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# The economic doctrines in the wine trade and wine production sectors: the case of Bastiat and the Port wine sector: 1850-1908

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The history of economic ideas (or doctrines) has a long tradition of popularization activists, usually, but not exclusively, defending some ideological precepts over others. This tradition is particularly clear in the 19<sup>th</sup> century and early 20<sup>th</sup> century with economists, such as Frédéric Bastiat, reaching a wide readership and get involved in polemical economic issues and policies.

This is the case of the wine production and wine trade. Bastiat is involved in the defense of free trade in the wine sector in France. His views are widely diffused in Europe. In the case of Portugal, the ideas of Bastiat are used by several authors (and, *inter alia*, Joaquim Kopke) to argue for free trade and the suppression of the restrictive system of the Port wine. This defense is also based on the converging interests of wine merchants and landowners (especially proprietors of large vineyards in the Upper Douro).

After treating the diffusion of economic ideas and the doctrine of Frédéric Bastiat in the first and second sections, I will characterize in the third one, the setting of the wine sector. Finally, I study the case of port wine with documents from archives, newspapers and pamphlets from about 1850 to 1908.

## Introduction

Who cares about Bastiat today? The “best economic journalist”, as Schumpeter put it (1954: 500), is absent of the major references of the history of economic thought of the last three decades. He sometimes appears mentioned in some studies of the Austrian tradition that is fond of either the history of economic thought or the legitimatization of the virtues of the market and the correlative suspicion of state regulation.<sup>1</sup> In other words, Bastiat seems to

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<sup>1</sup> A good and balanced overview of Austrian economics can be found in Boettke (Boettke 2002). A good illustration of the position of Austrian economists by the following argument of Israel Kirzner: “[...] the propensity of government interventions to generate tendencies toward suboptimal equilibrium configurations has

reveal either a weak contribution to economic theory or an outdated doctrinal reference or both.

The theoretical contributions of Bastiat are certainly negligible but his doctrinal approach and more importantly his own history and success in the 1840s and 1850s are worth the attention of scholars interested in the diffusion of the economic thought and the use and misuse of economic theories and doctrines in newspapers and parliamentary debates. This is what my present contribution is about. In this respect, the study of Bastiat is much more interesting when using tools from the rhetoric in addition to those from economic theory. Moreover, the importance of the political debates calls for a somewhat more sociological approach to the case of Bastiat's ideas and the issues of the Douro wine and brandy in the second half of the 19<sup>th</sup> century.

My motivation behind the study of Bastiat is to understand the process of diffusion of economic ideas and their embodiment in economic policy culture and social change. It is essentially an interest in the ability of argumentation and conviction in debates that use theoretical and empirical statements. With regard to this last aspect, I consider the contributions of rhetoric and logic converging.

## **1. Journalism and popularization of economic ideas**

I define an economic journalist as a writer whose activity is basically that of writing on economic matters in (usually daily) newspapers. This is the fundamental criterion. The case of the economic journalist is composed of non-academic economists either because they had no formal academic education in the field or tenure or because they were educated in universities or similar institutions but were not able or willing to enter in these restrictive circles. Cournot, though not very well accepted by academic economists and academicians (including both the *Académie Française* and the university), was not writing in newspapers. So he cannot be included in the population of economic journalists. Bastiat, to the contrary, is a typical economic journalist.

The membership of the set “economic journalists” is characterized by a fuzzy scale. Many bordering cases might be either excluded or included by classical set typologies. Besides that at any time sets might be blurred, through time the boundaries may often change

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certainly been amply demonstrated by economists from Bastiat to Friedman” (Kirzner 1985: 121)

for any sociological reason.

It can also be considered that some academic economists turn themselves economic journalists and the other way around, though the latter case is much less frequent. In the former, however, the activity of journalism can be seen as an extension of the academic life intruding into politics or public opinion making. In other words, academic economists can build on already acquired knowledge and at the margin write for newspapers in a first period, then extending this activity to the detriment of the scientific endeavor.

Some authors are not especially economic journalists but are worth attention because they are either members of parliaments or members of professional or sectoral associations. Those could be called either pseudo-journalists, sharing specific features with journalists, or opinion leaders or opinion makers. Many economic journalists were also either political activist or member of associations aiming at the diffusion of economic and political doctrines and ideas. This is again the case of Frédéric Bastiat.

Elements such as membership of an ideological association diffusing ideas can be construed as a secondary characteristic of an economic journalist, reinforcing its inclusion in the set.

It is important to see that the popularization of economics, and its interaction with fundamental economic (and legal or social) issues such as the Great Depression, or any project of statute, is part of the making of economics when we include the scientific practice in its socio-cultural context.

By economic dogma, I mean fundamental postulate or a set of assumptions whose proponents are more or less unwilling to discuss. These are often, but not exclusively, ideological dogmas. This has to be distinguished from economic doctrines. To be more precise, I distinguish five terms: dogmas, doctrines, ideas, concepts and theories.

On one extreme, a dogma can be understood as a religious principle, as James Orr once put it: “Dogma, I take to be a formulation of doctrine stamped with ecclesiastical authority” (Orr 1897: 24). Of course, I do not go so far as that and associate economic doctrines to dogmas. A doctrine could then be defined as an intermediary position between dogmas or opinions and the scientific propositions. Doctrines still have a component based on opinion or *doxa* that is base on the authority argument (and often synonymous of fallacy). Ideas are loose terms that are part of doctrines but are neither dogmas nor concepts. Bastiat’s arguments are full of this type of economic ideas and not so much concepts and theories.

The notion of concept is a set of structural ideas with a loose hierarchy and precise relations between the ideas and terms that compose the concept. Concepts are relational notions much more reflected than ideas.

Finally, at the other extreme, the notion of theory is a structured set of concepts integrated in a rather well organized hierarchy and specific structural relations between these very concepts. Theories are designed for explanations and abstraction on a wider scope than just concepts. They have a unifying ability in such a way that it makes sense to talk about core hypothesis in scientific program like Lakatos emphasized.

This succession of five notions corresponds to what has been thought of as scientific progress. However, these categories are not necessarily exclusive and theories can contain elements of opinions (what Durkheim defined as “pré-notions”, preconceptions). In other words, these five notions are often endowed with blurred boundaries. Moreover, economic ideas and economic theories emerge and evolve in a mix of dogmas, doctrines, opinions, other economic ideas and theories, all in a given cultural context. This does not mean that theories and concept do not acquire some essential autonomy. On the side of dogmas and doctrines we find cultural history, at the level of ideas and concepts, we have intellectual history, and finally, at the level of theories, we have the scientific culture.<sup>2</sup>

Another important notion related to doctrines, diffusion of economic ideas, political debates and the “creation” of economics as vocation is the vulgarization or popularization of these ideas and concepts relevant to economics and the economists. The diffusion of ideas through the channel of vulgarization and journalism has been neglected by scholars, compared to the academic environments diffusing ideas through universities circles, learned societies, scientific journals, textbooks and academies. This process of diffusion through journalism is an important complement to the internationalization of economic ideas.

Economics can be considered a social construction, artificial body of knowledge about a selected realm of reality and experience. Saying that economics is socially constructed – a social construction of a specific body of knowledge is interesting but it lacks a clear definition and a background of explanatory mechanisms. This construction of science is based on several social mechanisms; among several aspects we can emphasize: communication, the role of institutions and the role of professions. I do not discuss the role of institutions for lack of time and space, but this could be done more adequately with a thorough study of the

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<sup>2</sup> I make no pretension about the concepts I use here and no ambition about the philosophy of science.

various mechanisms of diffusion, each complementary of one another. In the case of the Port wine, the institutions are the *Companhia Geral*, the *Associação Comercial do Porto*, the City of Porto, the Parliamentary Commissions on wine and agriculture, the British Association of Porto, and the cultural aspects of the production and trade of Upper Douro wines.<sup>3</sup>

The role of professions is not studied in the present paper. The professionalization of economics and the emergence of an economic profession, no matter how small it was at that time, for the implementation of economic policies and the necessity of human resources for the expanding national and regional bureaucracies, are an aspect that bears influence on the diffusion process. In the present case, this last factor is not relevant.<sup>4</sup>

## **2. Bastiat and the diffusion of economic ideas (doctrines)**

Today, Bastiat is basically non-existent in any major textbook on the history of economics (or economic thought).<sup>5</sup> I would like to start by the general appraisal of the importance of Bastiat that can be considered the dominant view today, if the hypothesis of almost total oblivion is excluded: “Frédéric Bastiat, [...] a strong free trader and laissez-faire enthusiast, [...] played merrily on the surface of the free trade argument has ever since been the delight of many. [...] Admired by sympathizers, reviled by opponents, his name might have gone down to posterity as the most brilliant economic journalist who ever lived” (Schumpeter 1954: 500). However, if Schumpeter recognized some “good ideas” in the work of Bastiat, he denied any theoretical value: “I do not hold that Bastiat was a bad theorist. I hold that he was no theorist. This fact was bound to tell in what was essentially a venture in theory, but does not affect any other merits of his” (Schumpeter 1954: 500). And other merits, at the level of economic journalism and debates over economic issues, his works surely have some that I will make use of in the next sections.

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<sup>3</sup> In the present study, I do not discuss the notion of institution. It encompasses both typical organizations in the usual sense of the word and stable sets of social and economic norms. For further discussion on that matter see Hodgson (2000, 2002c, 2003, 2004a, 2004b). I have also developed briefly the notion of institutions applied to the case of the port.-wine regulation in the late 18<sup>th</sup> and early 19<sup>th</sup> centuries (Jacquinet forthcoming).

<sup>4</sup> There is an interesting treatment of the profession of economists by Joseph Spengler in a paper on the state of the history of economics (Spengler 1968).

<sup>5</sup> Several authors could be cited that are used as reference books for the history of economic thought and that make reference to Bastiat (Blaug 1979, 1986, Ekelund and Hébert 1997, Samuels, Biddle and Davis 2003).

Claude-Frédéric Bastiat,<sup>6</sup> born in 1801 was one of the leading *French optimists* of the late 1830s and early 1850s (he died on December 29 1850), a part of the liberal school.<sup>7</sup> If he was one of the members of that school and probably the best known, today his importance has almost vanished. His scientific contributions, although not non-existent, are rather limited. This was the dominant view (Gide and Rist 1926: 379–410, Schumpeter 1954). His importance for the history of economic thought lies in the history of doctrines and in its influence in the general discussion of economic and policy issues.

In 1846 he created in Bordeaux the association for free-trade and then in Paris continued to work for the advancement of the free trade association and continued to write articles on different economic subjects. He was also member of the regional assembly of Landes and later deputy at the National Assembly (*Assemblée Nationale*). He was eight times member as vice-president of the Finance Comity of the Parliament.

The works of Bastiat are also important because of their rhetorical value; Bastiat, like Jeremy Bentham, on a different level, was a reformer, moralist and polemist. Both dedicated some attention to vicious reasoning, Bastiat wrote two books on sophisms called *Sophismes économiques* and Bentham wrote some papers on fallacious reasoning that appeared under the title *Handbook of Political Fallacies*. The importance of Bastiat ideas, besides the attention on rhetorics, is not as much in the evolution of economic theory and economic history as in concrete issues like the generation and distribution of wealth, efficiency and economic transactions. Compared to classical economists, his writings emphasize more the problem of class interests and group interests.<sup>8</sup>

Bastiat used to be classified as a journalist (Schumpeter 1954) or vulgar economist (Marx) or French Liberal (Ingram 1888). Moreover, Bastiat's ideas and combat was either supported or followed by other French economists like Charles Dunoyer, Charles Comte, Michel Chevalier and Gustave de Molinari in a context of almost complete dominance of liberals in academic institutions, including the *Collège de France* with Jean-Baptiste Say,

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6 Claude-Frédéric Bastiat is usually referred to as Frédéric Bastiat. His short name Frédéric is the one that appears in all the publications of the author in French. From now on we will either use Frédéric Bastiat or simply Bastiat.

7 I follow the designation *Les optimistes* adopted by Charles Gide and Charles Rist in their book *Histoire des doctrines économiques depuis les physiocrates jusqu'à nos jours* (1926). Even though their study is quite dated, it is still one of the best treatments of Bastiat economic works and their context.

<sup>8</sup> If Adam Smith in the *Wealth of Nations* gives a special emphasis on the interests of British merchants in the East Indian trade, most classical writes do not take the same historical treatment of such matters. Bastiat, analyzing economic policies, such the trade restrictions, emphasizes the interests of specific groups, more often than not against the general population (of consumers).

Pelegrino Rossi, Michel Chevalier and Paul Leroy–Beaulieu. There was a rather clear division of labor among French optimists: the journalists were dealing mainly with economic policy and, occasionally, doctrinal issues while the economist in the academic sphere, restraining from journalism, were treating the economic ideas of the scientific authorities such as Smith, Ricardo, Say and the Physiocrats. Both groups selected the ideas worth diffusion and those that need to be countered in the proper arena be that the newspapers or the University.

Bastiat's articles in newspapers and books appear in France in a context of decreasing momentum of the influence of socialist writers. The relative decay of socialist economists and the rising influence of Bastiat and laissez–faire ultras are at their extreme in the immediate years following the debacle of 1848 and the creation of the Second Empire with Napoléon III as monarch. It is a time when Bastiat's reputation is high and the diffusion of his ideas at its highest in France.

The case of Bastiat is an interesting one for studying the international diffusion of economic ideas for a number of reasons. First, Bastiat is an important thread of an international network of diffusion of liberal economic doctrines. Without entering any dispute on the originality of Bastiat versus Cobden and other members of the Manchester School, there is no doubt that Bastiat was influenced by (1) Cobden and the Manchester School, (2) the general case about free trade, (3) Jean–Baptiste Say and the French *idéologues*, and (4) other close collaborators or acquaintances among friends and economic journalists.

The other aspect of the diffusion of Bastiat's arguments is the exportation across the frontiers to several countries: Italy, Spain, Portugal, Austria and the United States (Cossa 1899). In the case of Portugal, the influence of Smith on José da Silva Lisboa, Ricardo, Malthus on F. S Constancio and Jean–Baptiste Say on Adriano Forjaz Sampaio are evident (Cossa 1899: 443–444, Cardoso 1989, Almodovar 1995, Cardoso 1997, Almodovar and Cardoso 1998, Almodovar 2001, Cardoso 2001).

Bastiat's influence is decaying in the 1880s but can still be found frequently as a reference for either those advocating free trade or the suppression of strong state regulation or even more simply against the existence of taxes that impede trade or competitiveness (as it is the case in the restriction of brandy imports, especially from 1843 to 1865).

The final point about Bastiat is the interest he gave to the wine question in France during the late 1830s and the 1840s, periods of intense debate over protection and subsidies for the sector. His opposition to any restrictive measure and state regulation is clear. This



position was adopted in Portugal by several authors and influential figures of the trading association of Porto and the liberal movements of the city. This is the most obvious link of the diffusion of the liberal ideas of Bastiat and French optimists and Portuguese counterparts.

In a paper published in the *Journal des Économistes* in January 1841, with the title “Le Fisc et la vigne”, Bastiat treats the issue of taxes and the production and trade of alcoholic beverage, namely wine. The tax system was creating discrimination for the producers that were located in one district and selling the wine in the next, contiguous district. Bastiat arguments the case for its lack of fairness for small winegrower that practiced themselves wine trade on a regional scale. He proposes the use of the association right for the winegrowers for changing the situation through negotiations. Something that is quite similar in the workings of the port–wine trade among the wine merchants of Porto.

In another paper, presented at the Société d’Agriculture, Commerce, Arts et Sciences of the Landes department, in January 1843, he inquires the causes of the distress of the wine production of the department. He questions the responsibility of the winegrowers, their attitude toward the improvement of culture and production. Again a similar argument is used in the Portuguese case.

### **3. Main features of the port–wine sector**

During the 18<sup>th</sup> and 19<sup>th</sup> centuries, the Douro wine trade was one of the most important economic sectors in Portugal (Pereira 1971, Bennett 1990, Martins 1990, Pereira 1991, Bennett 1994, Martins 1998, Pereira 1998). It was by far the first wine production area both in quantity and quality. If wine often covered half of the imports, the port wine often corresponded to 20 to 20% of the total value of imports. It was one of the main tax receipts for the state treasure and it constituted an important element of the Portuguese economy given the increasing or continual difficulties of the country and the state from the time of the French invasions (1807–1811) to the end of the monarchy in 1910 (and even beyond).

This region, referred to as Alto Douro or Upper Douro, is of a distinctive geographical character, both compared to the East and to the West parts of the river.<sup>9</sup>

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<sup>9</sup> There were some historical competitors to the Port wine like the Xerex or Jerez de la Frontera, liquor that occupied an intermediary position between plain wines and whiskies and other strong liquors.

Above all, looking at the very location of the region in Portugal, it is important to notice the distance that exists between the Douro region, where the Port wine was and is still produced, and the City of Porto, where the wine was stocked (in Vila Nova de Gaia, to be more precise) and shipped, and where most of the trade occurred.<sup>10</sup> It was also in Porto that most of the resources from trade and the taxes on wine were spent or invested, reinforcing the relative position of the city with regard to the production area of the Upper Douro.

This distance between the two distinct spaces is relevant for understanding some of the changes of the sector. On the one hand, the Douro region is the place where the grapes grow and where the wine is made whilst Porto is the city where most of the trading companies and merchants were and still are, where the R&D and the technological training are concentrated.

The technology of blending Port was also concentrated in Porto and Vila Nova de Gaia, like it is still today almost exclusively in Vila Nova de Gaia.

The production area extends itself from the Spanish boarder to Mesão Frio and corresponds to its maximum extension, so as the current legal area of Port wine and the Douro denomination of origin (DOC).<sup>11</sup> The production and demarcated area were not always similar. With the 1756 reform, after a long history of more or less autonomous regulation within the limits of an absolutist monarchy, only one sixth of the current demarcation was selected by Pombal's legal demarcation, in what is called the Baixo and Cima Corgo.<sup>12</sup> Afterwards, the official geographical extension extended Eastward until the beginning of the last century, with a new delimitation by João Franco in 1907.

To understand the period under scrutiny (1850–1908) it is important to grasp some of the important historical landmarks in the preceding hundred years or so. The year 1756 is the beginning of a strong regulatory system imposed by the state with the collaboration of important Porto merchants and prominent owners of Upper Douro vineyards. The scheme is partly designed by the Marquis of Pombal that supervises the establishment and growth of the

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<sup>10</sup> I must note that from 1985 onwards, the new legislation allows for stocking the barrels of Port wine in the producing area and not necessarily in Vila Nova de Gaia where most of the store houses (lodges) or warehouses (*armazens do vinho do Porto*) are located.

<sup>11</sup> Região Demarcada do Douro (RDD) is the generic term for the demarcation area through time. It is only in the late century that the DOC and other denominations have spread internationally and been defined with a controlling entity, here the IVP and the Casa do Douro.

<sup>12</sup> The area of the demarcated area in the late 1750s was 40 thousands hectares while the current demarcation area is about 250 thousands hectares. I have to acknowledge the pertinacious remarks made by Gaspar Martins Pereira on a previous version of the present introduction.

regulatory body of the sector: the *Companhia Geral*. From the 1770s to the 1800s, the port wine trade is living its golden age (Bennett 1990, 1992, 1992-93). From the 1820s onwards, some liberalizations are under way in different economic sectors, but the port–wine will have an history of its own. The two periods of liberalizations – 1820s and 1830s, firstly, and the 1860s, secondly, will not resolve most of the problems that the sector has to face: frauds, high costs, alternation of bad and good years and high and limited production, uncertainty on the quality of the wine produced and sold, decline of the main export market (the United Kingdom) and overproduction.

The first crisis in the new system occurs at the time of the French invasions. The exports of the sector first stalled, and then decreased substantially until 1813. The recovery and the return of the British shippers to prominence are rather slow and almost complete after 1833.

After some vicissitudes, the regulatory body is extinguished in the 1830s and reestablished a few years later with some of its prerogatives reinforced in the 1840s that are at the center of the debates and the focus of the analysis in the next section.

Most of the documents consulted are from the 1850s, 1860s and 1890s, two periods of great uncertainty in the sector, especially about the future with either an agonizing regulatory body, the *Companhia Geral*, that produced as much disorder as order in the production and trade of port–wine (until 1865) or, in the last decade of the century, rising competition from other Portuguese regions and an accentuated decline in relative terms of the British market. The debates make use of economic arguments as I will show in the next section.<sup>13</sup>

The overall evolution of the sector is not very positive, prices are stagnant or even decreasing as can be seen from the data of David Justino for four localities that sell wines in or from the Douro (Justino 1988). In Porto the trend is downward and corresponds to a general situation for the Douro wines either for consumption in the City or its exportation to Brazil and Europe.

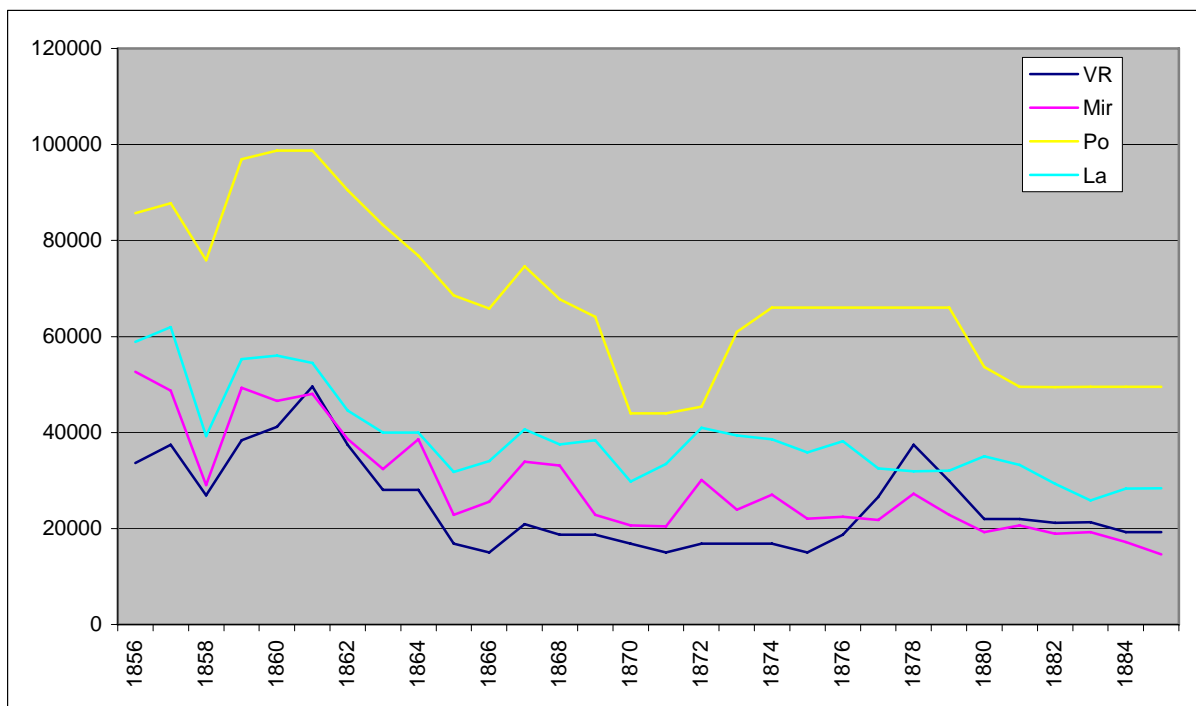
I insist that during the period under study there is an important change in the relative prices in the wine production in the Douro. The cost of producing wines in the Douro area has increased substantially in the second half of the 19<sup>th</sup> century for several reasons. First, there is

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<sup>13</sup> The period chosen correspond to (1) a difficult time for the port-wine producers and merchants, (2) a recurrent debate on the wine, brandy and Douro issues in the parliament and newspapers. The parliament in the 1830s created a section on agriculture and an ad hoc commission on the problem of Portuguese wines, an issue dominated by the Upper Douro wines and their setbacks.

evidence of labor scarcity for working in the vineyards that have a difficult access. Second, the vine blights – the oidium in the 1840s-1850s and the phylloxera in the 1860s-1880s – imposed new ways of treating the vineyard with the use of chemicals and the use of American rootstocks. Third, the use of brandy seems to have increased (Bennett 2005). Finally, the British wine merchants have changed their requirements, insisting on quality and giving more and more instruction on how to make the wine.

Table 1: Evolution of prices (reis) per pipe from 1856 to 1885<sup>14</sup>

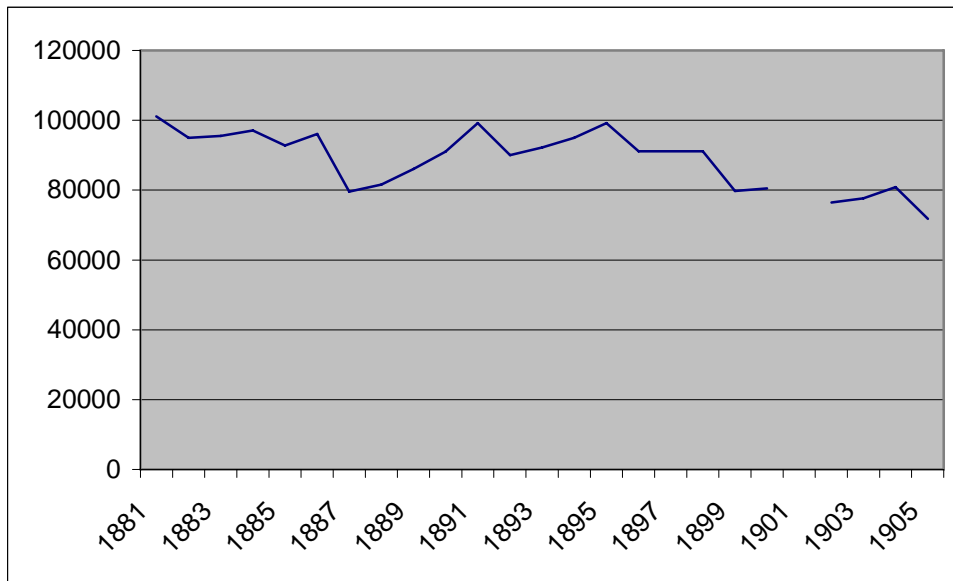


Legend: VR Vila Rea, Mir, Miranda, Po Porto, La Lamego.

From the export prices of port-wine from the city of Porto, a smooth downward trend is obvious in the second graph. This explains the preoccupation of the members of the trading associations in Porto and the wine merchants of the city in general. In the newspapers comments on the wine market, especially when annual figures appear in January of the previous year or the monthly data of each preceding month, the comments reveal a concern for the stagnation of the trade, both in quantities and in prices.

<sup>14</sup> From David Justino (Justino 1988). xxx Vol I 326

Figure 2: Export prices in reis from 1881 to 1904 per pie of wine.<sup>15</sup>



#### 4. The liberal defense of the unrestricted port–wine system and its demise

In this section, I will base most of my argument to a representative and influential figure of the port–wine industry: the Barão de Massarelos, Joaquim Augusto Kopke, the last member of the Kopke family active in the wine trade. The establishment of the family in the city of Porto is due to Christiano Kopke who in 1638 started a trading business in Portuguese staples, first, and, shortly after this start, entered the trade of Douro wines with a relative success and successive generations of the family run the business until the middle of the 19<sup>th</sup> century.<sup>16</sup>

<sup>15</sup> The sources of the prices are from my own calculation on the figures published in the journal *O Comércio do Porto* from several issues. The prices given are estimations of the Alfândega, the Custom House, in Porto. Prices differ according to the destination: the most expensive wines are for the British and the German market, the cheapest for the Brazilian market. I have taken the average price, i.e. the overall value of exports divided by the total export expresses in pipes.

<sup>16</sup> Other intellectuals are important, both for the political debates, mainly in Parliament, and for the “Wine issue” (*A questão dos Vinhos*). One figure that wrote abundantly on wine issue is James Forrester, wine merchant and essayist. He wrote a defense of laissez-faire against the restrictive system in his “Considerações acerca da Carta de Lei de 21 de Abril de 1843” that the Barão de Massarelos intensively criticized (CP, several issues from April to December 1859). As Massarelos, Forrester criticized the arbitrariness of the Companhia and the inefficient system of control as well as the absurdity of the system of *guias* or *bilhetes*, a system that divided wine in two categories, one exportable and accompanied by a written authorization (*guia*). Often these authorizations were negotiated on a parallel market and secondary quality wine was often used and transported with authorizations that other wine merchants or winemakers sold. Forrester, however, presents a much deeper

The association of Joaquim Kopke to a shipping firm is an important explanatory factor of his defense of free trade, a position similar to that of James Forrester and other wine merchants (Forrester 1844, Forrester 1854).<sup>17</sup>

Joaquim Augusto Kopke was also president of the Associação Comercial do Porto, a powerful association of merchants and industrialists in the Porto area that defended liberalization of trade through lowering of import and export duties and what we could call today de-regulation, if this concept makes sense.<sup>18</sup>

In April 1859, Kopke makes some proposals for lowering among other things the duties on Douro wine export. Forrester made a similar claim but he proposed lowering export duties in Portugal and import duties in the United-Kingdom.

The proposal will meet mitigated success. In the UK, tariffs will be lowered, but not substantially given the new methods for calculating wine duties (Forrester 1854). Moreover, the changes in tariffs for are related to other issues and tariffs for other industries. In Portugal, export taxes were reduced but given the financial needs of the state during all the period, duties on wine will be maintained as necessary receipts for the Treasury.

In the 1850s and 1860s, Joaquim Kopke has written on several occasions on the issue of the Douro crisis, not just the crisis of the oidium and the phylloxera, but also the overall crisis of overproduction and opposition of interests between the winemakers in the Upper Douro and the wine merchants in Vila Nova de Gaia and Porto.

As I explained previously, the 1850s are characterized by important changes in the organization of the port-wine sector. The crisis is affecting both the producers and merchants. The oidium is attacking the vineyards and production drops considerably. The effect on winemaker is stronger than merchant. The latter was able to reduce excessive stocks whereas the former saw the production reduced severely.<sup>19</sup> This problem appeared once more with the phylloxera crisis in the late 1860s and the next two decades.

Three themes are clearly distinguished in the debates of the liberals. The first one is the question of brandy, a specific problem for the port-wine, the second issue is about the

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analysis of the technology in use and the process of production.

<sup>17</sup> See the different letters published in the CP during the period by Moser, Graham, Gyrão, Forrester, Cockburns and other shippers.

<sup>18</sup> De-regulation is in itself a new regulation that first destroys the old regulation and second substitutes it by a new one.

<sup>19</sup> Several issues of the journal *O Comércio do Porto* (referred to CP onwards) in 1854 and 1855 give cases of 40 to 80 per cent plummeting of wine production. Ninety per cent is probably exaggerated as an overall appraisal of the impact of the disease. It was, however, frequently referred to in particular cases of specific quintas.

general case of free trade that pervades all the members of the *Associação Comercial do Porto*, across different industries, and the third one is about the regulations of the port–wine production, transport and trade that concern the producers in the Douro, the merchants in Vila Nova de Gaia and Porto.<sup>20</sup> I will tackle each of these themes now.

A subject of heating debates in the port–wine trade was the use of brandy and the problems of getting the right brandy at the right time. Brandy was that indispensable article for the port–wine (Bennett 2005). Indeed, brandy or spirit (usually wine spirit) was added to the wine at several occasions (vintage time, transport time from the Douro, arrival at Vila Nova de Gaia and shipping time).<sup>21</sup>

It is important here to understand that port–wine is a special wine, a fortified wine, i.e., one to which it is added spirit, usually wine spirit or brandy. This permitted to increase the alcohol content of the wine, to transport better the wine, to avoid spoilage and the negative effects of summer heat. The usual amount of wine spirit that was added varied greatly, but in general between 10 to 20 per cent. The production of brandy was usually made from wine and between 5 to 10 pipes of wine were necessary for making one pipe of brandy, depending of the quality of the wine used.<sup>22</sup>

The problem of brandy is a constant one from the 1760s, at least since port–wine is port, to the 1930s. This is basically a problem of supply both in terms of quantity and quality. Controlled by the *Companhia Geral* during the 1760s through the 1800s that exercised a monopoly for producing it in the Northern provinces that the Douro river crosses. Often, the brandy was not supplied in sufficient quantities, at the convenient time (from October to November and January to March, then later when wine was already in Vila Nova de Gaia) and finally sometime of low or uncertain quality. This latter case has to do with the use of either spirits not coming from wine or contraband brandy.

There was a serious risk of spoiling the wine if brandy was not added properly at the

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<sup>20</sup> During the period under review, Vila Nova de Gaia was already the main deposit of port–wine but most of the merchants, especially the British merchants had residence in the city of Porto where the majority of commercial transactions occurred: buying wine spirit, wine, meeting at the British Association, etc.

<sup>21</sup> It must be said that brandy is strictly speaking wine spirit (from the Dutch *brand wijn*, burnt wine or distilled wine at a time the Dutch were changing the wine trade in Europe and introduced the distillation of wine in several wine producing countries). The general word for *aguardente* is spirit and wine spirit is translated as *aguardente vínica*. Besides spirit from wine, there are other types of spirits from cereals that were later used in the port–wine production but were usually considered lower quality and able to spoil the good vintages. So the word brandy is often used as synonymous of spirit. This is a general practice in the port–wine trade.

<sup>22</sup> Norman Bennett studied extensively the use of brandy in the port–wine, filling a very important gap in the systematic understanding of the evolution of the port–wine in the last three centuries (Bennett 2005).

right (especially right after the vintage and before transport from the Upper Douro or from Vila Nova de Gaia).

From the 1850s onwards, the evolution of market for brandy changed in three ways: first, supplying of Spanish brandy increased in the northern territories to satisfy the needs of the winegrowers given that it was usual for merchants to buy wine in the Douro that was already fortified, even lightly. Second, brandy was more and more introduced from other wine producing areas of Portugal (Minho, Ribatejo and Sul, i.e., Algarve and Alentejo). This change generated heated debates all through the 1930s as can be seen in the journals *O Comércio do Porto*, *A Vinha* and other newspapers. Third, the short supply of wine, either in the Douro or in the vicinity created a lack of brandy that was translated of higher prices. This recurrent undersupply of brandy stimulated imports of spirit made from cereals (*aguardente de cereaes*, as it is referred to in the documentation).

The free traders, like the Barão de Massarelos, were opposing the taxes on imports for spirits made from wine and cereals because these taxes tended to crowd out the good (wine) spirit and gave an unmerited reward to low quality brandy that were not made of wine.

The second theme in the economic debates on wine trade is the general case for free trade and an opposition to the impediments against exports of Portuguese products (such as port-wine) and the crucial imports (such as the foreign made brandy). This debate pervades all the discussion of the different economic sectors of the Porto area and the parliamentary debates as well at the National Assembly.<sup>23</sup>

The documents in the Parliament reveal a quite complex situation; in addition to the Douro question other issues are raised like the protection of the other wine producing regions. And the requests are not just those in favor of plain free trade or the protection of the Upper Douro, but one of multiple requests in many directions.

For example, in a petition to the Assembly, João Pais de Faria in July 1838 describes the decline in wine exports of the regions of Torres Vedras (North of Lisbon) and asks for legal protection and treaties of commerce for animating the sector sales. He refers, as it is

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<sup>23</sup> The documents of the Parliament are either the transcriptions of the debates in the different *Diarios* (Journals) and the manuscripts of section 1 on any subject (*Câmara dos Deputados*, *Câmara dos Pares*) and section 2 especially those on agriculture and wine matters (*Comissão de Agricultura*, 1833–1910, and *Comissão Especial dos vinhos*, 1833–1861). Additionally, other documents are available at the library such as the pamphlets and proposals sent by members of the *Associação Comercial do Porto*, among others. In the latter case, the arguments of the Barão de Massarelos can be found in several copies of his brochure on the port-wine system. This document can also be found in the National Archives, ANTT MOPCI maço 1008.



often the case, to the brilliant past of the wine trade of the country that was at the time a sweet memory and a typical way of arguing for the legitimate right to protect the winegrowers.<sup>24</sup> Other documents reveal a variety of demands: the reinforcement of the privileges of the Companhia Geral, the suppression of the same Companhia, the creation for other regions of a company without exclusive rights for exports, the proposal from different regions to promote and protect the wine produced there.<sup>25</sup>

In a letter published in 1859 in the newspaper *O Comércio do Porto*, Joaquim Kopke insists on his continuous fight for free-trade for wines, and especially Douro wines.<sup>26</sup> Already in 1835 no *Diário do Porto* (February 16), the then president of the Associação Comercial do Porto, Arnaldo Vanzeller, proposed a bill for reducing the taxes on wine exports.<sup>27</sup> What is new with the Barão de Massarelos, is the inclusion of other claims such as the suppression of the arbitrariness of the wine tasting and the inclusion of economic arguments like efficiency and a simple cost-benefit analysis. If the cost of a pipe of wine in the Douro is about 15 thousand reis and the taxes about 12 thousands reis plus the taxes that are included in the brandy imported for making port, then the total cost of a pipe of port wine is doubled already from its exit from the Douro. The Barão de Massarelos concludes that, given the increase competition from Spanish and French wines in the British market, this “artificial” increase in cost (as he called it) hinders the competitiveness of wine merchants and the whole sector, including the winegrowers. In the argumentation of Joaquim Köpke, and other liberals that can be identified with the side of the wine shippers, there is a unity of interest between the winegrowers and the wine merchants and obviously all that is in favor of the wine merchant is in favor of the wine grower.<sup>28</sup>

The third issue that is part of the liberal credo is the opposition to the restrictive system, as it is known in the documents (Forrester and Massarelos used these words extensively), or what could be best described as the overall regulation of the port-wine system. There is a multiplicity of regulation systems possible, one is inspired in privileged

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<sup>24</sup> Arquivo Histórico da Assembleia da República (AHAR), Section I and II, caixa 209.

<sup>25</sup> AHAR, mainly maço 209; but also maço 37, maço 44, maço 73; ANTT, maço 1008.

<sup>26</sup> *O Comércio do Porto*, April 12th 1859, p. 1: “...há mais de vinte anos tenho combatido a prol da liberdade do comércio dos vinhos ...”; Massarelos was a member of the liberal movement and former official of the liberal army, service that allowed him to be granted the title of Baron in 1847 by Queen Maria II. This is a typical case of individual that was well connected to the monarchy and the political power of the time.

<sup>27</sup> AHAR, caixa 209, containing a copy of the newspaper and several folios of notes from the Commission on wine.

<sup>28</sup> ANTT MOPCI maço 1008; CP April 12 1859, CP June 19, CP September 22, CP October 28 and November 8 and 12, 1859.

companies such as the Companhia Geral, and others are inspired in more or less restrictive system with or without a powerful regulating body. Others, still, are conceptions much closer to the position held by free-traders such as the Manchester School of the Paris Group (French liberals like Bastiat).

The first attempt at liberalization occurs in the 1820s and early 1830s. It is not a stable system, as in 1838 the regulating body, the Companhia, is reinstated. The debates continue and intensify in the 1850s with a rising momentum in favor of liberalism. This is when the Barão de Massarelos actively defend the free trade and the suppression of the regulation system that imposes burdens on the wine merchants.

The great problem for the transformation of the legal and formal “restrictive” system is not essentially one of economic doctrine or ideology, but one that is related to the financial difficulties that the economy and the Portuguese state encountered in a recurrent manner during the years 1807–1840 and 1880–1929. During these periods the state cannot just suppress the taxes on wine exports and brandy imports because of the difficulty of finding alternative fiscal revenues that can be as easily obtained as through the Customs (*Alfândegas*) and privileged companies.<sup>29</sup>

The problems of regulation continued on and on in the period of the recuperation from the terrible blight: the phylloxera. The winegrowers, because of the crises of the oidium and the phylloxera, needed external help and sought ways of surviving in the making of their wine. Paradoxically, the period of liberalization corresponds to an increase of intervention from the once Ministry of Agriculture, the Ministério das Obras Públicas, Comércio e Indústria.

The year 1865 marks the end of the Companhia Geral as a regulating entity and its transformation into a mere trading firm whose importance, already greatly affected by the civil war of 1833, its temporary extinction from 1834 to 1838, has nothing to do with the previous periods (the Pombaline period of 1756 to 1777 and the end of the absolutism from 1777 to 1820).

This is one of the causes of the waning liberal arguments of the type found in Bastiat’s works and those advanced by the Barão de Massarelos. The central object of discord, the Companhia, no longer exists. Nevertheless, liberal ideas and liberalism are still striving in

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<sup>29</sup> The *Companhia* is collecting important taxes on the wine trade such as the *subsídio literário* and the different taxes for public works in the Douro and the city of Porto. Documents of this problem can be found at the AHMOP, ANTT, AHTC and the AHRCV. Xxx to complete xxx

parliamentary debates, especially in debates in other economic sectors, because the withdrawal of the state regulation of the wine trade of the Douro wines has not come to an end and because the problems of the winegrowers in the region are not resolved. New problems appeared like the competition from the wine South of the Douro river.

The 20<sup>th</sup> century is one of general crisis in the European wine industry with an overall overproduction following the recuperation from the phylloxera blight (Gide 1907). This leads to a regained demand for state regulation and Portugal is no exception to that. In 1906–1907 proposals to change the law and the whole regulatory system of the sector are a response to these demands and continuous problems in the Douro.<sup>30</sup> The new system is one of a rather strong regulation imposed and not negotiated like the liberals hoped for.

The solution encountered is a clear regress to restrictive regulation with the creation of the demarcation area, the legal definition of port–wine and the ambition to go further in that direction, and only implemented between 1927 to 1933. In 1908, the recent and already legal foundation is incomplete. After the fall of João Franco's dictatorship and that of the monarchy, several political crises in the 1910s and 1920s distract the attention from the Douro problems but the system and the Douro region continue with their typical problems of overproduction, falsification, competition from Southern and Central Portugal wines. The 1930s will complete the edifice with the creation of the Casa do Douro and the Instituto do Vinho do Porto and the Gremio dos Exportadores do Vinho do Porto.

The period ends up with a failure of the liberal doctrines and movements to transform the legal and regulatory basis of the port–wine system. Part of these doctrines will be used in the 1930s for the legitimization of the Corporatist structure of the Estado Novo that refuses both the socialist doctrines and the liberal credo. Indeed, one legitimization of the corporatist system of the port wine is António Batalha Reis, a reader of Frédéric Bastiat and one of the *doctrinaire* of the new system (Reis 1939).<sup>31</sup>

## Conclusions

The case for free-trade in Europe in the years following the great political changes of the 1810 and 1830s is exemplified by the French optimists, the diffusion of the ideas of the Manchester School and the British economic liberalism. Bastiat, the most typical of the

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<sup>30</sup> I refer here to the proposals of João Franco in his government before and during his dictatorial government.

<sup>31</sup> See the annotated copies of the early editions of the books of Frédéric Bastiat *Sophismes économiques* kept at the Biblioteca Nacional. xxx

French economic journalists of the liberal school, is considered here as a mean to understand the international diffusion of economic ideas and their embodiment in national and sectoral debate like the discussion of the port-wine system in newspapers and the Parliament. There is a clear sues of the liberal doctrines and economic ideas by members representing the interests of the Porto merchants as it is the case with Joaquim A. Kopke, the Barão de Massarelos.

Both Joaquim Kopke and Frédéric Bastiat held a similar view on the Harmony of classes. Bastiat considered the winegrowers and the consumers while Kopke the Porto wine merchants and the Douro wine growers. Probably both groups were interdependent, but the history of the port-wine illustrate a different story based also on conflicts and efforts to persuasion.

If I were to respond to question of the contribution of such economic journalists for the advancement of economic science, I would probably say that their impact was positive, but it could only be marginal.

On the other hand, they present a real value for understanding the economic discourse and its diffusion internationally and in the press. This study is worthwhile. Moreover, the understanding of economic issues such as the Douro wine problem, the economic discourse as an element that can shed some light on the question of the issues for different interest groups, trying to legitimize their position and justify their action.

If the theoretical contribution of Bastiat and Kopke is weak, the way they argue and the manner they write and convince their readers are worth as much as the writings of Bentham on logic and rhetoric fallacies are.

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### **Arquivo Histórico da Assembleia da República:**

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*Diário da Câmara dos Dignos Pares do Reino* (1842–1910);

Secção I and II: maços 37, 44, 208, 209;

Secção VI: caixa 2;

### **Arquivo Nacional da Torre do Tombo (ANTT):**

*Ministério das Obras Públicas Comércio e Indústria*: mç. 1008;

*Ministério do Reino*:

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*O Comércio do Porto*<sup>32</sup>

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<sup>32</sup> Daily newspaper giving informations for merchants and industrialists.

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