travelled regularly between Brazil and Portugal (*commissários volantes*). That trade was the magnet which attracted foreign traders to Portugal, who repatriated most of the profits to their respective countries.⁶ Only with the advent of Sebastião José de Carvalho e Melo did Portugal find someone intelligent enough not only to

³ For an overall description of British trade in Portugal during the eighteenth century, see: H.E.S. Fisher, *The Portugal Trade*, (London 1971).

⁴ British Library (B.L.), Add.Ms. 15591, f. 43v, 'Discurso Politico sobre as vantagens que o Reino de Portugal pode alcançar da sua desgraça por occasião do Memorável Terremoto do 1 novembro 1755'.

⁵ H.V. Livermore, *A New History of Portugal*, (Cambridge 1969), p. 207.

⁶ Public Record Office (P.R.O) S.P. 89/23, ff. 298-9, printed copies of the decrees of 8 February 1711 and 8 February 1715 which regulated the Brazil trade. See also, Goldsmiths' Library, *Memorials of the British Consul and Factory at Lisbon to H.M. Ambassador at that Court, etc.* (London, St. Paul's Churchyard 1766).

recognise Portugal's problems but ruthless enough to enforce the changes necessary to cure them.

Carvalho was born in 1699, the eldest son of a provincial *fidalgo*. He became one of Portugal's most famous and effective rulers and was created Conde de Oeiras in 1759 and Marquês de Pombal in 1770. His two brothers, Francisco Xavier de Mendonça and Paulo de Carvalho e Mendonça were both to play important parts in his schemes. Francisco became governor of the Grão Pará and Maranhão Company and was Colonial Secretary from 1762 until his death in 1770. Paulo entered the church, held prominent positions in the Patriarchate, was President of the Lisbon Senate and became Inquisitor General. He was made a Cardinal in 1770, but died just before his cardinal's hat was received from Rome.⁷

Sebastião de Carvalho, or Pombal, as he is generally called and will be so termed hereafter, studied history, politics and legislation at Coimbra University. He had experience in the army, but through an uncle who had been a professor at Coimbra and later became an arch-priest of the Patriarchate, he inherited an estate at Oeiras and Cintra and was introduced to Cardinal da Mota, King John V's Minister of State. Through Mota's influence he became a member of the Royal Academy of History in 1733. In October 1738 he was sent to London to take over eventually from Marco de Azevedo Coutinho (a cousin, always referred to by Pombal as 'uncle'), who was then Portugal's representative there. Azevedo Coutinho left England in 1739. Coutinho had himself had the benefit of the wisdom and teaching of one of Portugal's most famous diplomats, Dom Luis da Cunha, who had been ambassador in London from 1696-1712 and Portugal's envoy extraordinary at the coronation of George I. Like Padre António Vieira, King John IV's adviser in the mid-seventeenth century, Dom Luis da Cunha believed that it was the degradation by the Inquisition of Portugal's merchant class (the New Christians) which was in large measure responsible for

⁷ Information available in *Grande Enciclopédia Portuguesa e Brasileira*.

Portugal's inability to control her own commerce.⁸ Whilst in London, Pombal determined to study and make himself familiar with English trading methods and all the details of government and taxation. He also wanted to study the causes and methods by which Britain had acquired so much commercial and naval power. In doing so, he collected a magnificent library of books.⁹

It is fortunate that Pombal's private papers dating from his period in London were not all destroyed in the earthquake of 1755 and are to be found to-day in the *Biblioteca Nacional* in Lisbon. Among these are many *pareceres* (advisory notes), often drafted in his own hand, which were addressed to King John V from London. From these it is clear that Pombal was determined to overcome the ascendancy of foreign merchants in Portugal's trade. They also show that he understood Portugal's social as well as its economic problems and was laying plans to remedy them. Pombal carefully studied the treaties made between England and Portugal in 1642, 1654, 1661, May 1703 and December 1703. Whilst in London, he constantly demanded reciprocity for Portuguese merchants in England with privileges granted to the English in Portugal in 1642 and 1654. This was difficult, because those treaties confirmed privileges which had been granted not only to the English, but to other foreign merchants in Portugal since the fourteenth century. They were specifically designed to assist foreign merchants in problems to be met with only in Portugal. They could not be reciprocated in England where circumstances and laws were entirely different.¹⁰ Like Dom Luis da

⁸ New Christians were the descendants of the Jews who had been forcibly baptised by King Manuel I in 1497. For fuller details about Pombal, see: John Smith (Marquis of Canota), *Memoirs of the Marquis of Pombal*, 2 vols. (London 1843), I, pp. 39-55; J. Lúcio de Azevedo, *O Marquês de Pombal e a sua época*, (Lisbon 1909), pp. 9-49; B.L. Add.Ms. 15181, is a manuscript copy of the original of the *Instruções Inéditas de D.Luis da Cunha a Marco Antonio de Azevedo Coutinho*, (later edited by António Baião, Coimbra, 1929), see ideas on ff.132, 135, 151-2, 156, and 170-3.

⁹ Biblioteca Nacional (B.N), Coleção Pombalina, Codices 165-167, 342-3.

¹⁰ G. Chalmers, *A Collection of Treaties between Great Britain and Other Powers*, 2 vols. (London 1790), II, pp. 257-305. For an early history of the origins of the privileges given to foreigners, see H.V.Livernore, "The Privileges of an Englishman in the Kingdoms and Dominions of Portugal", *Atlante*, ii, (1954), pp. 57-77

Cunha, Pombal complained about the Navigation Act of 1651 and the Tonnage and Poundage Act of 1660, which gave an advantage to goods carried in English ships and had helped to increase British shipping, but that had nothing to do with ancient Portuguese privileges given to foreign merchants in Portugal. Because he must have realised this, he turned his mind to methods which could be adopted to neutralise those privileges, in order to make trading more difficult for foreigners in Portugal. He began by repeatedly maintaining, both verbally and in writing, that the King of Portugal had the right to make what laws he pleased for the good of his own dominions, regardless of former treaties. Withall, he developed a lively hostility to English merchants and factors which became characteristic of his later acts in Portugal, which were designed to make their work there more difficult and less profitable.¹¹

Pombal was recalled from London in 1745 and sent to Vienna where, on the death of his wife, he married Maria Leonor Daun, daughter of Marshall Graf von Daun, a friend of the Empress. He also became very friendly with, and discussed his ideas regarding the reform of Portugal's economic problems with, Duke Silva-Tarouca, and Gerhard van Swieten. Tarouca was a Portuguese count who had served Austria well over many years and had been made a duke by Emperor Charles VI. Van Swieten was a Roman Catholic and the Empress of Austria's doctor. He put Pombal in touch with his friend, António Nunes Ribeiro Sanches, an enlightened Portuguese New Christian physician, who Pombal later consulted when making his educational reforms.¹²

Pombal returned to Portugal in 1750 to find that John V was dying and that Queen Maria Ana, who was an Austrian, was acting as Regent. John V died at the end of July that year and three days

¹¹ B.N. Coleção Pombalina, 610, Undated, ff.40-60; 635, 236, 279 are examples.

¹² Livermore, *History*, p. 214; Maria Alcina R.C. Afonso dos Santos, 'A vida publica de Sebastião José de Carvalho e Melo em Viena de Austria (1744-1749)', *Revista de História das ideias: o marquês de Pombal e o seu tempo*, 2 vols., (Coimbra 1982), I, pp. 29-39, quoted by K. Maxwell in *Pombal. Paradox of the Enlightenment*, (Cambridge 1995), p. 9; *Grande Enciclopédia Portuguesa e Brasileira*, Vol. 25, pp. 627-630.

later, Pombal was appointed Minister of Foreign Affairs and War. Alexandre Gusmão, John V's secretary said, prophetically, 'The Pasha has obtained his purpose... the people will suffer for it... the news will go down to future times, which will admire the effects of his spacious ideas in everything....'. The new king, José I, was happy to leave affairs in the hands of ministers.¹³ In order to accomplish his plans for Portugal, Pombal began by slowly putting men he could trust into positions of power in Lisbon's city and mercantile institutions.

Pombal's plans for discouraging English merchants in Portugal had begun to be formed whilst he was in London. For example, the English nation in Portugal was known to have valued their conservator or special judge above their consul, for he was the means by which they were able to obtain quick justice. The English had first been granted the privilege of having a conservator in 1367. A conservator was a necessity under the Portuguese legal system and all bodies or associations of people employed one to look after their legal interests. Under Article 13 of the 1654 treaty no Englishman could be arrested except when caught in the act, without an order from his conservator having been obtained first. The conservator would then transfer the case to his own court by issuing a counter-order or *contra mandado*. This was in order to ensure that the case was tried at once; speed being all important in the affairs of merchants. Realising the importance of the conservator to the English, Pombal sent a *parecer* to John V from London concerning the privilege and, as a result, on 9 May 1742, John V published a decree to the effect that the judge conservators of foreigners were forbidden to issue such counter-orders. The Dutch and British consuls protested and the British envoy, Benjamin Keene, commented to Consul Castres that that single decree was one of the best contrivances he had ever seen to take away privileges. This was because, in practice, that law made the Senate and City Court, which controlled all fiscal matters at issue,

¹³ Livermore, *History*, p. 213.

superior to the conservator's court. As nearly all legal matters involving merchants were of a fiscal nature, foreign merchants were thus virtually deprived of legal protection. They were also deprived of protection in non-fiscal cases when a new law was passed on 3 October 1752, ordaining that no judge conservator of foreign nations could grant counter-mandates to impede the issue of any writs or orders issued by ordinary courts, under penalty of six months suspension from conservatorial office. As conservators of foreign nations were paid by them, and Portuguese salaries were many months in arrears, no conservator was likely to risk being suspended from office for six months. Thereafter, the conservator was no longer a necessary preliminary to the arrest of an Englishman. Merchants and shopkeepers found that their homes were liable to be ransacked by officials and their goods confiscated without proof of wrong doing. Legal appeals took a minimum of two years and were very costly.¹⁴

A contrivance known as a *moratória interna* (a legal device authorising deferment when compounding with creditors) was then introduced. It was a permit of protection from the sovereign, granted in the form of a decree to wholesale or retail merchants who had failed in business or who had had to stop payment of their debts, in order to give them time to settle their affairs. Sometimes creditors applied for them on somebody's behalf, but mostly it was done to defraud creditors or, at least, to stave off payment.¹⁵ When a deceased debtor had been owed money by the crown, payment to his creditors from his estate was always delayed for lengthy periods. In the case of John Bristow, who was owed a sum of £149,000 in 1755, payment was not finally made until 1792, twenty four years after Bristow's death.¹⁶

¹⁴ B.N. Coleção Pombalina 637. ff.6-19, no date; George Chalmers, *Treaties*, II, pp. 275-6; *The Private Correspondence of Sir Benjamin Keene K.B.*, Sir Richard Lodge (ed), (Cambridge 1933), pp. 71-2; B.L. Add.Ms.32804, ff. 451-55; P.R.O. S.P.89/44, f.8v, Castres to Stone, Lisbon, 20 January 1744 N.S.; S.P.89/54, f.80, Frankland to Pitt, Lisbon, 16 May 1761.

¹⁵ S.P.89/48, ff.276-7, Castres to Sir Thomas Robinson, Lisbon, 3 June 1754.

¹⁶ S.P.89/60, f.226. Hay to Halifax, Lisbon, 4 July 1765; P.R.O. P.O.63/15, Walpole to Grenville, Lisbon, 25 April 1792.

In 1750 the British mercantile community in Portugal comprised merchants, who traded on their own account (or that of their 'houses') on a world-wide basis; factors who traded on commission, (mostly dealing in English goods) and shopkeepers. A large number of merchants and factors were involved in the corn trade, dealing in corn from Mediterranean countries, northern Europe and Portuguese Atlantic islands as well as from England. Pombal meant to take that monopoly out of their hands and to control the trade as much as possible. Accordingly, in a *parecer* of 1750, Pombal argued that because the labourers in England enjoyed exemption from taxes, the price of corn imported from there was cheaper than that of Portuguese corn. To compensate for this disparity, he recommended that it should be arranged that the price of imported corn should always be higher than that of Portuguese corn.¹⁷ Under Article 10 of the 1654 treaty and an *alvará* of 1400, the English could sell their goods wholesale or retail without being restrained in any way, except that retailers had to display a green cloth outside their shops. In his *parecer* Pombal suggested that it would be as well if the City Senate were authorised to fix prices and have the right to make special regulations. They should also have a judge (conservator), as it was essential that the terms of the 1654 treaty be derogated. Ministers in the *Desembargo do Paço* (Court of Appeal) should be made aware of the general idea. Prudence and reasons of state had to be used in dealing with British complaints in order to preserve the good relations between the two courts. It would not be difficult, he maintained, to reply to complaints received from envoys.

The corn trade from England to Portugal was considerable and very important to many of the English merchants in Portugal. An opportunity came in 1753 for Pombal's plans to be tested. There was a drought in Spain and the Spanish ambassador made an application for a licence to buy 60,000 measures of wheat in Lisbon for export to Spain. The Portuguese became alarmed, fearing there

¹⁷ B.N. Colecção Pombalina 639, 1750, ff.38-43.

would be insufficient corn for Portugal. An order was accordingly given to officers of the Senate to forbid the sale and export of corn in large quantities by land or sea and a survey was to be made of all wheat, foreign and domestic, lodged in public or private warehouses. This would take some time to do. The English merchants immediately protested, because the order prejudiced them, as they had consignments of English wheat in Lisbon harbour waiting to be unloaded. Wheat from northern Europe was softer than Mediterranean wheat and, if kept in ships' holds or in warehouses for too long, it deteriorated. Apart from the problem of rotting cargoes, there would be demurrage payable to masters of ships because of their charter parties. Further, under the treaty, the merchants were supposed to be allowed to trade freely. Abraham Castres, the envoy, therefore protested officially. After some delay the ships were allowed to unload, but Pombal ordered that no corn should be sold without leave from the judge of the market place, who insisted that all wheat be taken to the *terreiro* (market place) for sale by the market women, where the rules were that the quoted prices of goods being sold there could be lowered but not raised. The ensuing delays and wrangling all added to costs and resulted in most of the merchants eventually importing flour instead of grain. Very important interests were involved in the corn trade in England, as well as among the English merchants in Portugal, so the affair was not allowed to die and the upshot was that the consul, who had been loath to take action, was sacked by the English Secretary of State because he had not looked after the interests of the merchants.¹⁸ Pombal had achieved two things. He had disrupted the English factory in Lisbon and he had discouraged Englishmen from continuing with one of their principal trades.

¹⁷ B.N. Colecção Pombalina 639, 1750, ff.38-43.

¹⁸ George Chalmers, *Treaties*, II, pp. 272-3. This dispute was a long one. Correspondence regarding the matter is to be found in S.P.48 and 49. For a detailed account, see: L.M.E. Shaw, 'The British Factory and the Corn Trade in Eighteenth Century Portugal', *British Historical Society of Portugal Annual Report and Review*, xxi, 1994, pp. 37-54.

Pombal became the supreme power in Portugal after the 1755 earthquake and he was then able to carry out his plans more freely. He increased customs duties and set up local industries; he reformed Coimbra University and the entire education system; he expelled the Jesuits from Portugal and Brazil and he reformed the Portuguese Inquisition, not altering the tenets of faith, but only the way in which that institution was organised, which had long militated against Portuguese merchants being able to compete against foreigners. As far as commerce was concerned, the old fraternity of the Portuguese merchants, the *mesa do bem comum* was abolished and the *Junta do Comercio* or Board of Trade was set up in its place. That body, in turn, set up a school of commerce.¹⁹ This latter was essential because owing to the socio-economic situation in Portugal, when Pombal wanted to take his next step against foreign merchants, he found that there was only a limited number of people who could replace the foreigners he wished to displace. Only three Portuguese commercial houses in Lisbon had experience in exchange business, the modern system of book-keeping and the general commercial expertise to engage in business with foreign markets. Even they were in partnership with foreigners.²⁰

One of Pombal's principal actions in his plans to recover control of Portugal's trade was the formation of monopoly companies. It was hoped that these would not only greatly reduce the number of foreign merchants in the country, but would do so at no cost to Portugal. On hearing of his plans Duke Silva-Tarouca wrote to Pombal telling him that he had become the Colbert of Portugal.²¹ Of particular importance to the trade of the British were the Grão Pará and Maranhão Company (1756), the Pernambuco

¹⁹ K. Maxwell, *op. cit.* p. 76.

²⁰ K. Maxwell, *Conflicts and Conspiracies. Brazil and Portugal. 1750-1808.* (Cambridge 1973), p. 25 quotes source as Jacome Ratton, *Reações... sobre ocorrências do seu tempo em Portugal... 1747-1810*, J.M. Teixeira de Carvalho (ed.), (Coimbra 1920).

²¹ B.N. Coleção Pombalina 262. f. 107, Pombal to Mendonça Furtado. An extract of this letter is quoted by Maxwell, Pombal, p. 60.

Company (1760) and the General Company of Agriculture of the Vineyards of the Upper Douro (1756), (hereafter referred to as the Wine Company). The shares in those monopoly companies could be purchased by foreigners, but only Portuguese nationals could be on their boards of directors. The Grão Pará and Maranhão Company was the first to be established with a capital stock of 1,200,000 *cruzados*. It was headed by Pombal's brother Francisco Xavier de Mendonça. By 1760 no dividends had been paid although cacao had sold well. At first the company employed 15-16 ships, but four years later there were only three or four vessels. The Pernambuco Company had a proposed capital of 3,400,000 *cruzados*, the greatest part of that sum being the cost of the shipping. Apparently merchants were slow to subscribe to this company, even when they were pushed to do so by the government. The 1759 fleet (the last one before the company was formed) contained forty-five ships, laden with sugars, hides, Brazil wood and gold. If the new company was successful, the British merchants forecast that there would be a very marked lessening in the amount of British goods exported. The British merchants in Portugal believed, correctly, that the intention to form the companies was purely to deprive foreigners of the considerable sums due to them from the long-term credit which they had extended to Portuguese merchants and factors (two to three years, credit being normal owing to the great distances involved). Because the companies were monopolies and the only source of supply to the miners in Minas Geraes and other parts of Brazil, the whole chain of credit established by British merchants had been broken. The British knew that the men in the mines would use the money they owed for goods already bought on credit from British merchants, via the Portuguese factors (*commisários volantes*), in order to obtain credit from the new companies and so they would not pay off old debts. In addition, by law, anyone mining gold with more than fourteen slaves could not be sued. It was estimated that the produce of three annual fleets from each of the three places from which they were dispatched (Rio, Bahia and Pernambuco)

would not repay the sum outstanding and due to foreign merchants in Lisbon for goods already supplied. There were very few Portuguese merchants with sufficient capital available in Portugal to meet their debts. Most of them owed more than their available capital to foreigners, so the subscriptions they were obliged to make to purchase shares in the companies had to be made with the money due to foreigners. That was why, over the period when a company was being launched, a decree was published at the same time, forbidding any money to be lent to anyone but the company; all sums of money on public deposit were taken over and no business could be transacted until the company had taken over control. Foreigners considered it unjust that they should be expected to buy shares in those companies without those debts to them first being paid and, until they were paid, the companies were, in effect, being formed with foreign capital. There is no record of them having been paid, so it can be said that Pombal formed his companies without cost to Portugal.

The new companies also threatened to establish factors of their own in every city and town in England who could supply them at first hand. If that happened, it would divert trade away from British subjects who would be deprived of the advantages of the commission businesses and other profits arising from the sale and purchase of commodities (12-15%). It would also be detrimental to British navigation because the Portuguese would use their own ships; the factors (commission agents) would leave Portugal and, because there were fewer buyers, manufacturers in England would obtain a lower price for their goods.²²

As the sole buyer, a company paid what it liked for available merchandise for shipment to Brazil and would buy the minimum amount of goods concomitant with making the highest profit possible in Brazil when shipping to Portugal. That is to say, the companies were monopsonies as well as being monopolies. Factors had no security of payment for the goods sold to the

²² Goldsmiths' Library, *Memorials of the British Consul and Factory at Lisbon*, p. 44-7.

company. On the one hand the company's rules enabled the directors to apply the capital of the company as they thought fit, even if that capital was in the form of goods sold to the company on credit. On the other hand the companies had the right, granted by charter, of arbitrarily exacting the payment of all sums due to them, as if those sums had been contracted to the king. The collection of debts in Portugal was done summarily by seizure of goods and effects. Debts due to the companies were, therefore, always paid first, whereas those due to private traders under the system of credit normally given in trade could run for years. The directors were only responsible for their stock and not for the company's debts. That was the reason that the Maranhão Company paid no dividends during the first four years it was established. In order to purchase goods at the companies' public auctions, which were held on the return of ships from Brazil, it was necessary to wait two or three months until the companies had sold all the goods they could to other selected purchasers. Foreign merchants could then purchase what remained.²³ The British factory (the British merchants' group organisation in Lisbon) forecast that the existence of companies would lead to a reduction of the favourable balance of trade with Portugal. The organisation of the companies contravened Articles 2,3,10 and 11 of the 1654 treaty. Due to the setting up of the two Brazil companies, nearly all the English factors had left Lisbon by 1770²⁴. Pombal's companies thus fulfilled two purposes. They halved the number of foreign merchants in Portugal and they re-established Portuguese merchants without using their own capital to do so.

The Wine Company's general structure was similar to those of the Brazil companies, but its detailed regulations owed much to Padre Mansilha, its president and a friend of Pombal's, who was later to head the *Junta do Comércio* (Board of Trade) which Pombal established. In a letter to Pombal, Mansilha agreed that the object in

²³ *Ibid.* pp. 47-8, and 82.

²⁴ S.P.89/77, f. 211, Hort to Rochford, Lisbon, 8 September 1774; P.R.O., B.T.6/63, f.169, Report on Trade with Portugal, No date but c.1785.

forming the company was to hurt the English merchants in such a way that they could not scream.²⁵ The damage done to the British merchants in Oporto was indeed very serious because they had far more capital investment in their businesses than did the factors in Lisbon. Edward Hay, who was consul general in 1756 when the Wine Company was formed, complained that the company's rules were not in accordance with Articles 2,3,4,7,13 and 23 of the 1654 treaty and that the institution of the Wine Company reduced the British firms to the position of middlemen, as they could only buy the wine allowed by the company. Even permits to ship had to be obtained from the company.²⁶ After Pombal left office in 1777 on the death of King José I, Padre Mansilha was dismissed from his offices by Queen Maria I and the British merchants in Oporto were eventually able to persuade her that their interests in the wine export industry were also in the interests of Portugal's balance of payments. Thereafter, the Wine Company was better managed to enable the British merchants and the Company to work together, be it all not entirely free from difficulties²⁷.

The Earl of Kinnoull was in Portugal as a Special Envoy in 1760 and in reporting his discussions with Pombal, he agreed that the Anglo-Portuguese treaties should not give Britain the right to prescribe to the king of Portugal what regulations should or should not be made as to how his own subjects should carry on their trade, especially if Britain was not prepared to enforce the matter. However, he felt that the companies would be so detrimental to the trade of Portugal itself that experience would soon show them that their policy was bad. Many of the British houses already settled in

²⁵ S.P.89/51, ff.79-80, Hay to Pitt, Lisbon, 24-26 February 1657 and Susan Schneider, *O Marquês de Pombal e o Vinho do Porto: Dependência e Subdesenvolvimento em Portugal no Século XVIII*, Lisbon, 1980, p. 169.

²⁶ S.P. 89/50, f.316, Hay to Henry Fox, Lisbon, 28 September 1756 and f.320, Castres to Henry Fox, Lisbon, 11 October 1756.

²⁷ S.P.89/84, f.97, Walpole to Weymouth, Lisbon 2 March 1777; F.O.63/11, Walpole to Carmarthen, Lisbon, 12 January 1788, 9 February 1788, 8 March 1788 and 29 March 1788. See also Norman R. Bennett, 'The Golden Age of the Port Wine System, 1781-1807', *The International History Review*, xii, No.2. (1990), for an overall view of relations between the British merchants and the Wine Company.

Portugal would be forced to leave.²⁸ Kinnoull's younger brother, Edward Hay, who was the envoy in Portugal in 1766, wrote to the English Secretary of state emphasising that it was important that Britain should settle commercial points before aiding Portugal politically, as she had done, for instance, in 1762, in the war against Spain. He also emphasised that Pombal's aim was to make the Portuguese preeminent in trade to the detriment of the British.²⁹ Hay was correct in his assessment and so was Kinnoull in so far as the companies were concerned. Although the Wine Company continued to operate in different forms until well into the nineteenth century, the Grão Pará and Maranhão Company was dissolved in 1778 and the Pernambuco Company in 1780.³⁰ Nonetheless, although Pombal was forced out of office in 1777 on the death of King José I, his Brazil companies and the Wine Company had, together with his other reforms, achieved his purpose of regaining control of the Brazil trade for Portugal as well as of Portugal's most valuable export, wine.

Pombal had realised that in order to bring about permanent commercial changes, he also had to make social changes. It was no good lessening the trade of foreign merchants in Portugal (who, after all, were supplying Portugal and its Dominions with necessary goods) unless Portuguese merchants could be ready to take over from those foreign merchants and be sufficiently credit-worthy to do so. Pombal knew that Portugal could not produce enough for its own needs but he also knew that that was not a bar to a strong economy. The wealth and power of the Dutch at the time was proof of that fact. The Dutch had created their nation whilst fighting an even longer war against Spain in the sixteenth and seventeenth centuries than had Portugal. Whereas Dutch merchants increased in numbers and prospered, the Portuguese merchants played a decreasing role after the mid-sixteenth

²⁸ S.P.89/52, ff. 128-37, Kinnoull to Pitt, Lisbon, 6 June 1660.

²⁹ S.P.89/62, ff. 54-55, Hay to Conway, Lisbon, 1 March 1660.

³⁰ S.P.89/84, f. 253v, Wälpole to Weymouth, Lisbon, 9 August 1777; Portuguese Royal Decree of 18 January 1778. See also, Livermore, *History*, p. 242.

century when the Inquisition was established in Portugal. Pombal was a good catholic, and a familiar of the Inquisition but he agreed with Padre António Vieira (1608-1697), Dom Luís da Cunha (1662-1740) and others, that some of the methods by which the Inquisition operated needed reforming. In particular, it was considered that its dealings with the New Christians were an economic disadvantage to Portugal.³¹ Accordingly, in 1768, with the co-operation of his brother Paulo, when he was inquisitor general, he began by arrogating to the state the existing ecclesiastical censorship books, formerly in the hands of the Inquisition and set up the Royal Board of Censorship. An *alvará* of 22 May 1768 ordered the destruction and annulment of all the lists of New Christians who had contributed to the price of pardons and other benefices bought from kings in the past. Heavy penalties were prescribed for anyone keeping a copy of the 'pernicious' lists, thus destroying the only documents which could be said to prove who was or was not a New Christian. An *alvará* of 22 September 1768 nullified the laws regarding *pureza de sangue*, or pureness of blood. Certain noble families had bound themselves to remain pure of New Christian blood. Now this new law ordered the heads of those *puritanos* with unmarried sons to ensure that their sons were married within four months to women outside the pure families, on pain of loss of privileges and dignities. These two laws were finally combined in one of 25 May 1773, which did away with the necessity of having proof of pure blood for holding government posts and extinguished all differences between Old and New Christians. Only excluded were to be those condemned by the Inquisition, their children and grandchildren. Penalties were prescribed for referring to anyone as a New Christian because, in the past, this had destroyed the christian union of the civil society. By a law of 15 December 1774, the children and grandchildren of the condemned were

³¹ L.M.E. Shaw, 'The Inquisition and the Portuguese Economy', *The Journal of European Economic History*, xviii, No.2, (1989) explains how the activities of the Inquisition sapped the Portuguese economy.

rehabilitated into the community, as were even those who had been sentenced by the Inquisition, if they were penitents and had not been sentenced to be burned.³² These laws were made possible because on 30 May 1769 the Inquisition had been formally declared to be a royal tribunal under the protection of the king and not the pope.

Pombal's reforms removed the difficulties under which New Christians had previously lived, so that they were no longer at a disadvantage compared with foreign merchants and could keep their capital in Portugal. Cardinal da Cunha, a protégé of Pombal's, was responsible for drawing up the last *regimento* or standing orders of the Inquisition (1774), which incorporated those new laws³³.

Following on those reforms, in the seventh decade of the eighteenth century, manufacturers and exporters in England and other countries began to export goods to Portugal through Portuguese factors, because they knew that even if the Portuguese New Christian merchants were taken by the Inquisition (when all their possessions would be confiscated) it would be possible to obtain repayment for goods supplied. Previously, the Inquisition had 'forgiven' prisoners their debts and taken no note of them, so that prisoners' creditors had never been able to obtain redress. Indeed, the Anglo-Portuguese treaties of 1642 and 1654 contained provision to cover that problem in articles 6 and 5 respectively. Needless to say, before 1774, those articles had never been observed.³⁴ This is an example of Pombal's thorough understanding of commerce. Because English goods were still being exported to Portugal, the export trade figures remained

³² António Saraiva, *A Inquisição e Cristãos Novos*, (Oporto 1969), pp. 309-312; J. Lúcio de Azevedo, *História dos Cristãos Novos Portugueses*, (Lisbon 1921), pp. 350-52. N.B. All the laws concerning New Christians are to be found in the *Collecção das Leys Decretos e Alvarás* que compreende o Feliz Reinado de El-Rei D. José I.

³³ Saraiva, *op. cit.*, p. 313.

³⁴ L.M.E. Shaw, *Trade, Inquisition and the English Nation in Portugal, 1650-1690*, (Manchester 1989), pp. 119-121; S.P. 89/76, f.1, Walpole to Rochford, Lisbon, 1 January 1774.

good, so the British government had no cause for complaint. The only sufferers were English factors who found their living being taken up by Portuguese factors, which was exactly what Pombal had wished to accomplish. By 1789, largely due to the development of cotton growing in Brazil, England was having to return Portuguese gold to Portugal, because the balance of payments was in Portugal's favour.³⁵ Pombal had accomplished what he set out to do.

It may well be asked why Pombal's reforms were not protested more loudly from London. The answer was surely that from 1739 Britain was involved almost continuously in wars with France and Spain and the American colonies. Portuguese ports were essential for the Royal navy, which needed warm water ports on the Atlantic littoral where it could water, victual, careen and carry out repairs to vessels so as to enable it to protect British shipping and trade on both sides of the Atlantic and in the Mediterranean. There were many occasions when London advised envoys in Portugal to quieten merchant complaints for the time being for diplomatic reasons.³⁶ Pombal had understood the priorities of the Anglo-Portuguese alliance. Portugal relied on Britain for protection by the British navy as well as for military help in her own wars with Spain and France, as was the case in 1762, for instance. In return Britain could use Portuguese ports. The merchants were judged to be of secondary importance. What Pombal had not foreseen was that as a result of the Napoleonic wars the Portuguese royal family and government would be forced to move to Brazil in 1807, escorted by the Royal Navy. The Brazil trade had for long been the magnet drawing traders to Portugal. After 1807 they traded with Brazil direct. With Brazil's declaration of independence from Portugal in 1822, Portugal ceased to be of such great importance to the big trading nations. Pombal's successful efforts were, therefore, relatively short-lived.

³⁵ E.B. Schumpeter, *English Overseas Trade Statistics, 1697-1808, Tables of statistics*. (Oxford 1960); F.O.63/15, Hort to Grenville, Lisbon, 23 August 1792.

³⁶ See, for example, S.P.89/47, f.105, Russell to Bedford, Lisbon, 2 May 1750 and S.P.89/56, f.5v, Egremont to Hay, London, 18 May 1762.



