

Brazil in Mid-Empire: the Council of State and the Banking Question, 1850-1870

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ABSTRACT

The article examines in detail part of the debates held in the Finance Standing Committee of the Council of State, in the 1850-70 period. In particular, it is centred on the resolutions in response to requests pertaining to the monetary and banking sphere. It emerges that, following the pattern observed by authors who have studied the Council of State, the Finance Standing Committee largely based its resolutions on strictly technical grounds, while upholding what it reckoned were the interests of the Imperial State.

KEY WORDS

Imperial Brazil, Banking History, Council of State

RESUMO

O artigo examina em detalhe parte dos debates travados na Seção de Fazenda do Conselho de Estado entre 1850 e 1870. Em particular, focaliza as resoluções tomadas a partir de pedidos nas áreas monetária e bancária. A evidência mostra que, conforme o padrão observado por autores que estudaram o Conselho de Estado, a Seção de Fazenda quase sempre baseava as suas resoluções em critérios estritamente técnicos, ao mesmo tempo em que procurava preservar o que julgava ser os interesses do Estado imperial.

PALAVRAS-CHAVE

Brasil Império, História Bancária, Conselho de Estado

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INTRODUCTION

During most of the Imperial period the Brazilian monarch counted on a body of experienced politicians who advised His Majesty on several matters. The Council of State, considered by some as being a political power in itself,¹ thus had substantial influence over policy decisions. Often subject to accusations of illegitimacy and lack of accountability, its reputation rested on the seniority of its members, who were recruited amongst the most experienced politicians in the Empire. According to J. M. de Carvalho,² the Council of State was characterised, among other things, by its independence from partisan interests, thus differing from the political forum *par excellence* - the Chamber of Deputies. Moreover, council members were seen to uphold the interests of the State above anything else, thus refusing to succumb to class/interest group pressure.

The aim of this article is to assess to what extent this view of an independent Council of State applied to one of its Standing Committees (Seções), more specifically, the Finance Committee - Seção de Fazenda. In other words, it will attempt to gauge whether in fact discussions within the Seção de Fazenda do Conselho de Estado were carried out in dispassionate form, and decisions taken on a strictly "technical" basis, putting the interests of the State above personal or group interests.

To that end the article will look exclusively at the monetary debates held between 1850 and 1870, a period roughly bounded by several key institutional landmarks (the Land and Immigration Law, Commercial Code and the Eusébio de Queirós Law), on one hand, and the end of the Paraguayan War, on the other. These two decades witnessed the expansion of the coffee frontier and of business in general, giving rise to increasing demands for credit in the economy. In this context, requests to open banks of issue were sent to the government in great numbers, with a view to expand the money supply or, to use the contemporary expression, "to increase the elasticity of the circulating medium". Among those who pleaded for expansionist monetary and credit policies (in other words, for "soft money") were planters linked to the export trade. For them - who endlessly complained about the high interest rates paid by the agricultural sector - such policies gave hope of gaining access to cheaper credit. However, many contemporaries feared that such "inflationary" policies would perforce destabilise the rate of exchange, thus endangering Brazil's credibility in the international market and, above all, its financial health, given the increasing foreign commitments faced by the government. Equally important, monetary excesses were seen as anathema by the financial orthodoxy of the time, which exerted considerable influence over contemporary policymakers.

1 See, for example, RODRIGUES (1978).

2 See CARVALHO (1982).

The article will examine the stance held by the Seção de Fazenda on monetary and banking matters. More to the point, it will determine to what degree demands for “soft money” - in the shape of, *inter alia*, requests for the creation of additional money-issuing institutions - were welcomed by council members. If sympathetic to those requests which, as argued, coincided with the interests of the planter class, it could be inferred that the Seção de Fazenda was giving in to group pressure, instead of upholding the interests of the State, which rested on a stable rate of exchange and hard money in general. By the same token, adherence to monetary prudence and refusal to acknowledge demands leading to monetary and credit expansion would be consistent with a Council which to some extent hovered above group/class interests.

The article is organised as follows. Section 1 presents a brief overview of the main events in the monetary and banking sphere in the 1850-70 period. Sections 2 and 3 describe how the Seção de Fazenda reacted to the dozens of consultations which were made to it in those two decades. The main findings are summarised in Section 4.

1. MONEY AND BANKING IN THE SECOND REIGN: AN OVERVIEW³

In the mid-nineteenth century the Brazilian banking system was made up of a few types of institutions, prominent among which were corporate banks and the (usually) smaller private banks (*casas bancárias*).⁴ Other types of institutions, such as savings banks (*caixas econômicas*) and philanthropic credit societies (*montepios*), played a lesser role in a system which was still underdeveloped and which had Rio de Janeiro as its main centre. The political and commercial centre of the Empire, Rio de Janeiro, served as the headquarters of the Bank of Brazil, a private institution founded in 1853 by government Law, and which resulted from the amalgamation of the Banco Comercial do Rio de Janeiro and an earlier Bank of Brazil, headed by the prominent businessman, Viscount Mauá.

As a counterpart to the monopoly of note issue which the government granted to the (new) Bank of Brazil it retained the right of appointing its President and Deputy. Furthermore, the Bank was required by law to gradually withdraw from circulation all Treasury notes in circulation, which were to be replaced by its own notes, convertible on demand. Finally - although the point was muddled in controversy - the Bank was expected to help the government maintain the *mil-réis* near its par

3 For a detailed account of the events summarised in this section, see CALDEIRA (1995).

4 For a discussion, see LEVY & ANDRADE (1985).

value of 27 pence. Ultimately, therefore, here was an institution which, although legally private, was entrusted with a public responsibility in the shape of the requirement to maintain monetary and exchange-rate stability in the Empire.

Bank management believed that the tasks with which it was entrusted could be accomplished, that is, it could act as both a discount and deposit bank and a regulator of the money supply. To that end, however, they deemed monopoly of note issue crucial. This is what effectively occurred in 1854, when the Bank started its operations. On the occasion, the Bank was granted exclusive rights to issue convertible notes in the Court (Rio de Janeiro) and in all cities where it had provincial branches (*caixas filiais*). Total issues were limited to a multiple (which varied from 2 to 4) of its reserve fund, made up of gold and Treasury notes. Moreover, Bank notes, while devoid of legal tender status, were accepted in payment of taxes and debts owed to the government, a fact which greatly increased their acceptance among the public.

By the mid 1850s, even though the Bank's operations seemed to be expanding at a good pace, requests for the chartering of *vale*-issuing banks would continue apace. *Vales* were short-term promissory notes issued by banks against their tellers, and which, by remaining in circulation well past their maturity, helped to ease the shortage of currency that was felt in most commercial centres, especially in harvest time.⁵ Given that this type of paper was not as good a medium as its own notes, the Bank did not oppose to the government chartering new *vale*-issuing banks. Yet, from the moment that six new **note**-issuing banks were allowed to operate, in 1857/8, the situation changed altogether. This time, the Bank's monopoly of note issue had been broken, thus compromising the essence of the agreement made with the government in 1853. Indeed, under the terms of its statutes, in exchange for its status as the sole issuer of convertible banknotes in the Empire, the Bank committed itself to helping the government maintain monetary and exchange-rate stability.⁶ In the absence of this monopoly, the provision of this public good (stability) could not be guaranteed.

5 Thus, in the period under consideration, the money supply in the Brazilian Empire consisted of three main types of paper, in increasing order of liquidity: *vales*, which circulated locally; convertible notes of the Bank of Brazil, accepted in the Court and cities where the Bank had branches; and Treasury notes, which were legal tender all over the Empire.

6 To that end, the Bank agreed to the yearly retirement from circulation of 2,000 *contos* worth of Treasury notes, which would be later destroyed by the government. The total amount withdrawn would serve as an interest-free loan to the government, subsequently paid in bonds. By slowly substituting its own, convertible, paper for government-issued fiduciary currency it was thought that the Bank would help "improve" the quality of the circulating medium.

Misfortune had it that the entry of several new note-issuing banks in the market coincided with the outbreak of a major financial crisis at the international level.⁷ A speculative attack on the *mil-réis* - and the subsequent decision by the Bank to abandon convertibility - tested the structure of the banking system to its limits. Only by means of the massive sale of sterling by the Mauá, MacGregor Bank, coupled with the restoration of calm in the London market, did the *mil-réis* recover from a low of 22¾ reached in March 1858. Still, there was no holding back the orthodox backlash which ensued, ultimately leading to the so-called 1860 Law of Impediments (*Lei dos Entraves*). Broadly speaking, this law established a timetable for the resumption of convertibility of the notes issued by the Bank of Brazil and the other, smaller, institutions. Should they fail to comply, these institutions would be required to gradually contract their note issues until convertibility was fully restored. By late 1862 only the Bank of Brazil had managed to ensure the resumption of its notes into gold.

The following months ushered in a new period of (apparent) calm in the monetary market, soon to be rocked by a severe commercial crisis, which broke out in Rio in September 1864. Having originated in the failure of the private bank of João Alves de Souto, the crisis gained momentum, bringing panic to the market. The ensuing run on several banks in Rio would only be contained after the Bank of Brazil decided to abandon convertibility and come to the rescue of those institutions in distress, that is, banks that were solid but momentarily illiquid. For them, the Bank facilitated the discounting of commercial paper, albeit at a high price. By acting as a true lender of last resort the Bank managed to prevent a further deepening of the crisis, in which it was helped by the government's enactment of bankruptcy legislation geared specifically to the case of private banks.

The Souto crisis overcome, the Bank of Brazil was late in restoring convertibility of its notes. According to its management, the Bank was having trouble keeping to the legal ceiling on its note issues (at three times the reserve fund), as a result of the increasing amount of short-term Treasury paper (*bilhetes*) it was being asked to discount. In essence, this strain stemmed from the growing expenditure faced by the Brazilian government on account of the military campaign against Paraguay, which had begun in late 1864. Having initially counted on a brief conflict, the government would soon realise the need to muster all the resources at its disposal in order to ensure victory. Given the sheer incapacity to finance the growing expenditure solely through fiscal means, it was therefore necessary to resort also to the issue of new debt (both foreign and domestic) and, ultimately, make use of the

7 On the origins of the 1857 crisis, see FOREMAN-PECK (1983).

printing press. As a result, in September 1866 a new law determined that the Treasury would take over from the Bank of Brazil its issuing rights, paving the way for a massive increase in the money supply. At the end of the War, in 1870, the stock of money in the economy amounted to 200,000 *contos* (an 120% increase from 1864), while the fiscal deficit corresponded to half of current revenues. It was left to the incoming Conservative cabinet, led by Rio Branco, to restore the public accounts to a manageable state.

2. MONETARY DEBATES IN THE SEÇÃO DE FAZENDA: SOME FACTS

Unlike most States, the Imperial Constitution recognised **four** (and not three) sources of power: the Executive, Legislative, Judiciary, and Moderating. The latter was to be the 'key to the whole political organisation' and was delegated to the Emperor so that he could 'watch over the maintenance of the independence, equilibrium and harmony of the remaining powers'.⁸ Apart from these four powers the Brazilian Empire counted on a college of experienced politicians, who exercised substantial influence in the political arena - the Council of State. Its 24 members (12 regular and 12 alternate) were appointed for life by the Emperor, at the suggestion of the Prime Minister.

Council members advised the monarch on the exercise of his Moderating Power, thus having a say in a host of important issues, although the Emperor was not required to follow the opinion of the majority. Reports on submissions to the four standing committees (*Seções*) into which the Council of State was divided (Empire, Justice and Foreign Affairs, War and Navy, and Finance) often served as the basis for executive decrees. Preliminary versions of parliamentary legislation sometimes emanated from the Council, which also exercised judicial review over the legality of laws and decrees, thus acting as a constitutional court.⁹ The Council was an elite group *par excellence*: of the 72 members of this body in the period 1841-1889, no less than 47 had been provincial presidents and 53 exercised either the post of minister of state, senator or national deputy.¹⁰ When appointed to cabinet posts, council members were disqualified from the decision-making process, that is, they kept their seats but were barred from voting.

8 "Constituição Política do Império do Brasil (de 25 de março de 1824)", in *Constituições do Brasil* (1986).

9 See GRAHAM (1989, p. 140).

10 CARVALHO (1988, p. 108, Table XI). These data refer to the third Council of State. Earlier councils operated in the 1822-3 and 1823-34 periods.

The Council of State was in itself an elite within the imperial elite. Its members, drawn from the ranks of the Senate, comprised some of the most experienced politicians in the land. The full, 12-member, Council (Conselho Pleno) usually dealt with political issues, while the four standing committees were consulted about technical questions pertaining to their respective areas of competence. The records of the meetings of the Seções, thus, provide an opportunity to examine the views of a select group of politicians on important questions of policy, expressed in dispassionate fashion.¹¹

The three-member Seção de Fazenda was consulted in connection with several subjects, some of which were not even remotely related to finance. Thus, it was called to give its opinion on questions linked to provincial laws, pensions, and inheritances, for example. Yet, and more importantly, it was consulted on matters of tariffs, taxation and banking. The usual procedure in cases relating to money and banking was as follows. Businessmen interested in opening up a bank, for instance, would get in touch with the president of their respective province, who would send a memorandum in support of their request to the Minister of Finance.¹² The Minister, in turn, forwarded this request to the Seção de Fazenda, which, after deliberation, would provide a resolution (*resolução*) in favour of, or against, the request.¹³ Resolutions were then sent to the Emperor, with the following words: ‘(...) this is the Committee’s opinion, but Your Royal Highness will decide as He sees fit’. The Emperor normally, but not always, followed the Committee’s decision. If favourable to the request, a decree could follow.

Resolutions varied in length from half a page to, sometimes, almost 20 pages, containing long historical and theoretical digressions in support of the Committee’s final position. The *rapporteur* tried to summarise the opinion of all three members. Yet, whenever substantial divergence emerged, these opinions would also be included in the records, and be taken to the Emperor. Individual consultations could contain more than one request. For example, at times several people would seek permission to open up banks in different cities. Yet, this was rare, and consultations usually referred to a single request. Furthermore, a particular request could

11 ‘(The records of the meetings of the Council of State) constitute a source with unique characteristics, not found elsewhere, which make it a valuable subject of analysis. One of these characteristics is the fact that they represent what could be termed the views of the elite within the elite’. Cf. CARVALHO (1982, p. 380).

12 Requests could also originate with class organisations, such as commercial associations. This was the case of Consultation No. 491 (31 March 1858), when the Commercial Association of Pernambuco sought permission to issue promissory notes (*vales*), in order to address the shortage of small change in the province. See *Imperiais Resoluções*, v. IV, p. 267-8. This collection will hereafter be referred to as *SFCE*.

13 Technically speaking, the Committee gave “consultations”. However, in order to avoid confusion, in what follows “consultations” will refer to the issues brought to the Committee’s attention, and which, after deliberation, would result in “resolutions”.

return to the Seção de Fazenda, for a new opinion.¹⁴ Also, and depending on the nature of the request, the Emperor could seek the advice of more than one standing committee.¹⁵ On rare occasions, the matter originally brought to the Committee would be referred to the Conselho Pleno, so that other council members could be consulted.¹⁶ Finally, if the Seção de Fazenda thought that a particular request should be addressed to the Legislative, not the Executive, the proposal would be forwarded to the Assembly for examination.¹⁷

Between 1850 and 1870, inclusive, the Seção de Fazenda was consulted 722 times, which gives an average of over 34 consultations per year. Of those, 164 (22.7%) involved matters pertaining to money and banking. In 62 cases out of the 164 consultations on monetary and banking issues (37.8%) governmental decrees were issued in support of the application, which serves to show the importance of the Seção de Fazenda in advising Executive policy.

TABLE 1 - CONSULTATIONS MADE TO THE SEÇÃO DE FAZENDA, 1850-70

Year	Total	Money and Banking	%	Year	Total	Money and Banking	%
1850	47	3	6.4	1861	81	20	24.7
1851	17	2	11.8	1862	37	8	21.6
1852	27	6	22.2	1863	29	9	31.0
1853	20	1	5.0	1864	30	7	23.3
1854	44	11	25.0	1865	46	11	23.9
1855	24	6	25.0	1866	34	9	26.5
1856	49	8	16.3	1867	21	5	23.8
1857	30	8	26.7	1868	14	2	14.3
1858	18	7	38.8	1869	32	13	40.6
1859	38	4	10.5	1870	19	5	26.3
1860	65	19	29.2	Total	722	164	22.7

Source: *Imperiais Resoluções do Conselho de Estado na Seção de Fazenda, desde o anno em que começou a funcionar o mesmo conselho até o presente* (Rio de Janeiro, Typ. Nacional, 12 vols., various years).

14 See, for example, Consultation No. 441, 1 November 1856. A João Baptista da Fonseca requested the approval of the statutes of a bank in Rio (Sociedade de Comércio e Indústria), but was refused. The same request, with some modifications, was later brought to the attention of the Seção de Fazenda, on 15 June 1857 (Consultation No. 471). Again, it was turned down. Finally, the bank was given the go-ahead in April 1859, by Minister of Finance Torres Homem. Still, it would never start operations. See *SFCE*, v. IV, p. 92-106, and 186-7.

15 See, for example, Resolution No. 538, of 28 December 1859, when the Finance, Justice, and Empire (Interior) standing committees were consulted about the request by the Bank of Brazil to have its issuing limits increased. *Ibid.*, p. 374-6.

16 See Resolution No. 708, 14 June 1862, in *SFCE*, v. V, p. 284-8. The matter was later examined by the Conselho Pleno. See RODRIGUES (1978, v. V, p. 278-94).

17 See Resolution No. 561, 21 April 1860, in *SFCE*, v. IV, p. 438-40.

In the twenty-one years for which resolutions were analysed, the Seção was consulted, on average, 7.8 times a year on matters related to money and banking. In absolute terms, the early 1860s saw the largest amount of consultations made to the Seção, as well as consultations dealing with monetary questions. The share of the latter during most of the years immediately after 1860 also exceeded the average proportion in the 1850-70 period (22.7%).

The entire 1850-70 period may be divided into four different sub-periods, in order to bring out the most salient points. The sub-periods are as follows: 1850-3, 1854-9, 1860-6, and 1867-70. The first one relates to the years between the adoption of the Commercial Code and the creation of the Bank of Brazil. The second sub-period covers the initial years of operation of the Bank. The 1860-6 years span the period between the enactment of the Law of Impediments and the innovation of the government's contract with the Bank. Finally, the Paraguayan War and the Treasury's monopoly of note issue marked the 1867-70 years.

TABLE 2 - CONSULTATIONS MADE TO THE SEÇÃO DE FAZENDA, SELECTED PERIODS

	Total	Money and Banking	Requests to Open Banks (*)	Requests Approved
1850-53	111	12	4	3
1854-59	203	44	31	13
1860-66	322	83	22	15
1867-70	86	25	7	5
Total	722	164	64	36

Note: (*) Often several requests to open banks would be included in one single consultation made to the Seção de Fazenda, so that the third and fourth columns of the table are not strictly comparable with the first two.

Source: *Imperiais Resoluções do Conselho de Estado na Seção de Fazenda, desde o anno em que começou a funcionar o mesmo conselho até o presente* (Rio de Janeiro, Typ. Nacional, 12 vols., various years).

From Table 2 it is clear that the two intermediate sub-periods concentrate the bulk of both total consultations to the Seção de Fazenda, and those specifically dealing with monetary matters. Even allowing for the different length of the sub-periods, the first half of the 1860s (1860-66) stands out as the time of most activity for the Seção. On average, 46 consultations were made every year during this period, 12 of which dealt with money and banking.

Overall, four major topics occupied the attention of council members. In order of recurrence, these were issuing rights, the Bank of Brazil, savings banks (*caixas*

econômicas), and foreign banks. Also, the Finance Standing Committee was consulted on general monetary topics, such as the origins of commercial crises or the legality of certain current practices in the banking sector.

The question of issuing rights appeared regularly in the consultations made to the Seção de Fazenda. These often involved requests to approve the statutes of new banks or open branches of existing establishments.¹⁸ From Table 2 it emerges that the peak for those requests occurred between 1854 and 1859. Individually, 1855 and 1857 showed to be the years where most requests of this nature were filed - eight each. Even though the Seção de Fazenda was consulted whenever individuals, or associations, sought permission to open banks, there remained some doubts as to who had the authority to allow banks to be set up, the Executive or the Legislative. On two occasions in 1855 councillors Itaboraí and Jequitinhonha disagreed on this point.¹⁹ However, there was no disputing the fact that provincial assemblies were not in a position to charter banks.²⁰

Issuing rights were linked to a broader debate pitting advocates of plurality of issue against proponents of monopoly. This, in turn, involved different views as to the role of banks in the economy and, ultimately, sympathy with “soft money” (monetary expansion and a slipping rate of exchange) or its antithesis - “hard money”. On 14 June 1862, the Finance Standing Committee was consulted about a request from the Bank of Brazil, urging the government to stop new issuing banks from being created. On the occasion the Bank alleged that unless it was granted a monopoly of note issue for the next twenty years it would not be able to ensure the stability of the currency.²¹ After deliberation, the Committee concluded that it was unable to give a definitive answer to the Bank, for want of the necessary data. Still, Jequitinhonha, the *rapporteur*, was in favour of the request. Councillors Itaboraí and Abrantes, on the other hand, maintained that even without competition the Bank would not be capable of ensuring the stability of the currency. The matter was then referred to the General Assembly. On the same day, the Seção was consulted about the Bank’s plans to merge with one of its two competitors in the capital.²² Once again Jequitinhonha was in favour of a measure that would have

18 Consultations could also cover changes in statutes, requests by deposit or mortgage banks to gain issuing powers and, in the case of the Bank of Brazil, permission to increase its issuing limits.

19 See Resolutions Nos. 398 and 404, in *SFCE*, v. II, p. 446-50, and 464-71.

20 This had been established in a consultation made in 1859, concerning the chartering of a Banco Rural e Hipotecário by the province of Rio Grande do Norte. Council members strongly opposed the move, stressing that the 1834 Additional Act explicitly forbade provincial assemblies from legislating on such matters. See Resolution No. 575, 11 August 1859, in *SFCE*, v. IV, p. 486-9.

21 Resolution No. 708, in *SFCE*, v. V, p. 284-8.

22 Resolution No. 709, *Ibid.*, p. 288-94.

ensured a monopoly of note issue for the Bank in Rio (which it eventually did). Itaboraí and Abrantes remained opposed. They deemed monopoly in Rio alone insufficient for the Bank to fulfil what amounted to a “proto-central bank” role, in other words, acting as guarantor of monetary and exchange-rate stability. Also, they believed the matter had to be judged by the Legislative, not the Executive, a view shared by the *rapporteur*, Jequitinhonha. Accordingly, the question was also referred to the General Assembly.²³

Earlier, the Seção had examined the alternative to monopoly - plurality of banks of issue. When analysing the requests for the establishment of several banks, in 1856, Itaboraí noted that ‘from an excessive number of banks operating in the same sphere of commercial transactions arise serious inconveniences (...), as well as commercial and monetary crises (...)’.²⁴ The supposed failure of the American experiment with free banking was used as an argument for turning down a request for the opening of a bank in the province of Ceará.²⁵

As already emphasised, issuing banks were seen as the natural way to provide the economy with an increasing supply of currency and, ultimately, lower rates of interest. The Seção de Fazenda was asked to give an opinion on the creation of banks of issue on thirteen different occasions.

23 If issuing rights were a contentious question among some council members, there was no disputing the need to ensure convertibility of banknotes. In four different consultations, in 1856 and 1857, the Seção de Fazenda examined requests for the establishment of issuing banks. In three cases - Caixa Comercial da Bahia, Banco do Maranhão and Banco da Bahia (see Figure 1) - the Committee was in favour of allowing the banks to be created, so long as they ensured redemption of their notes in gold or Treasury notes. These were the same conditions that applied to the Bank of Brazil. The fourth request, made by the Banco Comercial de Campos, was turned down, on the grounds that its statutes did not provide for the redemption of its notes for currency. Resolution No. 410, 16 January 1856, in *SFCE*, v. IV, p. 16-9. Still, the bank was allowed to operate as a deposit and discount bank.

24 Consultation No. 432, 20 October 1856, *ibid.*, pp. 68-79.

25 ‘The doctrine contained in the first part of para 9 (of the statutes of the proposed bank) is a copy, or, rather, a travesty, of the system that evolved in New York State, known as “free banking”. The extent to which this system is inefficient and nugatory in ensuring convertibility of bank paper is borne out by the commercial incidents that took place in the United States in the latter months of last year (...)’. Consultation No. 492, 30 September 1858, *ibid.*, p. 268-72. It is worth noting that on both occasions - as in virtually every case between 1855 and 1865 - Itaboraí’s hard money positions seemed to have been endorsed by fellow council member Abrantes. The latter, Minister of Finance on three occasions, was one of the founders, and long time president, of the Sociedade Auxiliadora da Indústria Nacional, at the time an organisation dedicated mostly to advancing the interests of the rural class. Either Abrantes did not deem soft money the most appropriate policy for planters, or preferred to vote exclusively based on the technical merits of the requests brought to the Seção de Fazenda.

FIGURE 1 - SEÇÃO DE FAZENDA: REQUESTS FOR CREATION OF BANKS OF ISSUE

Resolution/ Consultation	Date	Bank	Final Decision from the Seção de Fazenda
280	7 Jun 1851	"Second" Bank of Brazil (Mauá) (*)	Against
317	8 Jan 1853	Banco Rural & Hipotecário (*)	Against
376	16 Dec 1854	Bank of Brazil - Ouro Preto branch	In favour
384	17 Mar 1855	Bank of Brazil - São Paulo branch	In favour
385	17 Mar 1855	Bank of Brazil - branches in Salvador, Recife, Belém, S. Luís, and Porto Alegre	In favour
404	25 Jul 1855	Banco da Paraíba (*)	Against
410	16 Jan 1856	Banco Comercial de Campos (*)	Against
476	8 Oct 1857	Caixa Comercial da Bahia	In favour
478	30 Nov 1857	Banco do Maranhão	In favour
483	3 Dec 1857	Banco da Bahia	In favour
573	23 Jun 1860	Bank of Brazil - Fortaleza branch	In favour
911	13 May 1869	Banco Industrial do Maranhão	Against
927	18 Dec 1869	Banco do Ceará (?) (*)	Against

Note: (*) Banks allowed to operate, but without the right to issue notes.

Source: Imperiais Resoluções do Conselho de Estado na Seção de Fazenda, desde o anno em que começou a funcionar o mesmo conselho até o presente (*Rio de Janeiro, Typ. Nacional, 12 vols., various years*).

Prior to the law creating the Bank of Brazil, in July 1853, the Seção de Fazenda was opposed to granting (note) issuing rights to banking institutions. Both Mauá's Bank of Brazil and the Rural e Hipotecário were therefore denied this right, although the Committee had no objection to them being set up as deposit and discount banks with the right to issue *vales*. After July 1853, two more requests to open issuing banks were turned down.²⁶ It was only in 1857 that new note-issuing banks were allowed to compete with the Bank of Brazil. Interestingly, of the six new banks allowed to operate during Souza Franco's spell as Minister of Finance, only two (Banco do Maranhão and Banco da Bahia) had their applications examined by the Seção de Fazenda. The other four - Banco Comercial & Agrícola, Banco do Rio Grande do Sul, Banco de Pernambuco and Banco Rural &

26 In the case of the Banco da Paraíba, the Seção concluded that issuing rights should be denied on the grounds that such permission was the prerogative of the Legislative. Resolution No. 404, 25 July 1855, in *SFCE*, v. III, p. 469. As to the Banco Comercial de Campos, opposition to granting it rights to issue derived from concerns over the bank's ability to ensure convertibility of its *vales*. Resolution No. 476, 16 January 1856, in *SFCE*, v. IV, p. 17.

Hipotecário²⁷ were chartered by government decree without consultation with the Standing Committee.

A further point which emerges from examining the resolutions of the Seção de Fazenda concerns the confusion contemporaries often made about the operation of the monetary multiplier. In other words, people often thought that banks of issue were the sole vehicle through which the money supply could be altered. As late as 1866, then, the Seção de Fazenda felt confident to state that 'the multiplication of deposit and discount banks does not have the influence, attributed by some, on the rate of interest and the mass of commercial transactions'.²⁸ Still, not all council members shared this view. When examining the application of an issuing bank to be established in the province of Paraíba, Jequitinhonha went against the opinion of the *rapporteur*, Itaboraí, and maintained that 'banks increase wealth, and provide activity to circulation; be they discount or circulating (banks), the effects are exactly the same'.²⁹

Vales and other liabilities issued by individuals, or associations, were also a matter about which the Seção de Fazenda was consulted. On 21 April 1860, the Committee considered the legality of commercial houses and, even, individuals, in the city of São Luís issuing *vales* of denominations of 1\$000, as a remedy for the shortage of small change in the province of Maranhão.³⁰ Once again Jequitinhonha, the *rapporteur*, and Itaboraí disagreed. For the former, there was nothing in the Commercial Code that banned private individuals from issuing *vales*. Itaboraí recognised this, but argued that the government should look after the stability of the currency, as mandated by Law 401, of 11 September 1846. He, therefore, called the government to 'demand from the competent powers measures that will put an end to such a dangerous state of affairs, and will ensure the stability of the monetary standard'.³¹ The Seção was clearly divided on this point. The matter would only be cleared up with Decree 2694, of 17 November 1860, which determined that issues of notes, bills, *vales*, or other liabilities payable to bearer could only be made with prior approval of the Legislative.

27 The Rural & Hipotecário had been operating as a deposit and discount bank and was given issuing rights in February 1858.

28 Resolution No. 839, 6 April 1866, in *SFCE*, v. VI, p. 45.

29 Resolution No. 404, 25 July 1855, in *SFCE*, v. III, p. 469.

30 Resolutions No. 559, 560, and 561, in *SFCE*, v. IV, p. 425-32, 438-40, and 440-53.

31 *Ibid.*, p. 431. This was official admission that *vales* were quasi-money. The competent powers in this case would be the President of the province and the local police authority.

As expected, the Bank of Brazil appeared regularly in the consultations made to the Seção de Fazenda. Of the 164 consultations dealing with monetary questions between 1850 and 1870, 30 were directly related to the Bank. In the beginning, there was a preoccupation on the part of the Committee to ensure that the Bank was capable of maintaining the stability of the currency. For example, a request to open a discount and deposit bank in Porto Alegre, in 1854, was deferred, while the Seção consulted the Bank to enquire if it was interested in establishing a branch in that city.³² From the text of the resolution, it is clear where Itaboraí stood.

The Committee believes that it would be preferable that the Bank of Brazil would open a branch in Porto Alegre, not only because it would provide more resources (...) to that city, but also because it is not in the interest of the State to reduce the sphere of action of the Bank, which must comply with the onerous contract celebrated with the government (...).³³

Support for the Bank by the Finance Standing Committee was most forthcoming with regard to the creation of new branches in the provinces.³⁴ The Seção de Fazenda was also very receptive to the Bank's request that foreign coins not be accepted in the tax offices of the province of Rio Grande do Sul, lest they compete with its own notes.³⁵ Finally, it agreed with the Bank that it should not be liable to the payment of taxes imposed by provincial assemblies.³⁶

Nevertheless, on many occasions the Seção denied the Bank important requests. For example, changes in the statutes of the Bank, which would have allowed it to discount paper of more than 90 days and with only one signature, were blocked, on the grounds that they would have resulted in a deterioration in the quality of the Bank's portfolio.³⁷ Similar proposals by the Bank were again turned down two years later.³⁸ Crucially, requests to increase its leverage to three times the reserve fund were firmly rejected, first, in 1859, and again in 1863.³⁹ In 1859, councillors argued that the Bank failed to provide them with enough clarifications in support of its request. Moreover, they believed that if, as the Bank claimed, issues were dangerously in excess of legal limits, then this was of the Bank's own making and,

32 Resolution No. 359, 24 August 1854, in *SFCE*, Vol. III, p. 318-20.

33 *Ibid.* In the end the Bank decided to open the branch.

34 See Resolutions No. 376, 384, 385, in *SFCE*, v. III, p. 355-7, 382-3, and 383-4.

35 Resolution No. 396, 16 May 1855, *Ibid.*, p. 442-4.

36 Resolution No. 690, 1 March 1862, in *SFCE*, v. V, p. 255-6.

37 Resolution No. 375, 16 December 1854, in *SFCE*, v. III, p. 352-5.

38 Resolution No. 443, 8 November 1856, in *SFCE*, v. IV, p. 109-14.

39 Resolutions No. 538 and 726, *ibid.*, p. 374-6, and v. V, p. 359-68.

therefore, notes should be retired from circulation.⁴⁰ In the second of the consultations, the Committee was split. Itaboraí, the *rapporteur*, believed that the Bank's request actually amounted to a wish to increase note issues to four times the reserve fund - the 3:1 ratio plus the amount of Treasury notes withdrawn from circulation.⁴¹ Besides, he argued that it was up to the Legislative, not the government, to judge the request.⁴² Jequitinhonha broadly agreed with the position of the *rapporteur*. The third member, Cândido Batista de Oliveira - who was also president of the Bank of Brazil at the time - positioned himself in favour of the request. Essentially, he argued that, unlike 1859, the Bank ensured convertibility of its notes. Alternatives, such as an increase of its capital - which would have permitted additional note issues - would take too long, argued Oliveira. Although in a minority, his position prevailed, as the government issued Decree 3054, 28 February 1863, authorising the Bank to increase its issuing limit to three times the reserve fund.

Deposit and discount, and issuing banks were not the only type of establishment seeking permission from the government to operate at the time. Savings banks (*caixas econômicas*) were also spreading in the Empire, eager to cater for the needs of small investors. Savings banks were mutual associations, in which depositors were shareholders. Profits made from investments - mainly in government bonds - were credited, net of administrative charges, in the accounts of depositors. Between 1850 and 1861, the Seção de Fazenda was consulted about requests to establish 15 savings banks.⁴³ Seven of them were allowed to operate. The Committee recognised the utility of savings banks, and often made this point based on moral, Christian, grounds.⁴⁴ Thrift among the poor was a value to be cherished, the Seção believed. Accordingly, it felt strongly about *caixas econômicas* that offered little protection for small investors. Bogus savings banks were one source of concern. The request placed by the Caixa Econômica de Nazareth was typical, and was rejected

40 Resolution No. 538, 28 December 1859, in *SFCE*, v. IV, p. 375.

41 Resolution No. 726, 4 February 1863, in *SFCE*, v. V, p. 361.

42 This was also the main reason why the Seção turned down two requests in which it was asked if the notes of the Bank of Brazil could be given *cours forcé* in the provinces. See Resolutions No. 777, 808 and 833, in *SFCE*, v. V, p. 502-5, 586-8, and v. VI, p. 31-2.

43 Interestingly, no requests of this nature were filed between 1861 and 1870. This may have been a consequence of the changes in legislation introduced by the 1860 Law of Impediments (Art. 2, paras 14 to 18), which provided for government-appointed (and paid) directors, to oversee the operations of *caixas econômicas*. Still, many such institutions operated illegally, without government authorisation.

44 Resolutions No. 485 and 490, in *SFCE*, v. IV, p. 250-2, and 275-7.

as being incompatible with the rules set out by the Law of Impediments.⁴⁵ It was allowed to open, though, as long as it operated as a proper deposit and discount bank. Additionally, it would have to alter its statutes, including a change of name, from 'Caixa Econômica' to 'Banco'. Requests rejected by the Seção de Fazenda also involved proposed statutes that gave excessive liberty to shareholders to withdraw their capital with little advance notice, and before formal liquidation of the establishments. Council members deemed such provisions too liberal, and an obvious threat to small, less informed, investors.

Foreign banks first arrived in Brazil in the early 1860s. On 27 September 1862, the Seção de Fazenda was consulted about the request made by the investors behind the London and Brazilian Bank. The *rapporteur*, Cândido Batista de Oliveira, could not have expressed a warmer welcome.

The majority of the Committee believes that the creation of this new bank (...) might be of considerable usefulness for the country, and of great use to foreign trade, for which it seems particularly suited. (...) The imperial government will be providing a real service to the industries of the country by allowing the London and Brazilian Bank to be set up in the capital of the Empire.⁴⁶

The majority of the Committee to which Oliveira referred included Itaboraí. Jequitinhonha, however, was not impressed. He maintained that the benefits expected from the bank could only come from local sources, through 'an increase in national capital'.⁴⁷ Subsequently, the London and Brazilian Bank would find no problem in obtaining approval for its branches in five provincial cities.⁴⁸ The same happened to a request to open the Brazilian and Portuguese Bank.⁴⁹ Yet, plans to establish the London, Brazilian and Mauá Bank were only approved under certain conditions.⁵⁰ Essentially, these involved making the institution subject to Brazil-

45 Resolution No. 651, 19 June 1861, in *SFCE*, v. V, p. 145-6. See also the plans for a *caixa econômica* in Recife, rejected on similar grounds (Resolution No. 352, 21 June 1854, in *SFCE*, v. III, p. 276-9).

46 Resolution No. 714, in *SFCE*, v. V, p. 308-13. Interestingly, at the time Oliveira was also president of the Bank of Brazil. Apparently, he did not anticipate any harm to the Bank's business from the arrival of foreign competitors.

47 *Ibid.*, p. 312. Ironically, this view coincided with the practice of the English banks of relying on domestic sources for their funds, to the dismay of many in Brazil. On this point, see JONES (1977).

48 Resolutions No. 730, 743 and 768, in *SFCE*, v. V, p. 377-8, 399, and 482-3.

49 Resolution No. 751, 23 December 1863, *ibid.*, p. 417.

50 Resolution No. 824, 13 December 1865, *ibid.*, p. 619-24.

ian, not English, legislation, which would have involved, amongst other things, supervision by the Brazilian authorities.⁵¹

3. MONETARY DEBATES IN THE SEÇÃO DE FAZENDA: AN INTERPRETATION

From the above, it is possible to identify two different levels of ideology in the Seção de Fazenda - the collective and the individual. The first corresponded to the common ethos that underlined the opinion of council members, while individual preferences were more clearly reflected in the style of particular *rapporteurs*. Three broad elements of the collective ideology of the Seção stood out: respect for the law, a sense of fairness, and the desire to ensure the soundness of the banking system as a whole.⁵² The legalistic approach was certainly influenced by the training that many council members had had in Law schools.⁵³ This stance surfaced, for instance, when the Committee condemned note, or *vale*, issues made by individuals, or with authorisation from local assemblies.

As to a sense of fairness, it underlined, for instance, the close scrutiny of statutes of *caixas econômicas*, where the Seção did its utmost to protect the interests of small investors. Privileges of any nature were also shunned, even if this meant going against personal predilections. For example, when examining the requests for the establishment of four new banks of issue, the *rapporteur* (Itaboraí) expressed his personal opposition to ‘competition between circulating banks’.⁵⁴ Nevertheless, he also pondered that in light of the recent approval of a bank of issue in Rio, there was ‘no reason that could justify denying these requests’.⁵⁵ Lastly, the Seção saw to

51 See BARMAN (1981). Finally, the Seção de Fazenda was consulted about general topics relating to money and banking. For example, to judge whether establishments which had already applied for government permission to operate, but were still awaiting a decision, should be bound by the rules set out in the Law of Impediments. See Resolution No. 650, 19 June 1861, in *SFCE*, v. V, p. 142-5. The Seção was also heard in connection with a bill establishing the weight and fineness of new coins (Resolution No. 754, 1 February 1864, *ibid.*, p. 434-444).

52 The first two characteristics serve to show the point made earlier about the “vision of the State” inherent to the Council, and which set it apart from other contemporary institutions.

53 This was the case of three of the six longest serving members of the Committee in the 1850-70 period - Miguel Calmon du Pin e Almeida (Marquês de Abrantes, who sat at the Seção between 1855 and 1865), Manuel Alves Branco (Visconde de Caravelas, 1850-5), and Francisco Gê de Acaíba Montezuma (Jequitinhonha, 1853-6 and 1858-63). Itaboraí was a member of the Committee for the longest period, from 1853 to 1867, having returned in 1870. Both he and Cândido Batista de Oliveira (1862-5) held doctorates in Mathematics. Finally, Francisco de Salles Torres Homem, who served between 1866 and 1870, was a physician. See TAVARES DE LYRA (1978).

54 Resolution No. 476, 8 October 1856, in *SFCE*, v. IV, p. 207-16.

55 *Ibid.*, p. 208-9.

it that banking establishments adopt prudent commercial practices. For example, by refusing them permission to discount bills of more than three months, or with just one signature.⁵⁶ Nowhere was this point made more strongly than when the Committee was consulted about requests to open mortgage banks. Between 1850 and 1870, the Seção examined eight such requests. Six were rejected, often because the Seção felt that the proposed mortgage operations were a pretence for the illegal issue of *vales*.⁵⁷ Of the two requests that were approved, one was from the Banco Rural & Hipotecário, which, despite its name, never conducted a single mortgage operation. Alternatively, opposition could derive from concerns about the mismatch between long-term immobilisation of the resources of mortgage banks and the short-term liabilities they might have.⁵⁸ In the end, the term structure of banks' portfolios was a matter that occupied the attention of council members.⁵⁹

The individual ideology within the Seção de Fazenda was felt especially in the drafting, by the *rapporteur*, of the summary opinion of all three council members. Although dissenting views were always expressed, there is no disputing that the *rapporteur*'s particular preferences carried more weight. In other words, even though the final draft of the resolutions summarised the view of all three members, it was heavily biased by the predilections of whoever was chosen as *rapporteur*. There is no indication of how this task was allocated, although expertise, however defined, might have played a part. Thus, Itaboraí, widely held as the foremost financial expert of the day, acted as *rapporteur* in almost every consultation made to the Seção de Fazenda during his tenure, i. e., from 1853 to 1867. Accordingly, his orthodox views clearly dominated the texts of the resolutions in the period. For example, in rejecting a request for the creation of a bank in Rio, the Seção argued that 'the principle of free competition, the advantages of which cannot be disregarded in other industries, does not produce equally beneficial results when applied to credit establishments'.⁶⁰ Also, when criticising the expansion of corporations, which were accused of being geared more to 'dealing in their own shares, rather than facilitating the production instruments for industrious men; (of being) the result of an immoral game fostered in this capital lately, by certain speculators,

56 Resolution No. 839, 6 April 1866, in *SFCE*, v. VI, p. 42-5. Also, insistence on convertibility of notes into gold was part of the overall concern with sound money. See, for example, the consultations made in connection with the banks approved by Souza Franco in 1857 and 1858, in *SFCE*, v. IV, p. 217-24, and 238-43.

57 See, for example, Resolution No. 364, 28 October 1854, in *SFCE*, v. III, p. 331-6.

58 See Resolution No. 398, 26 May 1855, in *SFCE*, v. III, p. 446-50; and Resolution No. 432, 20 October 1856, in *SFCE*, v. IV, p. 68-79.

59 This concern did not extend to the operation of private banks, hence the problems leading to the Souto crisis, in 1864.

60 Resolution No. 353, 1 July 1854, in *SFCE*, v. III, p. 298-85.

who thus reveal the easiest way to enrich a few at the expense of the misery of many'.⁶¹ These views sounded very much like those of Itaboraí, the most articulate advocate of orthodoxy.

Similar views were being expressed more than ten years later, in one of the most telling examples of the nature of the remit of the Finance Committee. On the occasion, the Seção was consulted in connection with a memorandum sent by the Bank of Brazil seeking guidance on how to proceed in the case of a large loan being requested by the Vergueiro Company.⁶² The Vergueiro Company belonged to the family of Nicolau Pereira Vergueiro, a former Minister of State and senator of the Empire, who had died in 1859. Vergueiro had pioneered the employment of free European labourers in his plantations in São Paulo and his family commanded considerable political and economic power in the province. The objective of the loan - requested in January - was to allow the company to liquidate its commercial ventures and concentrate exclusively in agriculture. As collateral, the Vergueiro Company offered a full mortgage on its Ibicaba plantation, in Limeira, together with its slaves. In support of the request for a loan of 2,200 *contos* (££235,000), the company emphasised its ramifications in the *paulista* economy, which, should the company fail, would cause great damage to the region. Given the sheer size of the loan, Vergueiro argued, only the Bank would be in a position to help. In reply, the Bank's president - Cândido Batista de Oliveira, himself a member of the Seção de Fazenda - noted that the law barred the Bank from undertaking mortgage operations. Besides, even if that was not technically the case with the Vergueiro request, the Bank should never immobilise its resources on such a scale.⁶³ Still, Oliveira thought best to hear the opinion of the Seção de Fazenda.

The Committee's report was scathing. First, it pointed out the prohibition on the Bank pursuing any mortgage loan. Second, even if legal, such an operation would be incompatible with an issuing bank, given the natural imbalance between lending long, while maintaining very short-term liabilities, in the shape of banknotes. Third, the Bank's own position against the loan, about which the government could do nothing. Finally, and most important, the Committee noted that the Vergueiro Company was not alone in

resorting to the government, from which it requested such a unique and extraordinary measure. Behold the majority, if not all, fazendeiros from the municipalities

61 Resolution No. 364, 28 October 1854, *ibid.*, p. 331-7.

62 Resolution No. 799, 23 June 1865, in *SFCE*, v. V, p. 568-73. The matter was analysed by a joint Finance and Empire (Interior) Committee.

63 *Ibid.*, p. 571.

of Mar de Hespanha and Juiz de Fora, who demand the same thing, and allege similar reasons, in a petition addressed to Your Royal Highness. After them will come those from other municipalities in the province of Rio de Janeiro and, soon, those from São Paulo, Minas Gerais, etc.⁶⁴

The request to which the *rapporteur* (Itaboraí) referred was examined on the same day.⁶⁵ It had originated in the city council of Mar de Hespanha, which was relaying a petition made by the region's planters, who sought a loan from the Bank of Brazil in order to help them 'settle their onerous obligations'.⁶⁶ This loan would be guaranteed by their assets, 'reasonably and properly evaluated'.⁶⁷ The request was accompanied by two other petitions, signed by the inhabitants of the town, and by planters from the Juiz de Fora region. The Seção could not help noticing that both petitions were "signed" in block letters using the same handwriting, instead of bearing proper signatures. They were also turned down. There was nothing the government could do and, also, it could never suggest to institutions like the Bank of Brazil that they lend long against dubious collateral.

In essence, here were two requests, made by a very influential *fazendeiro* family from São Paulo and ordinary *mineiro* planters. On both occasions the Committee positioned itself against lending to agriculture. Its decision was both legalistic and ideological. Legalistic, because the statutes of the Bank of Brazil did not allow it to carry out that sort of operation. Also, the government could not interfere with the Bank's commercial practices, even if it were allowed to lend against mortgages. Ideological, because the Seção deemed mortgage operations naturally risky, and incompatible with issuing banks. And it was prepared to go against the demands from *fazendeiros*, in order to ensure the soundness of the banking system.

Still, "mainstream" opinions did not go unchallenged within the Seção. Throughout his mandate, Jequitinhonha maintained a position sympathetic to soft money. For example, in a consultation made in 1855, Itaboraí, as *rapporteur*, argued against granting issuing rights to a bank, to be created in the province of Paraíba. The reasons were the usual ones: the statutes did not provide sufficient guarantees for redemption of notes in gold, note circulation in the Empire was already excessive, and it was up to the Legislative to decide on such matters, not the government.⁶⁸ Jequitinhonha disagreed. He maintained that issuing banks and deposit banks

64 *Ibid.*, p. 571-2.

65 Resolution No. 801, 23 June 1865, *ibid.*, p. 575-6.

66 *Ibid.*, p. 575.

67 *Ibid.*

68 Resolution No. 404, 25 July 1855, in *SFCE*, v. III, p. 464-71.

were essentially equal. He cited Gilbart, a notorious author of the Free Banking school,⁶⁹ in order to demonstrate the operation of the multiplier mechanism.

Debtors draw against a bank, and creditors have the respective amounts deposited in their accounts. This system allows small sums of currency to perform great and important transactions. Money thus economised is employed by the bank in making advances, by means of discounts. This system, by providing additional efficiency to banking establishments, also increases the productive capital of the country.⁷⁰

Jequitinhonha's pro-bank predilections extended to the question of *vales*. When analysing the existence of privately-issued promissory notes in Maranhão, he was the only member of the Committee to position himself in favour of allowing the practice to continue.⁷¹ His view was that the shortage of small change in the province, and the problems arising from it, more than compensated any legal disposition in contrary. Yet, Itaboraí's anti-*vale* stance prevailed once again.⁷² But Jequitinhonha would not always be on the losing side. Opining in a different case, he supported minor changes in the statutes of a bank to be established in Rio, but insisted that it be allowed to issue notes.⁷³ He was in a minority position, against the opinions of Itaboraí and Abrantes. However, as *rapporteur*, his views held sway and the government authorised the creation of the Banco Industrial, Comercial e Territorial do Rio de Janeiro.

On the whole, then, the Seção de Fazenda favoured hard money policies in the 1850-70 period. This was part of its collective ideology in support of measures that would ensure the stability of the banking system and the soundness of the circulating medium. But, most significantly, hard money derived, to a large extent, from Itaboraí's position as *rapporteur* on most occasions. As the above examples show, the opinion of the *rapporteur* carried great weight in the final decisions of the Committee. Since throughout this crucial era Itaboraí was in charge of drafting the resolutions, his conservative views on monetary management ended up

69 On the Free Banking monetary school, see L. White, *Free Banking in Britain: theory, experience and debate, 1800-45*. Cambridge, Cambridge University Press, 1984.

70 Resolution No. 404, 25 July 1855, in *SFCE*, v. III, p. 470. Finally, Jequitinhonha argued that only a very narrow interpretation of the law would lead to the Legislative being responsible for authorising the establishment of banks of issue. In the end, Itaboraí's position won and the government authorised the constitution of a deposit and discount bank, not an issuing one. *Ibid.*

71 Resolution No. 561, 21 April 1860, in *SFCE*, v. IV, p. 438-40.

72 *Ibid.*

73 See Resolution No. 524, 30 September 1859, *ibid.*, p. 349-54.

serving as “the view” of the Seção de Fazenda. Without pushing too far the argument about the importance of individuals in History, there is little doubt that Itaboraí’s personal view of the world, his “ideology”, had enormous influence in the conduct of monetary and banking policy at the time. At least in the Seção de Fazenda, Jequitinhonha appeared as the natural counterweight to orthodoxy. Planters would certainly have preferred him as leading ideologue of the Committee.

4. CONCLUDING REMARKS

Both general features and idiosyncrasies emerge from the examination of the resolutions issued by the Seção de Fazenda. General features included a legalistic approach to the topics, as well as a sense of public responsibility. These traits were revealed particularly when the Committee examined requests for the opening of banks or *caixas econômicas*. On these occasions the Seção de Fazenda tended to display an orthodox view of monetary and banking matters. This combined with the legalistic approach to produce a trend towards rejecting requests that appeared to stimulate banking practices deemed too liberal. Yet, this general conservative mood in the Seção must be attributed, to a large extent, to the presence of Itaboraí. His role as *rapporteur* during most of the period definitely imbued resolutions with a generally orthodox message. This tendency would only be mitigated in the few instances when Jequitinhonha acted as *rapporteur*, and resolutions were, on the whole, more liberal.

More importantly, though, examination of the resolutions issued by the Seção de Fazenda has revealed that partisan views played no part in the discussions. Indeed, appraisal of the submissions brought to the attention of the Committee was done largely on a technical basis. In the few instances where it could be identified that the Seção was being confronted with politically-motivated consultations - as in the case of the loan requested by the Vergueiro Company to the Bank of Brazil, which was followed by similar pleas from *fazendeiros* from Minas Gerais - it showed its independence from such pressure. When taken in conjunction with its overall orthodox (hard money) stance in monetary matters, it can be concluded that, indeed, the Seção de Fazenda acted in line with rest of the Council of State. In other words, it upheld the interests of the State more than anything, having shown to be to a great extent immune from group/class interests.

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