

# Habsburg Fiscal Policies in Portugal 1580-1640

Peter Thomas Rooney  
University of Keele

In 1580 the throne of Portugal fell vacant following the death of Cardinal Henry, the last legitimate male of the House of Aviz. Within a year, Philip II of Spain had enforced his claim to the kingdom, creating a union which was to last until the Portuguese revolution of 1640. During those sixty years Portugal found itself embroiled in the Spanish monarchy's wars against its Dutch, French and English enemies. For the Portuguese this meant not only systematic attacks on their colonies and trade routes but assaults on Portugal itself. It also meant that the financial resources had to be found to meet increased defence spending. The purpose of this article is to determine how this was achieved and to examine the effects upon political relations between the Spanish Crown and its Portuguese subjects.

Following contemporary usage, the revenues of Habsburg Portugal may be treated as falling into six general categories.

1. Those derived from internal trade and local taxes. The largest single source here was the *Almoxarifados*, which included mediaeval taxes on land use and urban transit tolls. In addition, there were taxes on consumption, on the issue of legal documents and a levy of one-third on local council revenues. The Crown also enjoyed the income from the king's role as head of the military orders.

2. Revenues derived from the interrelated industries of fishing and salt. Setubal was far and away the most important area for these taxes by reason of its large-scale salt production, while a substantial sum was also provided by the levy on the Algarve tuna fisheries.

3. Maritime trade contributed primarily through the customs duties (*Alfândegas*), although the sixteenth century saw the appearance of

revenues based on the Crown's monopoly of exports of Brazilwood and from 1593 there was an impost to provide for naval defence (*Consulado*).

4. The Atlantic empire encompassed not only the local revenues of Brazil and the various islands but those derived from Portuguese-dominated trade on the western coasts of Africa. These were economies which increasingly revolved around sugar and slaves.

5. The exchequer in Lisbon benefited directly from Portuguese control of trade to the Far East via the Cape of Good Hope. The Crown possessed the monopoly of the pepper trade and it levied duties on the other goods imported by the India fleets.

6. Portuguese colonies and trading posts east of the Cape (*Estado da Índia*) generated their own revenues from a variety of local taxes and customs duties.

In 1588, one of the first years of the Habsburg era for which figures survive, the yields of these categories of revenue were as follows:

Table 1  
Portuguese revenues 1588

Internal Trade	323,040,828 reis	
Fish and Salt	23,691,360	
Maritime Trade	138,750,000	
Atlantic Empire	143,920,000	
Cape Trade Route	244,930,000/251,702,358	
India	288,942,300	
Total	1,163,274,488/1,170,046,846	1

This amounted to 2,908,183 *cruzados*, or approximately £ 581,636 i.e. about three times the revenue enjoyed by Elizabeth I of England. 1588, however, was also the year of the *Invincible Armada* which marked another stage in the ever-widening war in the Atlantic. Within two years Spanish forces were involved in the civil war in France, facing the Monarchy with conflict on an unprecedented scale and with financial commitments to match.

<sup>1</sup> Biblioteca Nacional Lisboa (hereafter BNL) Cod. 637, fo.17b. Reis was money of account (sing. real). 400 reis made 1 cruzado, English value 4 shillings, Spanish equivalent, 1 escudo.

Portugal itself came under attack in 1589, when English forces attempted to take Lisbon as a preliminary to re-installing the Prior of Crato as king.<sup>2</sup> The English failure that year did not mean the end of the threat and in 1596 Essex's expedition sacked Faro. Philip II's response was a programme to strengthen coastal defences via the raising of local militias, the building of new fortifications and the creation of a naval squadron to combat commerce raiders. Nor were the depredations of the northern protestants restricted to the Atlantic. In 1591 the English sent their first trading expedition via the Cape and followed this with the setting up of the East India Company in 1599. The Dutch lagged behind them a little, sending their first fleet in 1594 and creating a monopolistic company (VOC) in 1602, but it was they who proved a greater threat. They signalled their intentions as early as 1605 by seizing the spice islands of Tidore and Amboina, the first of many such confrontations with the Portuguese in the half-century which followed.

Inevitably, state revenues rose to meet the financial demands imposed by this onslaught, as is indicated by the table below;

Table 2<sup>3</sup>  
Portuguese state revenues 1588-1607 (in réis)

	1588	1606	1607
Internal Trade	323,040,828	392,334,048	364,994,609
Fish/Salt	23,691,360	68,300,000	54,543,600
Maritime Trade	138,750,000	280,000,000	265,500,000
Atlantic	143,920,000	166,900,000	164,119,928
Cape Route	244,930,000/ 251,702,358		234,360,000
India	288,942,300		355,560,000
Totals	1,163,274,488/ 1,170,046,846		1,439,078,137

<sup>2</sup> D. António, Prior of Crato and illegitimate son of João III, had been proclaimed king by the Cortes in 1580 but was forced into exile by the Spanish invasion of that year.

<sup>3</sup> BNL Cod. 637, fo.17b. British Library (hereafter BL) Add. 28, 428, no. 55. BNL Cod. 581, fo.43.

V. Magalhães Godinho, *Finaças Públicas e Estrutura do Estado*, in J. Serrão, ed., *Dicionário de História de Portugal II*, (Lisbon 1965), pp.244-64.

It will be noted that the only category in which revenues fell was that of the Cape trade route. This reflected both the economic competition faced from the Dutch and English and the losses resulting from military action. As the following table shows, the years 1591-4 were particularly disastrous:

Table 3<sup>4</sup>  
Annual profits from the Cape route (in réis)

1587	131,899,614.25
1588	251,702,358
1589	255,466,161
1590	223,396,270
1591	no fleet
1592	95,773,637
1593	44,946,512.5
1594	73,620,497.5
1595	206,494,308
1596	23,289,048.5
1597	266,670,777
1598	271,904,001

About three-quarters of these sums derived from the sale of the pepper cargo, the remainder being composed of various customs dues and taxes. It was all the more ominous, therefore, that the period saw a 40% fall in the volume of pepper arriving in Lisbon.

Table 4<sup>5</sup>  
Pepper cargoes arriving in Lisbon

	Total Unloaded	Annual Average
1587-92	90,087 quintals	15,014.5
1593-97	46,563 quintals	9,310.6

Worse still, foreign competition after 1600 destroyed the near preponderance the Portuguese had established in the previous

<sup>4</sup> BNL Cod. 581 fos.125 and 162-8.

<sup>5</sup> *Ibid.* fo.148. A quintal was a measure of weight of about 130 lbs avoirdupois.

century. There was a surge in European imports of pepper and other spices and a corresponding fall in prices.<sup>6</sup>

By 1607, not only had total revenue from the Cape route fallen but it would have done so much more if the Crown had not increased the yield from dues and taxes. Whereas in the 1590s the latter had accounted for only some 25% of revenue, by 1607 it had risen to 49%. This was the beginning of a very rapid decline in the significance of Portuguese Cape trade. By the 1630s it would be all but wiped out.

The corollary of the disruption of the *Carreira da Índia* was increased military and economic pressure on the Portuguese empire in the east (*Estado da Índia*). As early as 1589 doubts were cast upon its ability to fund itself<sup>7</sup> and from 1600 the problem became more acute as revenues levelled off and then went into decline. Thus, between 1605 and 1611 the major centres of Ormuz, Diu and Goa suffered a 10% fall in nominal receipts, although the fall in real terms was greater because of inflation.<sup>8</sup> It is true that the income of the *Estado da Índia* rose by some 66 million réis between 1588 and 1607 but it was hopelessly inadequate to deal with the extraordinary demands of war. The short-term solution was to borrow and by 1600 the viceregal government in Goa owed the staggering sum of 600,000 *cruzados*.<sup>9</sup> But it was soon clear that even large-scale borrowing was insufficient and it became royal policy to send subsidies from Lisbon. This tactic was certainly in operation by 1600, when 60,000 *cruzados* were sent<sup>10</sup> and this was to be the pattern for the remainder of the Habsburg period and beyond.

Fortunately for the Portuguese Crown, at the very time its eastern empire became more of a financial liability than an asset, new sources of revenue were opened up, and old ones expanded, by the rapid

<sup>6</sup> C.H.H. Wake, The Changing Pattern of Europe's Pepper and Spice Imports ca. 1400-1700, in *Journal of European Economic History*, vol. VIII no.2 (1979) pp.361-403.

<sup>7</sup> A.R. Disney, *Twilight of the pepper empire*, (Harvard 1978), p.50.

<sup>8</sup> V. Magalhães Godinho, *Les finances de l'état Portugais des Indes Orientales*, Université de Sorbone thesis 1968.

<sup>9</sup> Disney, 1978, p.59.

<sup>10</sup> BL Add.28,428 fo.231.

development of the Atlantic economy in the last two decades of the sixteenth century. The key elements in this growth were sugar and slaves. Although the Portuguese had begun to cultivate sugar in their Atlantic islands in the fifteenth century, it was the exploitation of Brazil which enabled really large-scale production. The first sugar mill had been constructed in Brazil in 1533 and by 1570 there were 60 of them. By 1585, however, this total had risen to 130 and by 1610 to 230.<sup>11</sup> The production and export of sugar soared in a similar manner, rising from about 180,000 *arrobas* per annum in the 1560s to approximately 1,000,000 *arrobas* per annum in the first decade of the seventeenth century.<sup>12</sup> The labour force to sustain this level of activity could only be met by the mass importation of African slaves. Exact figures cannot be elicited from the records but the best estimate is that some 50,000 slaves were imported between 1570 and 1600.<sup>13</sup>

The boom in the Atlantic trades benefited not only those who participated but also the royal treasury, as may be observed from the table below:

Table 5<sup>14</sup>  
Revenues from maritime trade (in réis)

	1588	1606	1607
Alfândegas	125,150,000	204,000,000	186,500,000
Brazilwood	13,600,000	21,000,000	24,000,000
Atlantic Empire			
Azores	30,000,000	40,000,000	40,000,000
Cape Verde	16,700,000	27,000,000	22,000,000
Angolan slaves	11,000,000	24,000,000	21,000,000
Dízimos Brazil	13,200,000	42,000,000	42,000,000

Increasing revenues could be used to meet immediate expenses and also to fund the raising of large loans via the issue of

<sup>11</sup> Frédéric Mauro, *Le Portugal et l'Atlantique 1570-1670*, (Paris 1960), pp. 194-5.

<sup>12</sup> *Ibid.* pp. 236-9. An arroba was a measure of weight of 32 lbs avoirdupois.

<sup>13</sup> *Ibid.* p. 180.

<sup>14</sup> BNL Cod. 637 fo.17b; BL Add. 28,428 No.55; BNL Cod. 581 fo.43. A Dízimo was a tithe of 10%

interest-bearing bonds (*juros*). Unfortunately, there is no direct evidence of the scale of the loans contracted, but some indication of the process may be detected in the figures below:

Table 6<sup>15</sup>  
Annual payments on *juros* (in *reís*)  
excluding *casa da Índia* and *estado da Índia*

1588	88,937,696
1606	351,720,286
1607	206,200,498

The figure for 1606 is to be preferred to that for 1607 and not only because the former is derived from an official report prepared for the Crown. A careful analysis of the respective figures indicates very strongly that the figure for 1607 excludes *juros* held for one lifetime only (*de por vida*). This may also apply to the total for 1588 but, even if it were to be revised upwards (to about 130 million *reís*), it is obvious that a massive issue of *juros* took place between 1588 and 1606/7. It would suggest that the Crown's debt rose from something approaching 1.5-2.0 billion *reís* to approximately 5.5 billions.

Borrowing was facilitated by the disproportionate size and wealth of Lisbon, which was far and away the largest city in the Iberian peninsula. By the end of the sixteenth century it consisted of over 200,000 people i.e. one-fifth of the population of metropolitan Portugal. Its proportion of the wealth of the kingdom must have been much greater. It was possible, therefore, for the Crown to gain access to large sources of credit, either by direct agreement with individual merchants, or via arrangements with the Lisbon municipal council (*câmara*).

There was an additional source of income to be derived from the commercial classes; the extorting of money from those known or believed to be «New Christians» (*cristãos novos*). The latter were descended from Iberian Jews forcibly converted to Christianity at the

<sup>15</sup> *Ibid.*

end of the fifteenth century. Persecuted by the Inquisition, and regarded with deep suspicion by the general population, they continued to play a key role in Portuguese society as merchants, bankers and tax-farmers. Although the degree to which they dominated such roles has probably been exaggerated in the past, it cannot be denied that they were a significant element in Portuguese commercial life.<sup>16</sup>

Furthermore, the Habsburg period saw a steady increase in the level of persecution by the Inquisition, which made the New Christians all the more anxious to provide financial inducements that would persuade the Crown (and the Papacy) to relax or suspend the process. Philip II turned a deaf ear to such requests, but Philip III and Lerma, faced with the financial legacy of his wars, proved more amenable. In return for a «voluntary» contribution of 200,000 cruzados, the Crown lifted the prohibition on emigration and on the sale of assets which would accompany it (1601). Further negotiations led to the Crown procuring a papal pardon for those guilty of judaizing in return for a New Christian offer of 1.7 million cruzados. Unfortunately, it is not clear how much, if any, of this sum was collected, since the individual New Christians showed a great reluctance to furnish the money.<sup>17</sup> It also provoked great hostility, including public disorder, among Old Christians. Therefore, the project was far from successful but it did set a precedent which was to be pursued more vigorously in the reign of Philip IV.

The final method open to the Crown for meeting its rising expenditure was that of introducing new taxes. Surprisingly, this appears to have been a measure of last resort. Part of the explanation must lie in the availability of other sources, as described above, but there were also political considerations. At the Cortes of Tomar (1582), which had accepted him as king, Philip II had sworn to uphold the

<sup>16</sup> D. Grant Smith, *The mercantile class of Portugal and Brazil in the XVIIth century*, unpublished Ph.D thesis University of Texas 1975, pp.13-20 for a study of the respective roles of Old and New Christians in commercial life.

<sup>17</sup> J. Lúcio de Azevedo, *História dos Cristãos Novos Portugueses* (Lisbon 1921), pp.147-170.

traditions and privileges of the kingdom of Portugal. Among those traditions was the idea that extraordinary revenues required the calling of a Cortes and, although this practice had been eroded in the sixteenth century, the notion was far from dead.<sup>18</sup> Apart from the physical inconvenience that would be occasioned by a royal visit, it would provide a public forum for discontent in a province of the monarchy where loyalty could not be taken for granted.

Thus, Philip II restricted himself to the re-imposition of the cross-border tolls on trade with Castile (*Portos Secos*), which he had agreed to abolish in 1582, and the creation of a 3% duty on seaborne trade (*Consulado*) intended to provide for naval defence. Both taxes were imposed in 1593 and Philip was able to avoid the calling of a Cortes by use of the power of royal decree (*carta régia*), a device which had eroded parliamentary influence throughout the sixteenth century. Furthermore, Portugal lacked a constitutional body, like the Catalan *Diputació*, which could act as a brake upon the exercise of royal power. The two taxes yielded considerable sums; the *Portos Secos* bringing in 24.5 million réis per annum in the 1590s, rising to 39 millions after 1601, while the *Consulado* was yielding 55 million by 1606.<sup>19</sup> The success of the latter was due, in no small part, to the expansion in the Atlantic trades which was described earlier. Philip III had recourse to an Atlantic trade when he imposed the other new tax of the period. In 1601 it was decided to levy an export duty of 220 réis per *moio* on exports of salt, a product in which the Portuguese dominated European markets,<sup>20</sup> Despite complaints of damage to the salt trade, the new measures proved more successful than anticipated; the initial estimate was for a yield of 31.4 million réis but it was actually contracted out for 40 millions.<sup>21</sup>

<sup>18</sup> In 1601 the Lisbon Câmara protested at the lack of consent from a Cortes for a package of new financial expedients which was under discussion. J. Lúcio de Azevedo, 1921, p.157.

<sup>19</sup> BL Add.28,428 No.53 for figures for the *Portos Secos*. No.55 for the *Consulado*.

<sup>20</sup> Virginia Rau, *Estudios sobre a História do Sal Português*, (Lisbon 1984), pp.172-9. A *moio* was a measure equivalent to about 1200 litres of wheat.

<sup>21</sup> BL Add. 28,428 Nos. 53 and 55.

Despite the wide variety of means which the Crown utilized in the 1590s and early 1600s, expenditure continued to outrun income. Finally, in 1605 it was decided to resort to an enforced resheduling of debts, although a true easing of the burden did not come until the Spanish Monarchy's conclusion of the Twelve Years Truce with the Dutch in 1609. The decade which followed the Truce was marked throughout the Monarchy by a sort of financial plateau before expenditure and income resumed their ascents during the war-wracked reign of Philip IV. The same pattern held for Portugal, as may be observed from the following table:

Table 7  
Portuguese Revenues 1607-21 (in *réis*)<sup>22</sup>

	1607	1619	1621
Internal Trade	364,994,609	398,167,791	395,000,000
Fish/Salt	54,543,600	60,400,000	68,000,000
Maritime Trade	265,500,000	274,000,000	276,000,000
Atlantic Empire	164,119,928	173,821,000	170,200,000
Cape Route	234,360,000	350,000,000	315,600,000
India	355,560,000	412,500,000	520,000,000

It will be noted that the figures for India and the Cape Route appear to defy the overall picture of stability of receipts. Closer examination of the evidence suggests that these figures are not to be trusted. In the case of the Cape Route, the assumption was that 20,000 quintals of pepper reached Lisbon each year. As was shown earlier, however, pepper imports fell severely in the 1590s and the evidence from the reign of Philip III admits of no recovery; thus, the annual average for the period 1611-21 was 9,156 quintals, slightly lower than that for 1593-97, which was 9,310 quintals.<sup>23</sup> As far as the *Estado da India* is concerned, figures from some of the major

<sup>22</sup> BNL Cod. 581 fo.43; BL Eg. 1135 No. 58; Fr. Nicolau de Oliveira, *Grandezas de Lisboa*, (Lisbon 1620), pp.329-40.

<sup>23</sup> BNL Cod. 581 fo.148; M.M. Sobral Blanco, *Contribuição para o estudo do comércio português no Índice de 1611 até 1626* in *Portugaliae Historica* vol. II (1974) pp.111-66.

centres do not substantiate the apparent rise in income. At Goa receipts reached a peak in the years 1592-4 but by 1617 they had suffered a 13% drop, while at Ormuz the decline in customs revenues was much more precipitate. After attaining their highest levels in the years between 1605 and 1610, they had fallen by some 50% by 1618. A similar problem may be observed at Damão and Diu, where the downturns had begun as early as 1611.<sup>24</sup> It must also be remembered that these are falls in nominal revenues, which take no account of the effects of monetary devaluation in the *Estado da Índia*.

The stability of state finances during the reign of Philip III reflected not only the liquidation of Philip II's wars but the slowing down of economic activity in the Portuguese Atlantic. Price data are available for metropolitan Portugal for such domestic products as wheat, barley, rye, olive oil and charcoal, and for the Mediterranean imports of rice and saffron. With the exception of the last, the prices of all these products were stagnating by 1601 and that for saffron had followed suit by 1614. The long price rise of the previous century was well and truly over and the malaise extended to the Atlantic trades. So, although salt exports to northern Europe in the decades before 1609 were disrupted by the economic embargoes imposed against the Dutch, the recovery after that date was far from complete. Prices for Setubal salt remained sluggish at Amsterdam and in Portugal, while the number of ships carrying Portuguese salt through the Sund failed to regain the levels of the 1590s. Similarly, the spectacular growth in Brazilian sugar exports, and its concomitant price rise, had come to an end by 1610. This in turn curtailed the demand for slaves and the price of the *asientos* (contracts) stagnated accordingly. Only brazilwood retained some buoyancy, not stabilising until 1625.<sup>25</sup> As far as Portuguese state finances were

<sup>24</sup> V. Magalhães Godinho, 1968, pp.72-3, 97, 107, 141.

<sup>25</sup> F. Mauro, 1960, pp.236-57 for sugar production and prices; pp.388-98 for wheat prices in the Braganza district; pp.515-26 for graphs of the prices of all major products. *Dicionário de História de Portugal* vol. IV pp. 506-13 for prices of oil, wheat, charcoal, rice and saffron. V. Rau, 1984, pp.208-9 for statistics on the salt trade with northern Europe 1557-1657.

concerned, it meant the end of the remarkable growth of the fiscal base which had occurred in the last quarter of the sixteenth century and which had facilitated much of the military spending incurred in Philip II's wars.

Such economic stagnation would have made things difficult for royal finances at the best of times but from 1621 the whole Spanish Monarchy faced a further bout of exhausting wars. Once again, Portuguese trade with northern Europe was badly disrupted, while its colonial empire bore much of the brunt of Dutch and sometimes English attacks. Spanish strategy aimed at weakening the Dutch by cutting their trade with Iberia. Thus, the Portuguese had to suffer a general trade embargo from 1623, culminating in the creation, in 1628, of a Castilian-style *Almirantazgo* to enforce that embargo and curb contraband. The dislocation this involved may be observed from the relative movement of prices for such goods as sugar and brazilwood. Whereas Lisbon and Brazil witnessed price stagnation throughout the 1620s, prices in Amsterdam soared to unprecedented heights.<sup>26</sup> Portuguese salt exports suffered accordingly, with the number of ships passing the Sund down to a mere 10 by 1632 compared to 200 per annum prior to 1621.<sup>27</sup>

Despite these economic difficulties, and the demands made upon royal finances by a war which raged across the Atlantic and Indian Oceans, there was no attempt in the 1620s to increase the weight of regular taxation. Indeed, the yield from some revenues actually fell, as the following table shows:

Table 8  
Portuguese Revenues 1619-24 (incomplete)<sup>28</sup>

(All figures in millions of <i>reís</i> )	1619	1621	1624
Almoxarifados	194.08	219	210
Portos Secos	36	38	40
1/3 Levy on Councils	21	24	

<sup>26</sup> F. Mauro, 1960, pp.515-17.

<sup>27</sup> *Ibid.* pp. 518-19.

<sup>28</sup> Fr. Nicolau de Oliveira, 1620, 329-39; Bl Eg. 1135 No.38; BNL Cod. 917 f.137.

Playing Card Monopoly	5.4	14	14.5
Setubal Fisheries	16	18	18
Algarve Fisheries	14	10	10
Salt Export Levy	30	40	40
Alfândegas (customs)	170	200	200
Brazilwood	24	24	21

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Nor was there a programme to introduce new regular taxes. The Count-Duke of Olivares, Philip IV's reformist chief-minister who was granted power in the early 1620s, was as reluctant as any previous Spanish government to confront the Portuguese over such an issue. The evidence for the likely Portuguese response was close at hand in the hostility shown towards existing taxes and infractions of Portuguese privileges in the Lisbon *Cortes* of 1619.

What the new regime did attempt to do was to collect outstanding debts to the Crown, to curtail royal largesse and tighten up on the frauds which sapped existing revenues. Nevertheless, such measures could never provide for the increased military expenditure of the 1620s. Olivares, therefore, fell back upon practices employed by previous governments to raise extraordinary funds. Lisbon's role as Portugal's preponderant economic centre was exploited once more to provide the Crown with loans and 'gifts'. Between 1621 and 1630 the Lisbon *Câmera* provided the vast sum of 430,000 *cruzados*, while the merchant community donated no less than 400,000.<sup>29</sup> The city council was able to raise the cash by selling interest-bearing bonds (*juros*) consigned against existing revenues and by increasing local taxes on consumption. As on previous occasions, a key role was played by the New Christians. From its earliest days, the Olivares, regime showed itself willing to listen to their requests for a relaxation of the rigours of the inquisition and had encouraged New Christian financiers to settle at court. By 1627 such were the financial straits of the Spanish Monarchy in general, and the Portuguese Crown in particular, that Olivares was prepared to make extensive concessions to the New Christians. These included access to knighthoods in the

<sup>29</sup> F. Mauro, 1960, pp.468-9.

military orders and trading rights in the Castilian Indies.<sup>30</sup> In return they were to assume the role of premier financiers to the whole Spanish Monarchy.

What the Olivares government did provide that was new was an anxiety to see that the privileged classes, the nobility and clergy, should contribute more equitably to the necessities of the state. This, of course, did not involve anything so crude as subjecting them to direct taxation. Instead, the nobility was encouraged to resume its traditional role of military service in time of crisis. This was not a uniquely Portuguese arrangement, it corresponds to what has been described as a refeudalisation of the Monarchy's military system and had first been utilised during the English assault upon Lisbon in 1589. Thus, in 1625, the locally based militia was revived, with the nobility expected to provide the manpower from among their tenants and followers and to pay for the weapons needed. The same year also saw leading members of noble families taking service in the expeditionary force sent to Brazil to recover Bahia from the Dutch, while others provided large funds to defray royal costs.<sup>31</sup>

Likewise, the clergy found itself faced with new royal demands. In 1622 the Inquisition was persuaded to furnish 80,000 *cruzados* from its reserves to help subsidise the *Estado da Índia*,<sup>32</sup> while 1625 saw leading prelates contributing in no small manner towards the Bahia expedition.<sup>33</sup> However, since the Portuguese church enjoyed a monopoly of the missions in the far east, it was in that war zone that the Crown expected the greatest commitment. In 1623 Olivares secured papal permission to allow the usually exempt clergy to be taxed over four years to provide 200,000 *cruzados* for India.<sup>34</sup> Such was the opposition to this unprecedented move, and to the threat of

<sup>30</sup> J. Lúcio de Azevedo, 1921, pp.186-9.

<sup>31</sup> P.T. Rooney, *The Habsburg government of Portugal in the reign of Philip IV (1621-40)*. Unpublished Ph.D thesis, University of Keele 1988, pp.144-7.

<sup>32</sup> J.J. de Andrade e Silva, *Collecção Chronológica da Legislação Portuguesa*, (Lisbon 1854-59), Vol. II 1620-27 p.84.

<sup>33</sup> J.V. Serrão, *História de Portugal* Vol. IV 1580-1640, (Lisbon 1979), p. 100. Some of the leading prelates provided 9.8 million *réis* (24,500 *cruzados*).

<sup>34</sup> Biblioteca Nacional Madrid Ms. 2845, fo.145b.

taxation, that after six years of fruitless negotiations, the Crown was obliged to give way. The papal brief would be put aside in return for a voluntary contribution from the Portuguese church of 223,000 *cruzados*.<sup>35</sup>

As a measure of last resort, before new regular taxation, the Crown could always subsidise Portuguese expenditure from Castilian sources. The successful Bahian expeditionary force of 1625 had been largely funded by Castile. By the late 1620s, however, this option was rapidly disappearing. To the war with the Dutch was added that with England (1625-30) and that with France over Mantua (1628-31). At the same time, the Monarchy's prestige and financial stability were rocked by the loss of the silver fleet at Matanzas (1628). Such was the gravity of the situation in 1628 that Olivares' government not only considered the idea of creating new regular taxes but even that of convening a Cortes to get Portuguese approval.<sup>36</sup> However, the likely difficulties of such a course led to the idea being dropped in favour of more demands for 'voluntary' assistance. Yet, only two years later, caution was thrown to the winds as Olivares attempted to impose just such a set of new fiscal measures.

The cause of this dramatic *volte-face* was the Dutch invasion of Pernambuco, which began in February 1630. It soon became clear that it would require the use of massive force to dislodge them. Unlike 1625, however, Castile was in no position to carry the burden. It was up to the Portuguese to save Brazil. Yet by invading Brazil, the Dutch made it all the more difficult for the Portuguese to displace them. As was shown earlier, the Atlantic economy had proved a mainstay of state finance. The disruption occasioned by the invasion damaged both trade and government revenues in the 1630s. Between 1630 and 1639 the volume of sugar shipped directly to Holland had risen from 3,000 *arrobas* per annum to 130,000, taking at least 10% of Brazil's total production. Prices in Bahia almost doubled between 1631 and 1637, while those in Lisbon fell by some 20%, squeezing profit

<sup>35</sup> BNL Cod. 241, fo.257b.

<sup>36</sup> *Ibid.* fo.241.

margins for Portuguese merchants.<sup>37</sup> The Brazilwood trade suffered in the same way: direct exports to Holland rose from nothing in 1630 to over half-a-million *arrobas* by 1638, while prices in Lisbon fell by 50% in the same period.<sup>38</sup> The losses to Portuguese trade translated themselves into falls in revenues: in 1636 it was necessary to reduce the slave contract for Angola from 29 million *reís* to 25 million, while that for Cape Verde was cut from 12.4 million for 1631-35 to 9.4 million in 1637.<sup>39</sup> The *Consulado* declined in a similar manner: in 1632 it had been farmed out for 75 million *reís* but by 1640 could only be contracted for 50 million, although with the proviso that it would rise to 57 million if Brazil were liberated, or 66 million if there was peace with Holland.<sup>40</sup> Under such conditions there was no other solution but the introduction of new taxes.

So radical a departure was bound to arouse Portuguese hostility, especially when Olivares and his ministers were hoping to lay much of the burden upon the privileged. The early 1630s were marked by an attempt to impose upon Portugal a group of new regular taxes; the *meia anata* was a levy upon office-holders (Castilian *meia anata*) and it was proposed to create state monopolies of the sales of salt and olive oil. Once again, a *Cortes* was considered but it was not convoked and the result was widespread resistance; indeed, so widespread that only the *meia anata* could be implemented, while the projected monopolies were abandoned (1632). Amid these failures, the Crown continued with its customary requests for forced loans but with the radical and politically explosive demand that the Old Christian merchants and members of the nobility were to contribute along with the more usually exploited New Christians. As might be expected, the Portuguese elite showed a distinct aversion to making such sacrifices.<sup>41</sup> The consequence of this was continued success for the Dutch in the Far East and Brazil and then, in 1635, the French

<sup>37</sup> F. Mauro, 1960, p.240 and p.249.

<sup>38</sup> *Ibid.* p.135 and p.140.

<sup>39</sup> *Ibid.* pp. 158-161

<sup>40</sup> J.J. de Andrade e Silva, vol. III 1634-40, p.240

<sup>41</sup> P.T. Rooney, 1988, pp. 178-235.

entered the war, making the position of the Spanish Monarchy more perilous than ever.

The last five years of Habsburg rule in Portugal were marked by a series of desperate fiscal measures, attempted with no regard for the likely political costs. The most ambitious of these was a plan to redeem alienated royal rents by buying out existing holders. Such a measure would not only provide the Crown with more revenues but also make it possible to raise more loans, for creditors insisted upon having their loans secured against regular taxes. To provide the money to buy out the existing holders, it was decided in July 1635 to increase the nationwide sales tax (*siza*) by 25% and to extend the Lisbon-based *real d'água* (a tax on sales of meat and wine) to the whole country.<sup>42</sup> There were to be no exemptions of any kind, clerical or secular, and in 1637, in pursuit of the same fiscal objective, another blow was struck against the privileged classes: all those granted the use of royal property, or who held *comendas* of the military orders were to pay a levy of 25% of their annual incomes.<sup>43</sup> The late summer of 1637 saw a series of anti-taxation riots centred upon the Alentejo, which required Spanish military intervention to suppress them.

Resentment at Madrid's fiscal policies was intensified by an even more drastic measure aimed at the beneficiaries of royal largesse. From 1636 it was decided to withhold some of the annual payments which the Crown charged against ordinary revenues: these consisted of pensions, interest payments on loans and the salaries of royal officials. At first this amounted to one-quarter of the payments but by 1639 it had risen to no less than three-quarters.<sup>44</sup> This action struck at all levels of the Portuguese propertied classes and not least at the Church, which was also under pressure over a separate matter, its possession of property bequests held without royal licence. Between 1635 and 1638 a full-scale clash developed between the agents of the Crown and the Portuguese church, the latter supported by the Papal

<sup>42</sup> J.J. de Andrade e Silva, vol. III, p.64.

<sup>43</sup> BNL Cod. 241, f.319b.

<sup>44</sup> J.J. de Andrade e Silva, vol. III, p.40, p.80, and p.197. BNL Cod.241, fo.319b. Arquivo Nacional da Torre do Tombo, Corpo Chronológico 2 Maço 373 n.80.

nuncio. This culminated in the arrest of the Nuncio and the publication of a papal bull threatening excommunications.<sup>45</sup> Little wonder that the Portuguese elites were so willing to embrace secession from the Spanish Monarchy in 1640.

For most of the period of Habsburg rule in Portugal, the Spanish Crown pursued a policy of fiscal conservatism. This was partly made possible by the rapid growth of the Atlantic economy in the late sixteenth century, which expanded the fiscal base. In addition, the government was able to «persuade» the Lisbon merchant community, especially its New Christian element, to provide loans and donations to fund extraordinary expenditure. Even the Olivares regime deviated little from this strategy during the 1620s. From 1630, however, the crisis which enveloped the Spanish Monarchy necessitated a decade of fiscal innovation, much of it aimed at the privileged classes. It was this sudden change of policy which did so much to inflame relations between Madrid and its Portuguese subjects and which played no small part in precipitating the revolution of 1640.

#### ADDENDUM

Since writing this article and submitting it for publication, I have been able to read James C. Boyajian's *Portuguese Trade in Asia under the Habsburgs 1580-1640*, Baltimore 1992. As a result, it is clear that most of the New Christian "gift" of 1.7 million *cruzados* to Philip III was collected, contrary to the doubts which I expressed. All the more reason, therefore, for Olivares to pursue the same approach in the 1620s.

<sup>45</sup> E. Freire de Oliveira, *Elementos para a História do Município de Lisboa*, (Lisbon 1882-1911), vol. IV, pp.399-400.