ASSOCIAÇÃO PORTUGUESA DE HISTÓRIA ECONÓMICA E SOCIAL

CEHC IUL
CENTRO DE ESTUDOS DE HISTÓRIA CONTEMPORÂNEA
Instituto Universitário de Lisboa

**Maria Cristina Moreira (Universidade do Minho), João-Pedro Gonçalves (Universidade Católica Portuguesa & Universidade do Minho), Rita Martins de Sousa (ISEG / Universidade Técnica de Lisboa)**

**Title:** *The Portuguese exchange rate in the context of the Napoleonic wars (1801-1831)*

**Abstract:** The studies about exchange rates have been focusing on two large areas. One concentrates on the effect of the monetary regimes on the evolution of the exchange rates (Bordo, 2003, Eichengreen, 1996). The last quarter of the 19th century has been one of the privilege periods for that study, as it corresponds to the diffusion of gold as a pattern for the monetary regimes on an international level. However, even if a standardization of the monetary regimes can be seen, the center and periphery of the global economy showed different behaviors when it came to exchange rates. Less diverse economies and, mostly without Central Banks, the system's periphery struggled to keep the relative stability of the exchange rates. In this situation we can see countries as, for example, Argentina, Greece, Spain and Portugal, whom in the end of the 19th century experienced a significant devaluation of their currencies (see, for instance, Frandreau, 1998). The second area focuses the debate on the effects of the exchange rates on each country's foreign trade. The study is composed by the following variants: bilateral exchange rates, nominal effective exchange rates, and effective exchange rates. The exchange rates as key tool of the monetary regimes played an important role not only in the characteristics of trade structures but also in the competitiveness of the

particularities of each country's economy, namely differential productivity and customs policies. This study is a innovative approach by including the Portuguese case in the international exchange rate debate for the first half of the 19th century, in which the

research of Bordo (2004), Shimazaki and Solomou (1999), Solomou and Catão (2000) are some of the main contributions.

The study of this theme focusing on the evolution of the Portuguese exchange rate during an unstable period in history allows us to branch out the debate on Economy and War to the exchange rates in Europe in the context of Napoleonic Wars. This period covers part of the long wave of Kondratieff from 1787 to 1842. This long cycle includes a «depression from the Napoleonic Wars into the forties» (Schumpeter, 1964: 183).

The monetary regime in Portugal during the first half of the 19th century was bimetallism, even if between 1797 and 1834 there was inconvertible paper currency circulating besides gold and silver. In that sense, the relations established between trade partners involved economies encompassed by several monetary regimes. England had adopted gold in 1821, while France continued to use bimetallism and Germany, Holland and Spain followed a monetary regime ruled by silver.

In this article we want to analyse the changes of these exchange rates and their impacts on the Portuguese external trade. For this purpose our main questions are:

1. Did the State adjust the monetary policy according to the market exchange rate?

2. What was the role of Portuguese exchange rates on its external trade as a lever to improve the Portuguese competitiveness in wartime?

For this approach the main source used was the Portuguese handwritten sources "Portugal's Balance of Trade with Foreign Nations and Portuguese Colonies" which have opened up the possibility of obtaining a series of data for thirty-one consecutive years, regarding the monthly Portuguese nominal exchange rates and Political Par (*Par Político*) from 1801 to 1831 for London, Paris, Madrid, Hamburg, and Amsterdam.

In order to trace the evolution of Portuguese trade we divide this first three decades of the 19th century, marked by a severe political instability in Europe, into three distinct periods. The first one starts in 1801 and finishes before the opening of the Brazilian ports in 1808, the following spans from that point until the end of the Napoleonic Wars and the last one from 1816 to 1831. In this last phase, the instability of the Portuguese economy was deteriorated by the liberal revolution (1822), the series

of conflicts between the liberal and absolutist parties which led to the Civil war (1821-1831).

This paper is divided in three sessions, the first one focus on the behaviour of the different exchange rates (bilateral and effective nominal) in Portuguese market following by a study case of purchase power parity based on the real exchange rate. In the last one we present the main conclusions.

**Keywords:** Exchange rate, Napoleonic wars, External trade, Economic