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A CENTURY of deficit budgets, party strife and slack administration had brought Portugal to the peak of financial disorder, political confusion and economic ruin. Agriculture, the chief source of wealth of the country, was very backward and unorganized and was losing ground, even at home, to foreign competition; what little industry there was was ill-equipped and disorderly; labour was discontented, without unity and a very pliable tool in the hands of political agitators.

This book shows how, after the establishment of internal peace and order and the rehabilitation of the State finances, a scheme of planned economy has been introduced in Portugal for the purpose of reconstruction—a real and comprehensive plan, controlling and co-ordinating what is to be produced, what prices are to be paid for the products and what is to be the remuneration of masters and of men.

The results so far obtained are fully described in the book, as also the entire technique of the organization, which is not bureaucratic but auto-directed. Incidentally, this work is a good study of the corporative system, which in Portugal has taken an excellent form and reached an advanced stage.

ECONOMIC PLANNING IN CORPORATIVE PORTUGAL

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BY

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WITH A PREFACE BY

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SUMMARY OF CONTENTS

(Chapter Sub-divisions in Italics)

CHAP. PAGE

PREFACE ix

INTRODUCTION xiii

I. THE FOUNDATIONS AND THEIR BUILDERS . . 1

Failure of democracy in Portugal and its causes—Dictatorship is set up in 1926—Century-old financial difficulties—Dr. Oliveira Salazar comes on the scene—Biographical notes on him—His plan of national reconstruction, where financial re-organization occupies the first place—Principles of financial re-organization—Their application and results—Recurring budget surpluses and their application—Public debt and interest rate reduction—*National Bank of Credit*—Deficient agricultural and industrial credit organization existing up to 1929—National Bank of Credit is created—Its constitution and funds.

II. BASIC PRINCIPLES OF THE PLAN 11

Dr. Salazar unfolds his plan—Palliatives so far used against economic crises—The root causes of economic and social ills—Christian diagnosis and Social Catholic remedy—Old corporations destroyed—Characteristics of old Portuguese corporations—Basic principles on: Wealth; State enterprise; property; capital; labour; family—Corporative organization, the instrument of the plan—Its main lines and legislation governing it—Doctrines of corporativism in general—Some prejudices against it.

III. HIGHER ORGANS OF CORPORATIVE ORGANIZATION . 19

Main categories and sub-divisions of the organs—Ministerial organs—The National Institute of Labour and Providence—Labour Courts—The Corporative Council—*The Corporative Chamber*—Its constitution and functions—Differences between Italian and Portuguese corporativism—A summary of the political constitution—Corporativism pure, mixed and subordinate.

IV. WHEAT 28

The secular wheat problem of Portugal—Causes of low production—Huge imports up to 1929—Wheat campaign started in that year—Its technique—Its results—New

CHAP. PAGE

problems raised by over-production—Organisms created to tackle them—*The National Federation of Wheat Growers—The National Federation of Millers—Commission for Regulating Coarse Flour—Bakers' Guilds of Lisbon and Oporto—The National Institute of Bread* (full details of the constitution of each organism)—Results of wheat planning as regards : (*a*) growers (also measures for agricultural development) ; (*b*) millers ; (*c*) bakers ; (*d*) consumers.

V. WINE 55

The importance of wine to Portuguese economy—The ups and downs of the industry—Production and exports up to 1933—Wine planning, its objects and how undertaken—Wine regions with distinctive characteristics—How each region has been organized—Port-wine industry—Heavy British interests therein—Its evolution since the seventeenth century—Organization begun in 1932—*Federation of the Wine-growers of the Douro Region—Guild of the Exporters of Port-wine—Institute of Port-wine—Guild of Wholesalers of Wine* (full details of the constitution of each organism)—Measures and results of wine planning as regards : (*a*) prices ; (*b*) surpluses ; (*c*) production ; (*d*) internal consumption ; (*e*) exports.

VI. FRUITS 78

Position of fruit growing in Portugal—Falling exports as against rising exports of other countries and rising world consumption—Organization started in 1933—National Board of Fruits—Guild of the Export Commerce of Fruits—Producers' Guilds—Results—Measures for the future—Commercial Orchards—Existing trees and their potentialities.

VII. RICE 85

Under-production and heavy imports of rice—Foreign dumping makes position worse—*Commission for Regulating the Commerce of Rice—Guild of Rice Millers*—General Regulations for Rice Control as regards : (*a*) producers ; (*b*) millers ; (*c*) importers and wholesalers—Results of rice planning as regards : (*a*) home production ; (*b*) imports ; (*c*) prices—Checks on prices.

VIII. CODFISH 93

Codfish an important item of people's diet—Small national production—Increasing imports ousting home production—Commission for Regulating the Commerce of Codfish—*Guild of Owners of Boats for Cod-fishing—Guild of Importers and Wholesalers of Rice and Codfish* —General Regulations for Cod Control as regards : (*a*) home production ; (*b*) imports and their allocation ; (*c*) wholesale and retail prices—Results of cod planning as regards : (*a*) production ; (*b*) imports ; (*c*) prices ; (*d*) reciprocal trade ; (*e*) insurance and social service.

CHAP. PAGE

IX. INTEGRAL ORGANIZATION OF AGRICULTURE . . 101

Reasons for organizing on commodity basis—Reasons for compulsory organization—To be voluntary in the long run—Practical reasons for integral organization—Main provisions of the law governing it—New Guilds of Agriculture similar to *Consorzi Agrari*—Co-operative objections to corporative organization and answers to them—Portuguese organization is a good kind of co-operation.

X. SARDINES 108

Brief history of sardine industry in Portugal—Disorderly production up to 1932—Co-operative organization started in that year—Its adaptation in 1935 to corporative requirements—*Guilds of Canners of Fish*—Guild of Exporters of Canned Fish—The Portuguese Institute of Canned Fish—General Regulations governing canned fish—Results of canned-fish planning as regards: (*a*) production; (*b*) exports; (*c*) prices; (*d*) credit; (*e*) services; (*f*) propaganda; (*g*) social service; (*h*) family wages.

XI. FOREST PRODUCTS 123

Pine-wood Props for Pits—A recent development in the exports of Portugal—It was disorderly—Guild of Exporters of Timber for Pits—Its results—*Resin*—Reasons for its organization—The National Board of Resin—Its results—*Cork*—Prominence of Portugal in the production and export of cork—Manufacture and export deficient and disorderly—National Board of Cork to correct the situation—*Olive Oil*—Production and consumption of olive oil in Portugal—Falling exports—Guild of Exporters of Olive Oil—State subsidy to exports—Results.

XII. MANUFACTURING INDUSTRIES 130

Restriction of Industries—Reasons for restriction—Its provisional measures—Provisions of the Charter of National Labour governing restriction—Provisions of law No. 1,956 regarding the same—Reasons for gradual planning—*Woollen Mills*—Progress and present state of the industry—Why organization was necessary—The National Federation of Woollen Mill Owners—Its objects and results—*Cotton Mills*—Their progress and present situation—Reasons for controlling raw-cotton imports—Commission for Regulating the Commerce of Raw Cotton—Its objects and composition.

XIII. SERVICES 139

Insurance—Reasons for control—The Guild of Assurers—Its constitution and achievements—*Motor Transport*—Its plight before organization—The Guild of Motor Transport—Its constitution and activities—*Banking*—Re-organization of the Bank of Portugal and of the monetary system—Control of commercial banking and main provisions of the law governing it—Guild of Banks and Banking Houses—Its constitution.

CHAP. PAGE

XIV. LABOUR ORGANIZATION 150

Principles of labour organization—Differences between corporations and classes—*National Syndicates*—Their constitution, numbers and activities—*People's Houses*—Their importance—Conditions that made them necessary—Measures to speed primary education—Constitution, numbers and activities of the "houses"—Collective contracts of labour—*Fishermen's Houses*—Admirable confraternities of old—Fishermen's Houses their heirs and successors—Constitution of the "houses"—*Social Insurance*—Principles on which it has been built—*Syndical Institutes of Providence*—Their constitution and benefits—Assistance Funds—Control and administration of the institutes—*Social Insurance under People's Houses*—Its constitution and benefits—*Social Insurance under Fishermen's Houses*—Its pressing need and probable lines—*Workmen's Compensation Insurance*: on standard lines; on corporative lines—*National Foundation for Joy in Work*—Its idealism, constitution and activities.

XV. CONCLUSION 173

Economic doctrines concerning State control—Reasons for State control in the corporative régime—Corporative doctrine on State action—Portuguese planning examined in the light of economic doctrines—Practical tests of the expediency of control—The Portuguese case in the light of those tests—Difficulties in the way of full success—The prospects for the future—Facts and figures reflecting the evolution of the general economic situation of the country—An authoritative opinion thereon—Signs of medievalism?—The true goal of Portuguese corporative planning.

BIBLIOGRAPHY 187

PREFACE

WE are living in an age rich in grandiose experiments, political, economic and social. At first sight it might be thought that the Portuguese Corporative State is one of those experiments. Nothing could be further from the truth. The Portuguese régime does not constitute a trial of any new formula ; it is only a crystallization of old truths, long ago tested by common sense.

It is true that in Portugal we speak of a revolution, and that the country differs much from what it was ten years ago. But, thank God ! revolutions are not always catastrophic—and a crisis, even in the worst illnesses, may resolve itself into health. Portugal had reached, as a result of demagogy, the peak of financial disorder, of economic ruin and of political confusion. The revolution of 1926 led us to reason : it was a crisis that saves.

Therefore, the Portuguese New State differs from the vicious democracy that preceded it, as health differs from illness. And what was this new health for Portugal ?

First : *Balanced Budgets*, which for a century had been an impossibility, and which are since 1928 an inflexible rule of our financial life and a solid basis of the whole political structure and of all the social reforms.

Second : *Discipline in Public Life.*—Foreigners often take fright at the sound of certain words, without remembering that their meaning varies with the countries. *Dictatorship, authoritarian régime* are terms antipathetic to the British peoples. But the new régime in Portugal does not deprive its citizens

of any of the essential liberties : it only provides certain conditions necessary to ensure mutual respect in social relations, obedience to law and subordination to the collective interest. These things which are beyond dispute among the British peoples were not practised in the Portuguese demagogy. So, the dictatorship in Portugal meant peace, true civicism and the rule of law.

Third : *Economic Organization.*—In our age it is impossible to think that economic prosperity may result from the unco-ordinated play of competing individual activities. In an agricultural country, especially, where the economic unity of the nation is more evident, there is an imperative need of organization. Corporativism is an ideal form of good economic organization because it constitutes a kind of self-government in each branch of production. The State intervenes in the working of the autonomous corporations, first as a teacher or trainer, then as a representative of the mass of consumers, whose interests it harmonizes with those of producers. State intervention takes, therefore, chiefly the form of co-ordinating control.

In this manner, corporativism is a movement whereby the State seeks to lead the citizens to mutual understanding as regards their common interests by means of agreements, to which it gives legal sanction. Each guild, each syndicate, is an autonomous association, with both legislative and executive functions. It is evident that if the State did not maintain control over so many autonomous authorities, there would be a relapse into feudal dispersion of power. A Government with authority (and with continuity) is, therefore, indispensable to the success of the system.

Mr. Freppel Cotta deals very scrupulously with every part of the Portuguese corporative system, together with its foundations and its results, so that those who study in English are afforded an entirely

trustworthy and complete source of information on the matter.

As the Portuguese Corporative State is still in the course of formation, we hope that this conscientious study will have many editions, in which an account will be given of the progress made and of the triumph which will, please God, finally crown the efforts of the present rulers of my country.

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INTRODUCTION

WHEN after studying co-operation in England and writing my book *Agricultural Co-operation in Fascist Italy*, I visited Portugal to investigate conditions there, I was much struck by the possibilities of a kind of co-operation that, in view of almost entire lack of effective voluntary association, was being introduced compulsorily in that country.

Voluntary co-operation, except in dairies, had not been much of a success in Ireland. In England, the model home of consumers' co-operation, because there was no agricultural co-operation capable of protecting and fostering that very important branch of production, marketing boards had been established by legislative measures for the principal commodities. In British India, if we relied on voluntary co-operation to give agriculture a much-needed lift both on the production and the marketing sides, it would probably take two or three generations before it became effective to any considerable extent. What has been said about the three countries could be applied to many others. What was being done in Portugal, where good economic and social results had been obtained within two or three years, would not, therefore, be devoid of wide interest.

Secondly, the association that had been introduced in Portugal was not limited to agriculture, but it extended to all the branches of production, whether of goods or of services. Moreover, that association was not only a means of promoting the economic and social welfare of those concerned, but it was also the instrument of giving effect to a well-laid and comprehensive scheme of planned economy, controlling and co-ordinating what was to be produced, what prices were to be put on the products and what was to be the remuneration of the masters and of the men. At the present moment, when *laissez-faire* is giving way throughout the world to more and more control, the Portuguese experiment, novel in many ways, would not, again, be devoid of wide interest, all the more so, since it is not on bureaucratic lines, but is based on auto-discipline of the activities concerned.

Thirdly, when I lived in England in 1933 and 1934 I found that very little was known there about present-day Portugal, and even the very little that appeared in the press was not sometimes well informed. Organizations of world-wide standing interested in economic and social matters were anxious to know in detail what the new régime was doing in Portugal; but very little information was available in English. Since then two publications that the writer has seen, Supplement Series No. 134 of *The Financial Times* of October, 1935, and the Report on Economic and Commercial Conditions in Portugal of the Commercial Secretary to the British Embassy in Lisbon, published by H.M. Stationery Office in October, 1936, have partly supplied the deficiency, but there is much more to be made known.

In endeavouring to serve the cause of knowledge in the directions and for the reasons indicated, I shall be as objective as possible, letting facts and figures tell their own unvarnished tale and teach their plain lesson. Nothing that might make for accuracy has been left undone. My first visit to Portugal in the winter of 1934–35 was to be a short one; but I found that there was so much to study, so stimulating the intense formative period within which there took place also the first elections to the National Assembly and the Presidency under the new constitution, and so worthy of sympathy and of admiration the gentle, withal determined and herculean, efforts of Dr. Salazar to reform old ways, to eradicate inveterate habits and to re-construct Portugal, that I tarried three months. Throughout 1935 and 1936 I followed closely, from far-away India, through official and unofficial publications, the evolution of the organization, which now extends to all the more important branches of the national economy and is nearly complete. Finally, in order to focus better the picture before presenting it to the discriminating and exacting English-speaking peoples who are averse to generalizations, I spent over four months in the spring–summer of 1937 in Portugal.

F. C.

LISBON,
July, 1937.

CHAPTER I

THE FOUNDATIONS AND THEIR BUILDERS

EVER since 1826, when the Constitutional Charter was promulgated changing the monarchy from absolute into constitutional, Portugal had been in a perpetual state of unrest. A political system had been grafted into the country which was as yet unprepared, untrained and unfit for democracy. With the Constitution the Crown lost its strength and independence, and the country became a prey to politicians.

With the advent of the Republic in 1910 conditions deteriorated considerably. However capable and well-meaning some of the leaders might be, the parties, the factions, the groups and the political centres ruled the roost for their own interests, to attain which they did not even stop short at sedition. The President of the Republic had neither power nor stability; the Parliament presented permanently a spectacle of conflicting interests, of tumult, of legislative incapacity and of obstructionism, thereby scandalizing the country and leading it almost to despair; the ministries, of which there was, in the average, one in about every four months, could not govern even if they would; there was an insurrection in about every six months.

In these circumstances it was natural that the disorder of Portugal should by 1926 have come to be a by-word in international circles, that the credit of the country should be low, its finances on the verge of bankruptcy, its economy on the brink of ruin and social unrest rampant.

The dictatorship that was set up by the army, animated by a high spirit of patriotism, on the 28th May, 1926, after a bloodless march from Braga to Lisbon, succeeded in establishing order in the country and so laying the first

foundation of national resurrection; but during the first two years of the new régime the financial and the economic situation grew if anything worse. From the days of the monarchy, for nearly a century, Portugal had been in a chronic state of financial difficulties. In the first two years of the republican régime there were two small deficits of 294 and 5,895 contos, respectively. The next two years, 1912–13 and 1913–14, showed small surplusses of 600 and 6,660 contos, respectively. Then began the uninterrupted and progressive series of deficits shown in the following table:

Year.	Contos.	Year.	Contos.
1914–15 . . .	24,897	1921–22 . . .	189,516
1915–16 . . .	37,573	1922–23 . . .	501,189
1916–17 . . .	50,367	1923–24 . . .	227,609
1917–18 . . .	86,582	1924–25 . . .	242,893
1918–19 . . .	114,584	1925–26 . . .	122,221
1919–20 . . .	77,077	1926–27 . . .	641,616
1920–21 . . .	188,254	1927–28 . . .	181,377[1]

The deficits were covered by the easy expedient of Treasury Bills, note issues without metallic or other cashable reserves, loans from the State Savings Bank and funded debts. In 1928 the external floating debt of Portugal amounted to 125,000 contos, Treasury Bills outstanding to 1,273,000 contos, loans from the State Savings Bank to 584,000 contos in addition to other items of 132,000 contos, making a total of 2,114,000 contos.[2] Treasury Bills had to pay interest as high as 11 per cent, and private loans, owing to the general want of confidence, anything between 15 to 25 per cent.[3] Public loans had to pay anything between 10 to 15 (effective) per cent p.a. interest, and the issue price varied between 42 and 50 per cent of the face value.[4] In these

[1] Cf. *Movimento Financeiro de Portugal, 1910–33*, p. 13, Imprensa Nacional, Lisbon. One conto is equal to 1,000 escudos, and at the present stabilized rate of exchange 110 escudos are equal to £1. Beginning with 5·66 escudos to the £1 in 1914, the escudo fluctuated wildly, reaching the peak at 133·95 escudos to the £1 in 1924, until it was stabilized in 1931. Cf. *Movimento Financeiro* just cited, p. 111.

[2] Cf. *Conta Geral do Estado, Ano Economico do 1934–35*, vol. I, p. xxviii. Imprensa Nacional, Lisbon.

[3] Cf. Salazar, *Discursos*, p. 50. Coimbra Editora, Limitada, Coimbra, 1935.

[4] An authoritative article, *A Verdade sôbre as Contas Públicas de 1933–34*, in the *Diário de Noticias*, of Lisbon, dated 5th February, 1935, p. 1.

circumstances the nation could just exist and its economic life was crippled.

Things took a sudden turn for better in the spring of 1928, when there came, or was prevailed upon to come, on the scene the present Prime Minister, Dr. Oliveira Salazar. Born of humble parentage in 1889, Salazar had completed the full course of studies for the priesthood in 1908, when being under age for holy orders he became a teacher and prefect in a school conducted by the clergy. Already here and at this age he became a model and an apostle of what was to mark him out in later life : a conspicuous attachment to duty, the paramount importance of high moral standards in public life and the application of the Christian doctrines of social science for uplifting society.

This was a time when the fever of Portuguese republicanism, with its preachings of liberty, equality, fraternity and laicism, was running high. Whether young Salazar realized at that time that a man of his character and abilities would in the prevailing conditions be more useful in civil life than in the religious state we cannot say. What we know is that in 1910 he gave up his intention of becoming a priest, and went to study law at the famous university of Coimbra, where he graduated with the highest distinctions, and after obtaining a doctorate was appointed professor of Economics and Finance in the same faculty. Elected by the Catholic Party to the Chamber of Deputies, Professor Salazar, sickened by the party squabbles and the play of party interests that characterized parliamentary life at that time, and despairing of doing any good for the country, abandoned the *Côrtes* within one day and returned to his beloved university and books. On the establishment of the dictatorship in 1926 he was given the Finance portfolio, but this time he did not stop more than five days : the army had restored order ; the party spirit had not, however, been as yet exorcised.

Eminent journalists have focussed the personality of Dr. Salazar as an unique blend of the professor, the high church dignitary and the ascetic—and a man against whose private life his worst enemies dare not utter a word might well

be a church dignitary and an ascetic. Quite in keeping with those qualities is the reputation that he now enjoys throughout the world as the retiring, silent, non-violent dictator of our times. How gently, yet how efficiently, he began to dictate even when only a Minister of Finance will be seen from the following conditions which he laid down when taking charge of the portfolio: (1) That every minister binds himself to limit and to organize his services within the total amount assigned to the respective ministry by the Minister of Finance; (2) that the measures taken by the various ministries must, if re-acting directly on the revenue or the expenditure of the State, be previously discussed and concerted with the Minister of Finance; (3) that the Minister of Finance can oppose his veto to all increases of current or ordinary expenditure and to development expenditure for which the necessary credit has not been created.[1]

It is also when only a Minister of Finance, a little over a month after assuming office on the 27th April, 1928, in an address to the officers of the various military units, on the 9th June, 1928, that he unfolded the plan of national reconstruction, to be effected in four stages following one another in the following order: (1) financial, (2) economic, (3) social, and (4) political. Chronic budget deficits brought about Treasury Bills at high rates of interest and inflation; these in their turn created scarce and dear capital, unstable currency and general want of confidence; as a consequence production languished; without increased production social uplift would be building on sand; satisfactory stable political conditions are impossible where the financial, economic and social problems have not been properly solved: hence the order mentioned. Here was the clear and logical thinking of a man who had devoted himself all his life to a serious study of the problems of government. On the very day on which he assumed office, Dr. Salazar said that he knew very well what he wanted and whither he was going.

Tackling the financial problem, the Professor did not

[1] Cf. Salazar, *Discursos*, p. 4.

bring any new theories, but simply the practical, methodical and disciplined application of what a good housewife should know, as he himself said. He frankly admitted that sacrifices would be necessary ; but it was better that they should be borne by the present generation, rather than continue mortgaging the future, perhaps irretrievably, by piling up debt year after year. The Portuguese had until then been living on capital ; they had now to live on income. It would be a hard existence ; but it had to be borne if the future of each one and of the country was to be rendered safe.

The re-organization of public finance was based on the following main principles :

(1) One budget only for all revenue and all expenditure. Formerly there were what they called autonomous funds with separate budgets, owing to which it was difficult to see the real state of the State finances. The new system introduced clarity and precision.

(2) Ordinary expenditure could be met only by ordinary revenue and on no account by means of loans.

(3) Only extraordinary expenditure could be met by means of loans, and this category was defined as expenditure incurred for economic development, for the indispensable increase of the national resources or for the imperious needs of national defence or public safety.

(4) No financial assistance could be given by the State to private concerns.

(5) Heads of departments who exceeded budget provisions were to be prosecuted and subjected to disciplinary measures.

(6) Any items of ordinary expenditure not paid in any year were to be included in the same category in the next year. Formerly, in order to lessen the annual deficits, such items were shown in the next budget as extraordinary expenditure.

(7) The home budget was not to bear any deficits in the colonial budgets, as it had done in the past.

Thanks to this discipline and to increased taxation, which was accompanied by higher expenditure, there began in 1928 an uninterrupted series of surplusses, which at the end

of 1935 totalled 1,147 contos, as will be seen from the following table, where the figures represent thousands of contos :[1]

Year.	Revenue.	Expenditure.	Surplus.
1928–29	2,175	1,900	275
1929–30	2,083	2,043	40
1930–31	2,035	1,883	152
1931–32	2,007	1,857	150
1932–33	2,031	1,948	83
1933–34	2,200	2,070	130
1934–35 (18 months)	3,203	2,886	317

It should be noted that the above figures include both the ordinary and the extraordinary revenue and expenditure. The extraordinary expenditure, which is limited to certain

[1] Cf. *Conta Geral*, already cited, p. iii. The period 1934–35 represents 18 months, from 1st July, 1934 to 31st December, 1935 ; as from 1936 the budget year coincides with the civil year. For comparative purposes we shall quote from *Movimento Financeiro de Portugal*, p. 13, Imprensa Nacional, Lisbon, 1934, the corresponding figures for the seven years preceding 1928–29, also in thousands of contos :

Year.	Revenue.	Expenditure.	Deficit.
1921–22	387	577	189
1922–23	544	1,045	501
1923–24	844	1,071	227
1924–25	1,423	1,666	242
1925–26	1,417	1,539	122
1926–27	1,468	2,109	641
1927–28	1,722	1,903	181

(It should be noted that in every case only the full thousands have been taken, leaving out the decimals.)

Since writing the above, the public accounts for 1936 have been published, showing revenue at 2,789,000 contos, expenditure at 2,562,000 contos, and a surplus of 227,000 contos.

Of the said eight years' surplus of 1,374,000 contos, up to the end of 1936, 54,000 contos had been spent on rural improvements, such as drinking water, bathing-places, roads, etc. ; 4,600 contos in acquiring properties for the State ; 69,000 contos on public works, such as popular housing, railways, hospitals, etc. ; 400 contos for People's Houses (about which more later) ; 2,500 contos for the relief of the poor in the 1935–36 winter ; 10,000 contos for buying 100,000 shares of the Water Supply Co. ; 71,500 contos for war material, men-of-war and naval aviation ; 10,000 contos for the destruction of locusts in Angola ; 62,500 contos for clearing old debts ; 300 contos to the National Institute of Bread ; 700 contos for the Paris Exhibition. All these sums total 285,500 contos. (Cf. Supplement to *Diario do Governo* of 19th June, 1937.) The balance and future surplusses, together with ordinary revenue and loans, are to finance a 15-year plan of Economic Reconstruction, estimated to cost 6,500,000 contos, covering National Defence, railways, roads, airports, commercial and fishing ports, telegraph and telephone services, hydro-electric works, land reclamation, irrigation and settlement, schools, public offices, development of Lisbon, Oporto and the colonies and any other economic development of the country. (Law No. 1914, passed by the National Assembly in 1935.)

fields as mentioned above, was, during the period, of 1,163,000 contos, against an extraordinary revenue of 854,000 contos only. Therefore, 309,000 contos of the extraordinary expenditure came out of the ordinary revenue.[1]

As the surplusses were accumulating the huge floating debt was being cleared, and at the end of 1936 it stood at 36,522 contos, against 2,114,000 contos on the 30th June, 1928. The entire net (that is, after deducting credit balances) public debt of Portugal at the end of 1936 stood at 6,580,756 contos, against 7,448,908 contos on the 30th June, 1928, showing, therefore, a reduction of 868,152 contos.[2] Interest on public loans has been gradually decreasing, conversions have been made at lower rates, at the end of 1936 there was a successful issue at $3\frac{3}{4}$ per cent, and the present effective rate of interest on all Government loans is round about this figure, as against the old effective rate of 10–15 per cent. State finances having been made sound, public confidence having been restored and interest rates having been brought down, solid foundations for economic revival had been well and truly laid.

National Bank of Credit

Another foundation remained to be provided: a strong and well-ramified organization to feed agriculture and industry with plentiful and cheap credit. Dr. Salazar did not wait until all the brilliant results briefly reviewed above had been obtained: as soon as the financial corner had been turned, he set up that organization in March, 1929, before his first year of office was over. He had his plans long matured, had confidence in himself and was confident of the results.

There were no banks or private institutions in a position to fill the want. Co-operative credit societies in Portugal were few (only 127 of them for the 3,705 parishes), and what is worse, those few had scanty own capital. There were not even organizations like the Italian Provident and Death Benefit Societies to afford financial aid worth speaking of.

[1] Cf. said *Conta Geral*, p. xxii.
[2] Cf. Supplement to *Diário do Governo* of 19th June, 1937, already cited.

The credit given by the ancient charitable institutions, called *Misericordias*, had steadily declined since the beginning of the century, and more so since the war. Salazar decided, therefore, to unify the credit facilities given by the Government, to increase them by tapping the vast resources of the State Savings Bank, and to make them easily available.

Agricultural Credit.—The sources of agricultural credit then available were threefold: (1) An amount of about £100,000 given by the Bank of Portugal, under a contract with the Government, for financing co-operative credit societies, which amount was distributed by an institution called *Caixa Geral de Crédito Agrícola* (General Bank of Agricultural Credit); (2) about £350,000 given by the said *Caixa* and another institution called *Bolsa Agrícola* (Agricultural Exchange); (3) a further £530,000 given by the State Savings Bank, doing general banking business, named *Caixa Geral de Depósitos* (General Bank of Deposits). The amounts available, totalling in all about £1,000,000, were not large enough; and what is worse, there was overlapping and waste, both in the credit given and in the management expenses.

Industrial Credit.—The provision of this had been entirely un-organized. When the organization was undertaken there were the following credits given: (*a*) about £200,000 by the said Savings Bank; (*b*) about £1,500,000 given by the State to banks and companies; (*c*) further £407,700 out of the German reparations; (*d*) loans given on the countersignature of the Government by the said Savings Bank to the extent of £500,000. It will be seen that almost all the credit under this head was given by the State; a worse feature was that it was given by various ministries and departments.

The New Organization.—The said Savings Bank held about 2,000,000 contos (a little over £18 million) of the State's and people's deposits, which amount is about equal to the average note circulation of Portugal and represented over 50 per cent of the total bank deposits of the country then. The bank had branches and agencies throughout the country.

Dr. Salazar decided, therefore, to avail himself of the resources and the machinery of the bank to create the new organization. For that purpose he re-organized the *Caixa Geral de Depósitos*, and re-named it *Caixa Geral de Depositos Crédito e Previdência* (General Bank of Deposits, Credit and Providence) and attached to it two new bodies, financially autonomous but using the same staffs, called *Caixa Nacional de Crédito* (National Bank of Credit) and *Caixa Nacional de Previdência* (National Bank or Institute of Providence). To the second *Caixa* was confided the function of providing agricultural and industrial credit. In order that the activities of these three independent institutions might be co-ordinated and given unity of purpose, the Council of Administration[1] of all three was made one and the same.

Funds.—The resources at the disposal of the National Bank of Credit are the following: (1) The £1,000,000 mentioned under agricultural credit; (2) the £2,607,700 detailed under industrial credit; (3) public issues, guaranteed by the Government, of the maximum amount of £1,500,000 for each of the two departments, which were to keep their accounts separately; (4) funds provided by the *Caixa Nacional de Depósitos, Crédito e Previdência*, with Government approval and responsibility, to an unlimited amount. It is chiefly from this last source that the huge funds necessary to finance the operations of the various producers' corporative organizations have been drawn.

Social Features.—It is expressly laid down in the regulations governing the bank that credit must be distributed evenly among the high, medium and low elements of the national economy; that credit must, for preference, be given through collective bodies; finally, that the bank must promote systematically, by means of propaganda and with a part of its surplus, the foundation and the development of popular banks, rural co-operative credit societies and other similar institutions. The bank has no profit motive. Of the surplus left after paying expenses and

[1] This is composed of the Administrator-General of the main body and two Administrators of each of the three institutions.

interest on funds as fixed by the Government, 80 per cent goes to the General Reserve Fund and the remaining 20 per cent is allocated for the promotion of the popular credit institutions just mentioned.[1]

[1] Decrees Nos. 16,665 and 16,666 of 27th March, 1929; 17,215 of 10th August, 1929; 19,547 of 1st April, 1931; and 20,451 of 31st October, 1931, are the chief enactments governing this credit organization.

CHAPTER II

BASIC PRINCIPLES OF THE PLAN

THE basic principles of the Portuguese corporative plan were first disclosed by Dr. Salazar in a speech delivered in March, 1933.[1] Speaking on the morrow of the fall of the dollar and a few months over a year after the fall of the pound, the Professor surveyed the financial disorder and the economic and social distress that were overshadowing the world.

> The policy of powerful cartels, the policy of formidable trusts, the policy of high wages, the policy of super-production, the policy of super-abundant credit, the policy of artificial valuations, the policy of huge public expenditures, the policy of excessive consumption, the policy of exclusivist nationalisms, the policy of the State-police that does nothing and the policy of the State-entrepreneur that aims at doing everything

had, he said, been all tried and found wanting. The symptoms had been attacked, but not the root causes; palliatives had been employed, but not curatives. The result was that economic crises disappeared for a time, only to return with greater intensity and virulence in recurring cycles.

The concept of wealth had been adulterated. Instead of being designed to support with dignity human life, wealth had been raised to an independent category, unconcerned with the public good and unregulated by morality or by justice in its acquisition and its use. The worker had been degraded to the level of a machine, forgetting that he had the dignity of a human being, that he was a member of a family, had a wife, children and a home. As a consequence the family had been loosened and dismembered, women

[1] Cf. Salazar, *Discursos*, pp. 185–210.

and minors had been drawn into factories, competition had been increased and what had been gained in wages did not make up for the social loss of exemplary mothers and good housewives. With the disappearance of craft unions, the worker had been left free, but weak. Then came unions on a class or industry basis, to fight against the employers, the State and even against other workers. At first the State remained entirely passive, unconcerned with the organization of the national economy; then it became all-absorbing, bureaucratizing all production and distribution, raising public expenditure, destroying private fortunes and killing all initiative. These were the root causes of the grave malady undermining the economic and social structure of the world.

The diagnosis made by Dr. Salazar was similar to that made, among other great Christian thinkers, by Pope Leo XIII, author of the classic on the subject *Rerum Novarum*. The remedy to be applied was, in substance, the corporative system, which the school of Social Catholics, counting among its luminaries the said immortal pontiff, was proposing in the second half of the nineteenth century, concerned at the growth of the social question following the destruction of the corporations by the French Revolution [1] and inspired by the success of corporative life in the Middle Ages.

[1] Art. 1 of a decree-law issued on the 15th June, 1791, read as follows: "One of the first bases of the French Constitution being the destruction of all kinds of corporations among citizens of the same state and profession, they are prohibited absolutely, in any form whatsoever." The French example was followed gradually by other States, and the Portuguese corporations, already weakened by legislation issued in 1761 by the Marquis of Pombal, were finally abolished by a decree of the 7th May, 1834, as contrary to freedom of industry and to the principles of the Constitutional Charter.

The characteristics of those Portuguese corporations were: (1) Association in one and the same guild of the masters, artisans and apprentices exercising a profession, the objects being religious and economic; (2) the sphere of action was within a municipal area, with participation in the fixing of wages and prices and in other matters of municipal administration; (3) the existence of a chamber representative of the professional interests at the capitals of districts, called "The House of the Twenty-four." In this we find a prototype of the present-day Corporative Chamber. It was called House of the Twenty-four because in Lisbon it was composed of two representatives of each of the twelve artisans' guilds that existed in that city. In other cities the House was given the same name, though the representatives were fewer in number. (Cf. Marcello Caetano, *Lições de Direito Corporativo*, pp. 34–37. Lisbon, 1935.)

The principles on which Dr. Salazar proposed to build were few and simple. After having been stated in that speech, they were finally incorporated in the Charter of National Labour, promulgated by decree-law No. 23,048 of the 23rd September, 1933, which enactment forms the foundation on which the whole plan has been built. In this chapter we shall review briefly only its basic provisions, reserving for later chapters the subsidiary rules.

Wealth and Production.—The fundamental principle is that " the economic organization of the Nation must effect the maximum amount of production and wealth that is socially useful and establish a collective life from which may result power for the State and justice among all the citizens " (Art. 2). From this principle flow the essentials of real economic planning : control of what is to be produced, of what prices are to be put on the products and of the means of securing a fair distribution of wealth.

State Enterprise.—Recognizing that " private enterprise is the most prolific instrument of progress and of the economy of the Nation," the State is not to undertake works of commercial or industrial nature, even when they are meant to be totally or partially used by the public services, and whether in competition with private enterprise or as monopolies, an exception being made in cases where the establishment of such enterprises has in view the attainment of social benefits superior to those that would be obtained without State action. The State may intervene directly in the management of private enterprises when it has to finance them or for the attainment of those superior benefits. It has the right and the duty of the supreme co-ordination and regulation of the economic and social life and of fixing the ends thereof (Arts. 4, 6 and 7).

Property.

The State recognizes the right to property and the relative faculties of the enjoyment and disposal thereof, in life or at death, as a rational imposition of human nature, a condition for greater individual and collective effort in the family and society, and one of the essential bases of social preservation and progress (Art. 12).

The State may, however, subject private property to " restrictions which may be demanded by the public interests and the equilibrium and preservation of the community " (Art. 13).

Capital.

The control of enterprises, with all its responsibilities, belongs by right to the owners of capital and their representatives. Only by their free concession may the labourer participate in the management, supervision and profits of the enterprise (Art. 15). The enterprises are not bound to give work which their management deems unnecessary to their working. In unemployment crises, however, they shall co-operate with the State and the corporative organisms in the adoption of measures in keeping with the public good (Art. 17). On capital employed in agricultural, industrial or commercial enterprises lies the obligation of conciliating its legitimate interests with those of labour and of the public economy (Art. 14).

Labour.—The three main principles governing labour are the following :

Work in any of its legitimate forms is for all Portuguese a duty of social solidarity. The right to work and to wages humanly sufficient is guaranteed without prejudice to the economic, juridical and moral order of society (Art. 21). The salary or wages have, on principle, a minimum limit, corresponding to the needs of subsistence (Art. 24). Conditions of work must be arranged giving due attention to the needs of moral and physical hygiene and the safety of the worker (Art. 25).

The right to work is to be made effective and the conditions thereof are to be settled by means of individual agreements or collective contracts freely entered into by the employers' and the workers' associations of the activity concerned. The collective contracts are to consubstantiate the solidarity of the various factors concerned in each branch of economic activity, and to subordinate partial interests to the superior interests of the national economy, and once they are sanctioned by the higher corporative organisms and approved by the Government, they become binding on all the employers and the employees of the respective activity, whether they be members of the contracting associations or not. The collective contracts are to contain necessarily

clauses relating to hours and conditions of work, salaries or wages, penalties for breaking regulations, weekly day of rest, holidays, conditions for suspension or dismissal, sick leave, leave for military service, apprenticeship and the contributions of both the employers and the workers for the latter's institutions of social providence (Arts. 23 and 32 to 34).

Salary and wages are not subject to any absolute rules, but are variable in accordance with the normal needs of production, of employers and of workers and in conformity with the return of labour. The duration of work is subject to the same principle, subject to a maximum fixed either officially or corporatively. Any international agreements in the matter must be subject to the same principle (Art. 24). In these circumstances, any industry that is not, in the long run, able to give a proper remuneration to all the factors of production must go out of existence, unless by doing so the factors would be worse off than before. In keeping with these principles collective contracts are being signed on as best terms as possible, absolute optimum conditions being as yet impossible in most branches of the Portuguese economy. The piecemeal corporative solution enables the most just and equitable solution of each case, on its own merits and not on an industry or national basis.

Family.—Already the Political Constitution of the Republic, approved by a national plebiscite in March, 1933, had shown the importance attached to, and the high place reserved for, the family in the new order. After laying down in its Art. 12 that :

> The State assures the constitution and defence of the family as the source of the preservation and development of the race, as the primary base of education, of social discipline and harmony and as the foundation of political and administrative order, by its association and representation in the parish and the municipality.

Art. 14 of the Constitution prescribed that the State and the local autarchies should in defence of the family : (1) Favour the constitution of independent homes in healthy conditions and the institution of family estates ; (2) protect

maternity; (3) regulate taxes in keeping with legitimate family obligations, and promote the adoption of family wages.

Art. 31 of the Charter prescribes that: "The work of females and minors, outside their homes, shall be regulated by special dispositions in accordance with the requirements of morality, physical protection, maternity, domestic life, education and social welfare."

Corporative Organization.—Production is to be kept within socially useful limits and the individual interests of the factors of production and the collective interests of the community are to be secured, not by State action, but by the auto-direction of the factors concerned, who must associate themselves for that purpose. Art. 8 of the Charter lays down that "the hierarchy of functions and of social interests is an essential condition of the organization of the national economy." All association is, therefore, to be on a professional or functional basis.[1] It is to be voluntary, but it may sometimes be compulsory. Whenever formed, it represents the whole category of a given activity, representing even those that are not members. Guilds of employers, "houses" of agricultural labourers and of fishermen and syndicates of industrial and office workers and of pro-

[1] A study of the doctrines of corporativism in general is outside the scope of this work, and we would refer those interested to a masterly book on the subject, entitled *Le Siècle du Corporatisme*, by Mihaïl Manoïlesco (Felix Alcan, Paris, 1936) and to the extensive bibliography given therein. A brief statement of the basic doctrine might, however, be useful: "Corporativism is the doctrine of the functional organization of the nation." "It is the function, and not the profession, that defines the corporative group in relation to the nation. As regards the profession it must not be considered socially as an egotistic means by which a certain category of men assures its existence, but as a means by which man renders himself useful to the community by accomplishing, same as the corporation, a certain function socially necessary." "For corporativism function is the source of all legitimacy, of all authority and of all right." The professionalist concept would reduce the nation to a system of association of particularist interests, with egotism and individualism at its base. The corporative idea has at its base *idealism* and the *national integrality*, its point of departure being the nation and its supreme ends. (Cf. Manoïlesco, *op. cit.*, pp. 80–2, 96 and 99.)

In the negative part of his valuable study Manoïlesco destroys the prejudices prevailing against corporativism by showing: (1) That modern corporativism is not and cannot be like that of the Middle Ages; (2) that it cannot be confounded with Fascism, in spite of the progress which in the exclusively economic form it has made under that régime; (3) that

fessionals form the primary units of the organization ; their regional or national federations or unions, still on a functional basis, the intermediate element ; the Corporation, incorporating the two categories (employers and workers), the final unitary association. All the activities of the Nation are to be integrally represented by the Corporations (Arts. 40 to 47).

We shall deal in a later chapter with the legislation governing the organization of labour. Employers' organization may be compulsory or voluntary. In the former case it is governed by decree-law No. 23,049 of the 23rd September, 1933, issued together with the Charter, which gives the Minister concerned power to order the organization of any branch of production, whenever the interests of the national economy require it. Almost all the producers' or employers' organizations which we shall review in the following pages have been effected under decree No. 23,049. Voluntary guilds are governed by decree-law No. 24,715 of the 3rd December, 1934, Art. 2 of which provides that, whenever at least 50 per cent of entrepreneurs, individual or collective, of a given branch of production in a given area, usually a county, though it may be smaller, join together and represent at least 50 per cent of the average value of transactions of that branch in that area, they may apply to the Under-Secretary of State for Corporations and Social Providence for their constitution into a guild.

Besides the organisms set up under the two decrees just cited and which are fully corporative, there are others created under decree No. 26,757 of the 8th July, 1936. They are called pre-corporative organisms, when they are meant to control activities which have not as yet been corporatively organized ; or organisms of economic co-ordination,

it is not a hypocritical instrument for the consolidation of the existing social conditions with all their iniquities ; (4) that it does not limit itself to the organization of the material forces only of the nation, but that it constitutes the sole means of integrating all the spiritual, moral and material forces of the nation ; and finally (5) that it does not signify the mobilization of the egotism of groups against the national interest, but, on the contrary, the submission of all that is individual to the idea of nation, which is the supreme idea. We leave the facts disclosed in the course of this work to show that Portuguese corporativism supports Manoïlesco's thesis.

when their function is to co-ordinate corporatively organized activities and to act as organs of liaison between them and the State, which, as already stated, has the right and the duty of the supreme control of the whole economic and social life of the nation. They are called Regulating Commissions, when their function is to control imports in accordance with the needs of the production of Portugal or its colonies ; National Boards, when their object is to improve the production and the commerce of national products with a view to larger exports ; or, finally, Institutes, when their function is to co-ordinate a fully developed and many-sided corporative organization with regard to a given commodity.

In the following pages we shall study in detail the more important and the more typical guilds, federations, commissions, boards and institutes so far created.

CHAPTER III

HIGHER ORGANS OF CORPORATIVE ORGANIZATION

DEPARTING from the method generally followed in this work of working up a subject from the bottom, we shall give first the higher organs, chiefly because we shall have to refer to them when dealing with the lower organization.

The higher organs of the corporative organization of Portugal are of two categories: (1) Those promoting, developing, studying, controlling, directing and unifying the organization; (2) that through which the organization influences and guides legislation and the national economy.

Of the first category there are two in the first plane: (*a*) The ministry concerned, for technical and economic matters; (*b*) the Under-Secretary of State of Corporations and Social Providence, for social matters. In the second plane, for all matters, is the Corporative Council.

The Corporative Chamber, which functions with the National Assembly, one of the supreme organs of the State, is the only body of the second category.

We shall now study briefly each of these organs.

MINISTERIAL ORGANS

The Ministry of Agriculture and the Ministry of Commerce and Industry are the two chief ministries [1] concerned with the technical and economic matters of the corporative organization. The former exercises the functions of the first category simply through a department, called the Office of Agricultural Corporations and Associations, as provided in the reform of the ministry effected in November,

[1] The Ministries of Finance, Public Works and Colonies control each one or two organisms only.

1936. In the Ministry of Commerce and Industry those functions are exercised by a special body, called the Technical Corporative Council of Commerce and Industry. In it are represented the various corporative organisms, as will be seen from its composition, which is as follows : (*a*) President, the minister himself ; (*b*) ten members appointed by the minister, eight of whom must be out of the delegates or other officials appointed by the minister to the producers' corporative associations ; (*c*) two members representing the Under-Secretary of State of Corporations and Social Providence. The president appoints the vice-president, who usually acts for the former. The Council meets ordinarily at least once a week. The vice-president informs the minister, in writing or verbally, of the proceedings, and is the head of the executive, which is composed of three experts in economic and technical matters. One of these technicians is the secretary of the Council. All the Government appointees to the producers' corporative associations are directly subject to the Council.

The special organ in the Ministry of Commerce was necessary in view of the number and the importance of the corporative bodies which it controls, many of them connected with the chief Portuguese exports. Subject to the Ministry of Commerce and Industry there are in all about 35 such organisms, in addition to 10 bodies of economic co-ordination. The Ministry of Agriculture deals chiefly with cereals, which are required for home consumption and which are hardly exported. A simpler control was, therefore, sufficient.

The National Institute of Labour and Providence

The Under-Secretary of Corporations actuates through a specially created institute bearing the above name. Its function is

> to insure the fulfilment of the laws of protection to workers and of other laws of social character, by integrating the workers and the other contributors to production in the corporative organization as laid down in the Charter of National Labour and in keeping with the spirit of political, economic and social

renovation of the Portuguese Nation (Art. 2 of Decree-law No. 23,053, dated 23rd September, 1933).

The Under-Secretary of the Corporations is president of the Institute, and he has his own delegates in the administrative districts of Portugal and the adjacent islands (Art. 3).

There are Labour Courts in all the districts of Portugal and in Madeira. The Courts are dependent on the Institute only for administrative purposes and are independent as regards their judicial functions (Art. 4).

To assist the president there are at the head-office a general secretary and six assistants, whose duty it is to study problems of labour and of social providence and to find solutions for the same and to promote and to direct the corporative organization (Arts. 5–7).

It is the duty of the provincial delegates, who may not occupy any other post, to inspect and to assist the corporative bodies of their district, to carry on propaganda of the principles of the new social order and constantly to protect by all means the workers, by ascertaining the safety of the places of work, the rates of pay, the observance of the laws on female and child labour, the hours of work and finally all that relates to the well-being, the hygiene and the dignity of the workers' families (Arts. 9–10).

At the Institute there is under the president an Inspectorate of Social Providence, manned by an inspector-general and three inspectors. Their function is to supervise and to inspect the institutions of providence, to keep the statistics of unemployment and to supervise and to keep the accounts of the unemployment fund (Art. 18).

The Labour Courts are composed of a judge, a representative of the solicitor-general, a registrar and a bailiff. The judge is a specially appointed whole-time official; the delegate of the Institute acts as the representative of the solicitor-general; the other two are specially appointed (Arts. 27, 30, 31 and 33).

The jurisdiction of the court may be compulsory or optional. It is compulsory in all disputes between corporative bodies, in cases arising out of collective labour contracts

and of accidents while at work, disputes within mutual-aid societies and corporative bodies of providence, and, in general, in all cases arising out of compulsory labour regulations. It is optional in the case of private contracts, when the decisions of the court are *ex aequo et bono*. No case may be submitted without previous efforts at conciliation made by the delegate or assistant of the Institute. An appeal lies to the Supreme Administrative Tribunal against the decision of the Labour Court when a question of right is involved (Arts. 37, 38 and 42).

The Corporative Council

As will be seen from its composition and functions, this is the supreme organ of the corporative organization.

The Prime Minister is its president and its members are the Minister of Justice, the Minister of Public Works and Communications, the Minister of Commerce and Industry, the Minister of Agriculture, the Under-Secretary of State of Corporations and Social Providence and two professors of the Universities of Lisbon and Coimbra holding or that have held the chair of Corporative Law. Besides the foregoing any minister may be invited to join when matters relating to his department are being considered.

The functions of the Council are : (*a*) To study the policy to be followed in the resolution of the great problems of the reform of the State resulting from the corporative organization ; (*b*) to give unity of action to the public services in carrying out the corporative organization.

The Council is convoked by its president, who fixes beforehand the agenda. Any member may propose to the president the matter to be decided by the Council.

All the decisions of the Council, provided that they be not an infringement or an alteration of the existing laws, are norms to be followed in the corporative organization and they are to be immediately carried into effect by the ministries and departments concerned.[1]

[1] Decree-law No. 24,362, dated 15th August, 1934.

The Corporative Chamber[1]

The present constitution of the Chamber is provisional, as the corporative organization is not yet complete. The Italian Charter was promulgated in April, 1927, and the law that gave definite form to the corporations was issued only on 5th February, 1934, and came into force only on the 1st July of that year. The Portuguese organization which started in September, 1933, will probably proceed more quickly, as it has the Italian experience to draw upon. Readers will have noticed and will notice as we go on that the Portuguese corporative laws and practice are in many respects different from the earlier experiment. Sections 15, 18, 19, 20, 21, 22, 23 and 24 of Portuguese Chamber, for instance, have no counterpart in the Italian corporations. The Portuguese constitution lays down that the Corporative Chamber must be composed of representatives of local autarchies and of social interests in their fundamental branches of administrative, moral, cultural and economic activities, just as the Charter of National Labour prescribes, as we saw, that all the activities of the nation must be integrally represented on the Corporations.

Portuguese corporativism is integral,[2] whereas the Italian is, if we leave out the corporation of the liberal professions and the arts, exclusively economic. In Italy the corporative organization directs, controls and disciplines economic activities, but it has no adequate means of exercising economic activities, whereas in Portugal it has, as we shall see. For that reason, during the sanctions of the Italo-Abyssinian war period, not the *corporative* organization, but producers' and consumers' *co-operative* organizations were given charge of imports and of wholesale and retail dis-

[1] Decree-law No. 24,683, dated 30th November, 1934 (amended by Decree-law No. 24,834, dated 2nd January, 1935), and Decree-law No. 27,211, dated 21st November, 1936.

[2] Integral corporativism is that which "considers as corporations endowed with an autonomous organization and own rights not only the economic corporations, but also the social and the cultural corporations of the nation, such as the Church, the Army, the Magistracy, the corporations of National Education, of Public Health, of the Sciences and of the Arts." (Cf. Manoïlesco, *op. cit.*, p. 17.)

tribution of various commodities, chiefly foodstuffs and agricultural requisites, and played an important rôle in organizing and increasing national production and in marketing it. A reform of Italian corporativism to enable it to play a more active economic rôle is in progress.

The function of the Chamber is to study and to report in writing on the bills to be presented to the National Assembly.[1] Usually one section only studies a draft, but more than one section may deliberate on it if the nature of the draft requires it. The Chamber is composed of experts interested in a particular line of production or activity; it is laid down, however, that they must not have a particularist outlook, but must keep in view the interests of the section as a whole and the superior interests of the nation. It is thought possible that at a future date, when the nationalist outlook has been fully developed in the members of the Chamber,

[1] Dealing with the Corporative Chamber it will be useful to know something about the political machinery, of which the Chamber is a part. The President of Republic is the supreme head of the State and has the widest powers, though in such matters as international agreements and the like approval of the National Assembly must be sought. In practice he exercises little more power than the King of England. He is elected for a period of seven years by direct suffrage of all the electors, and is re-eligible indefinitely, this being a powerful means of maintaining a continuity of policy. He is answerable only to the nation and is independent of any vote passed by the Assembly. In important matters he is advised by the Council of State, composed of the Prime Minister, the presidents of the Assembly, the Chamber and the Supreme Court of Justice, the Attorney-General and five highly competent public men appointed for life by the President. The National Assembly is the legislative body. It is composed of 90 deputies, elected for four years by direct suffrage of all the electors, that is, all males who are of age and know how to read and write. The nominations are made by lists containing 90 names only and signed by at least 200 electors. The list obtaining the highest number of votes is the winning list, and every name therein is deemed elected unless it receives less than 10 per cent of the votes received by the list. The striking out of a name from a list is deemed a vote against that name. Cabinet members may not sit either in the Assembly or the Chamber. No law passed by the Assembly becomes law unless approved by the President within fifteen days. If not approved, it goes back to the Assembly; if voted again by two-thirds of the 90 deputies, it must be approved by the President. No Bill involving an increase of expenditure may be presented except by the Government. The Prime Minister is appointed by the President, to whom alone he is responsible, being independent of the Assembly. The other ministers and under-secretaries are nominated by the Prime Minister and appointed by the President, to whom the Prime Minister, who directs and co-ordinates the policy of all the ministries, is responsible for the general policy of the Government. Here is, then, how dictatorship is blended with democracy in Portugal.

the National Assembly will be dispensed with, and the Chamber will act as the adviser of the Government, which will itself legislate.[1]

We give at the end the 25 sections of the Chamber as at present constituted (to be replaced later by corporations), together with their composition showing the representation of all the activities of the nation.

Professionals are through their syndicates or "orders" represented in the various sections: Advocates in section 20; physicians in 15 and 18; engineers in 8 and 9; veterinary surgeons and graduates in agriculture and forestry in 1 to 4.

Broadly speaking, the representation is effected in the following manner: When there is a representative body organized corporatively or otherwise, the president of the governing organ thereof or his delegate is the representative. If two or more such bodies are entitled to one seat only, then the representative is appointed by the Corporative Council from among their presidents. The representatives of People's Houses and Fishermen's Houses are always appointed by the Corporative Council. The 15 members of sections 18 to 22 and 24 representing the public services are appointed by the Corporative Council. The presidents of the Municipal Corporations of Lisbon and Oporto are *ipso facto* members of the Chamber. The other 6 members of

[1] Cf. Salazar, *Discursos*, p. 384. Manoïlesco distinguishes three kinds of corporativism: (1) Pure; (2) mixed; (3) subordinate. In the first the corporations constitute the sole source of the supreme legislative power; in the second that power is shared with other sources, such as a parliament based on universal suffrage; in the third the corporations with their organ of national integration have only an advisory function. On the basis of the doctrine that function is the source of all authority and of all right, only the first can be true corporativism. The second and the third have a redeeming feature when the parliament has behind it a national party representing idealism and the national integrality, such as the Fascist Party in Italy and the *União Nacional* (whose list constitutes the National Assembly) in Portugal. In Italy there is the additional circumstance that the corporative organizations nominate a large number of the candidates finally selected by the Fascist Party. In any case, both corporativisms are so far subordinate. The Italian could not be pure since it is almost exclusively economic, unless the economic was to dominate the nation. The Portuguese organization, which is integral, has the makings of pure corporativism, but it is not clear if the evolution of the Corporative Chamber which Dr. Salazar visualizes will be such as to attain that ideal.

section 23 are elected by the presidents of the remaining municipalities. The president of the Chamber may appoint any person with expert knowledge to be a temporary member of any section while it is discussing and reporting on any bill.

SECTIONS OF CORPORATIVE CHAMBER

No.	Designation.	Representatives.
1	Cereals and Cattle	2 producers', 1 millers', 1 bakers' and 2 workers'.
2	Wines	2 producers', 2 exporters' and 1 workers'
3	Forest Products	2 producers' and 1 exporters'
4	Other Agricultural Products	1 producers' and 1 exporters'
5	Fisheries and the Canning Industry	1 employers' and 1 workers' in the primary industry and two parallel in the secondary
6	Mines, Mineral Waters, Quarries and Chemical Products	1 for mines and quarries and 2 for chemical products
7	Textile Products	1 cotton millers', 1 woollen millers', 1 cotton and wool merchants' and 1 workers'
8	Electricity	1 producers' and 1 distributors'
9	Building and Building Materials	2 for building materials, 1 for builder employers and 1 for builder workers
10	Transport	1 maritime employers', 1 railway employers', 2 parallel workers' and 1 for motor-omnibus enterprises
11	Printing Industries and the Press	1 for the industries, 1 for newspaper owners, 1 for the journalists and 1 for printing press workers
12	Credit and Insurance	1 for credit institutions, 1 for insurance companies and 1 for workers in both
13	Other Commercial Enterprises	2 for wholesalers and retailers and 1 for workers in those enterprises
14	Tourist Services	1 for hotels and 1 for related enterprises
15	Spiritual and Moral Interests	1 each for the Catholic Church, the missionary institutions, the semi-public charitable institutions called *misericordias* and the private charitable institutions
16	Sciences and Letters	1 each for the high Academies and Institutes of scientific and literary culture, the universities and the National Board of Education (3 in all)

No.	Designation.	Representatives.
17	Physical Education and Sports	1 for the Portuguese Olympic Committee, 1 for the sporting federations and a physician who has specialised in physical education
18	Politics and General Administration	3 members
19	National Defence	2 members
20	Justice	2 members
21	Public Works and Communications	2 members
22	Colonial Politics and Economy	3 members
23	Local Administration	8 members
24	Finance and General Economy	3 members
25	Fine Arts	1 each for Academies and Societies of Fine Arts, the National Syndicate of Architects and the National Syndicate of Musicians (3 in all)

CHAPTER IV

WHEAT

THE wheat problem in Portugal goes back to the very foundation of the nation. One of the theses of the present Prime Minister of Portugal, Dr. Oliveira Salazar, for his doctorate in law dealt with this question, and it was published with the title of *The Grain Problem.* In this work Dr. Salazar had with regard to wheat the following passage :

> In two periods only—brief in our whole history—one may say that it was not necessary to cover with gold or with products the *deficits* in the national production : from the beginning to D. Alphonso III and nearer to us from 1838 to 1856, when we were able to export some thousands of hectolitres.

Since 1856 the mean yearly imports are expressed in the following figures extracted from the said work :

Years.	Quantity in Kilograms.
1857–63	31,000,000
1865–88	67,000,000
1890–98	115,000,000
1899–1913	88,000,000

The causes of this chronic deficit were threefold : natural, economic and political. The soil was deficient and the rains irregular ; the farmers were poor and fertilizers scanty ; there was no stability in the official policy, which was now for free-trade and then for protectionism.

The fall in imports noted in the period 1899–1913 was, in fact, due to a protectionist law passed by a capable statesman named Elvino de Brito. With the dislocation and the shortage of prime products caused by the Great War, allied with the political unrest and the financial difficulties already

referred to, the imports in the next three quinquenniums mounted up as shown in the following table :[1]

Period.	Yearly Mean Quantity in Kilograms.	Yearly Mean Value in £.
1915–19	94,497,419	1,545,790
1920–24	141,745,549	1,496,353
1925–29	181,502,218	2,145,695

It was to stop this yearly drain of over 2 million pounds sterling that the National Government, which was bent on the economic reconstruction of the country, started the so-called Wheat Campaign in August, 1929.

Decree No. 17,252 of the 16th August, 1929, which launched the campaign, set up an extensive machinery with a Grand Council of Honour, presided over by the President of the Republic ; a Central Board with the Minister of Agriculture at the head ; and district, municipal and parish committees, presided over by the leading people.

Thanks to propaganda, technical assistance, credit facilities, new lands under wheat, better implements, seeds and fertilizers and prizes for the best yields,[2] the production of wheat, which in 1929 was of 372·5 million litres, rose in 1930 to 473·9 millions, in 1931 to 455·3 millions and in 1932 to 819·6 million litres, equivalent to 655·6 million kilo-

[1] Cf. Official Communiqué by the Ministry of Agriculture, published in the *Diário de Notícias* No. 24,723, dated 4th December, 1934.

[2] All the usual means, including wireless, were used for propaganda. The technical assistance was given especially by movable brigades of staff trained in agriculture. One set of credit facilities was that every farmer was entitled per every hectare cultivated by him to 150 escudos for seeds and manures, 50 escudos for weeding expenses and 150 escudos at harvest time. The loans were to be paid back between the 15th and 30th September. They were to be given preferably through the local co-operative credit society, wherever there was one, in which case the rate of interest charged was ½ per cent lower. The rate of interest could not be over 1 per cent higher than the ruling official bank rate. Per every hectare of uncultivated land or of land under vines that was brought under wheat a subsidy of 100 escudos was given, provided it was approved by the Central Board. Stations were set up where better implements could be had on loan and guaranteed seeds and fertilizers bought. There were three national prizes, each worth 30,000, 20,000 and 10,000 escudos, eighteen district prizes of 5,000 escudos each and twelve district prizes of 3,000 escudos each. They were for the highest yield for the highest individual area, which in the case of the national prizes could not be of less than 30 hectares, for the higher district prizes of less than 10 hectares and for the lower of less than one hectare. Other circumstances being equal, higher specific weight, better cultural processes, rotation and better accounting methods won the prize.

grams.[1] This was a bumper crop, due in a large measure to particularly favourable climatic conditions.

The huge production of 1932 raised a serious problem; to make it worse, 59 million kilograms had been imported during the year. The objective of the Wheat Campaign had been only to attain self-sufficiency: to gain beyond that would be suicidal, as the Portuguese economic price (which was guaranteed to the producers) was about double the world parity. Statistics had shown that the mean annual consumption of the 1925–29 quinquennium was only 417 kilograms.[2] Therefore, after deducting 50 million kilograms for seeds, there would be a carry-over of nearly 250 million kilograms to be added to the 1933 crop. Besides the risk of depreciation, there were serious difficulties in storing and financing such a huge surplus.

Already on the 28th May, 1932, the Government had by decree No. 21,300 come to the help of the impecunious and ignorant growers, who at harvest time or before it fell a prey to usurious middlemen, by creating the National Federation of Wheat Growers, the object of which was to organize the orderly marketing of the home wheat. The chief function of the Federation was to set up local and regional granaries in the chief centres of production and consumption. All producers had to join the granaries, which were the primary units of the Federation.

As long as the national production was below the home requirements there was not much difficulty in disposing of the home crop. Foreign imports were conditional on, and proportionate to, the purchases of the national product; so, as the imports gave big profits, there was almost a scramble for what the country had to sell. The over-production of 1932 entirely changed all this, and the millers went off the market. To meet this situation decrees Nos. 21,564 and 21,571 were issued on the 5th and 8th August, 1932, respectively, creating a Committee for the Distribution of Wheat, the main function of which was to

[1] Cf. *Anuário Estatístico de Portugal, 1933*, p. 303, Imprensa Nacional, Lisbon, also *Diário do Governo* of the 12th August, 1936, Report preceding the Decree on the Wheat Régime for 1936–37.

[2] Cf. afore-cited communiqué by the Ministry of Agriculture.

distribute compulsorily in monthly instalments among the millers the wheat declared for sale. From August to January 25 million kilograms were to be distributed every month, the monthly instalment in the other six months being of 30 million kilograms. The millers could, besides, buy *ad libitum* in the free market. As the compulsory allotment was enough for the demands of consumption, the freedom of outside purchase gave rise to abuses; those millers that could resorted to larger output in order to spread their overhead charges and thereby to reduce prices of flour in competition with other millers.

The Committee of Distribution settled only a part of the problem, as it could not deal with the surplus stocks. To meet this difficulty decree No. 22,631 of the 6th June, 1933, set up a Committee for Regulating the Commerce of Wheat, the chief function of which was to buy from growers for cash the wheat still on their hands and to distribute it on credit among the millers for their future requirements. The *Caixa Geral de Depositos, Crédito e Previdência*, provided the necessary funds.

The existence of those three bodies, to wit, the National Federation of Wheat Growers, the Committee for the Distribution of Wheat and the Committee for Regulating the Commerce of Wheat meant an unnecessary multiplication of entities and a good deal of overlapping and waste. So, by decree No. 22,871 of the 24th July, 1933, the National Federation of Wheat Growers was re-organized and consolidated with the functions of all the three bodies. This Federation, slightly altered by decree No. 24,949 of the 10th January, 1935, is the corporative organism now compulsorily associating the producers. We shall examine the chief points of its structure.

The National Federation of Wheat Growers

Constitution.—The primary units of the Federation were guilds set up in every district whose annual mean production of the last three years was not below 1 million kilograms. Everyone who produces wheat either as landlord, tenant or

metayer, landlords who receive the rent in kind and even persons or entities that receive payment in wheat must be members of the district guild. When there be no guild in one's district, the nearest guild must be joined. Guilds may set up branches or agencies in parishes or districts, whose production is below 1 million kilograms. The Federation represents legally all the producers of wheat of Portugal and the guilds those of their respective area.

Objects and Powers.—(1) The purposes of the Federation are: To study the improvements to be introduced in the cultivation of wheat, and to contribute to its progress in collaboration with the official bodies; (2) to direct, to regulate and to supervise the activities of the guilds; (3) to promote the storage, preservation and improvement of the wheat confided to it; (4) to build or to rent warehouses, depôts or silos when and where they may be deemed necessary; (5) to give to wheat growers, either directly or through credit institutions, cash or credit facilities; (6) to effect through the district guilds the purchase, sale or distribution of wheat, as well as its delivery and payment; (7) to make through the guilds registers of the wheat growers of their respective districts; (8) to co-operate with the National Institute of Labour and Providence in establishing institutions of providence and assistance to rural labourers, using for that purpose, as a rule, the People's Houses; (9) to do anything else in accordance with its objects.

Control and Administration.—The controlling body of the Federation is called the General Council. It is composed of a representative of every guild and a Government nominee. The guild representative is elected by its Board of Management. Every guild representative has one vote for every 1 million kilograms of the district production. The Council may divide itself into regional or provincial sections, and it elects its own president, vice-president and two secretaries. The functions of the Council are those usually assigned to a general assembly.

The Board of Management of the Federation is composed of a Government delegate and three members elected by the

General Council, which elects also their substitutes. The three elected members elect from among themselves the president, the vice-president and the secretary. The four active members are entitled to a salary fixed by the Minister of Agriculture. The functions of the Board are those usually assigned to such an organ.

The Board of Management of a guild is composed of two members and their substitutes elected by the general body of the guild members and one member and his substitute appointed by the Federation. The members of the guild board elect their president. The guild board is in charge of all the activities in the respective area, and its active members are entitled to a salary proposed by the Federation and approved by the Minister. There may be parish delegates to represent the guild in their respective areas; they are entitled to a remuneration proposed by the guild board and approved by the Federation.

Rights and Duties of Members.—Members have a right: (1) To a share in the capital of the guild and of the Federation in proportion to their contribution thereto; (2) to receive payment at the official rate for their wheat, after the deduction of the legitimate charges; (3) to avail themselves of the technical and financial services provided by the Federation. Merchants, commission agents and retailers of wheat as well as proprietors, partners, commission agents and employees of flour mills may not be members of either the controlling or the managing bodies of the guilds or Federation.

The duties of the members are: (1) To fulfil all the obligations imposed by the laws in force on the production and commerce of wheat; (2) to co-operate with the Federation; (3) to declare between the 15th June and the 15th October of each year the total quantity of wheat produced, the amount available for sale, its quality and when ready for delivery; (4) to declare between the 1st and 15th May of each year the surplus, if any, of the quantity kept for seeds and home consumption; (5) to pay a levy, as fixed by the Minister of Agriculture, on the wheat available for sale. The levy, which is for the funds of the Federation, shall not

be less than 20 milavos [1] per kilogram as long as the capital of the Federation has not reached 25,000 contos.

Revenue.—The income of the Federation consists of the following: (1) The proceeds of its operations, such as interest, commission and percentages on service rendered; (2) the interest on the reserve fund; (3) 50 per cent of the fines imposed; [2] (4) a levy on foreign or colonial wheat not lower than that imposed on the national.

The income of the guilds is made up of: (1) The proceeds of their operations; (2) 50 per cent of the fines imposed in the area of its jurisdiction; (3) the proceeds of the winding-up of municipal granaries.

Capital.—The Federation is to have a capital of 25,000 contos, which may be increased to 50,000 contos by order of the Minister of Agriculture, on the proposal of the Board of the Federation, after approval by the General Council. The capital is collected only by means of the aforesaid levy of 20 milavos per kilogram, 40 per cent of which goes to form the Federal capital. The guild capital is formed by 55 per cent of the said levy paid in the respective area. The guilds participate in the Federal capital in proportion of the contributions of their respective members, who participate likewise in the guild capital. The amount of the guild fund is fixed by the Federation.

Reserve Fund.—Five per cent of the levy goes to form the reserve fund, which is to be held in loans of the Portuguese Government or in first-class foreign gold issues.

Rural Providence Fund.—This is formed by means of a levy of 5 milavos per kilogram on all wheat declared for sale. The levy is collected when paying for the wheat, and the proceeds are handed over to the People's House or Houses of the respective area for the following purposes: (1) One-third for the expenses of the House and especially for works of common social interest when work is scarce; (2) one-third for the reserve fund of the House; (3) one-third for the assistance fund. When in a district there are two or

[1] One thousand milavos make an escudo, 1,000 escudos make 1 conto, and 110 escudos make £1 sterling.

[2] There are fines ranging from 100 to 10,000 escudos for transgressions.

more houses, the amount of the Providence Fund is to be divided among them all in proportion to their membership. Should there be no House in the district, the fund collection is to be handed over to the Under-Secretary of State of Corporations and Social Providence to be used for the benefit of rural workers.[1]

Surplus.—As long as the capital of the Federation and of the guilds is not complete, the surplus is added to the capital. After it has been fully made up, the surplus is to be allocated as follows: In the first place, interest at a rate not exceeding 5 per cent per annum is to be paid on the capital. Then, of the balance, 50 per cent is to be distributed among the co-operative credit societies within the area of the guilds, as arranged between the Federation and the National Bank of Credit; and the remaining 50 per cent is to made over for social providence and assistance, as agreed by the Federation and the National Institute of Labour and Social Providence.

Credit.—The Federation may give credit to wheat growers, either out of its own funds, or with the help of any credit institution. It may normally discount its own warrants or warehouse certificates with sufficient margin, rate of interest and other conditions as laid down by the Board; any other operations are subject to the approval of the Government representative. It may obtain loans for credit purposes, or it may arrange that credit institutions provide loans to growers on favourable terms. The storehouses, granaries and silos of the Federation are considered as public warehouses for the purposes of warrants. The Board of the Federation may direct that the guilds do their business through the co-operative credit societies.

General.—An appeal lies to the General Council against the decisions of the Board, with a final appeal to the Minister of Agriculture. The Board of the Federation may, with the approval of the Government representative, suspend the

[1] Up to the end of 1936 the sums made over by the Federation for People's Houses amounted to 1,200 contos. Cf. *Diário da Manhã* of 1st January, 1937, Lisbon. This was a special number devoted to the corporative movement. In my investigations I have been referred to it as authoritative.

guild boards and replace them by appointed manager or managers. The Government representative has a right to veto the decisions of the Board or of the Council which he deems contrary to law or the interests of the State, in which case the resolutions remain in abeyance until final decision of the Minister of Agriculture. In the initial period and until suitable representative element can be trained, the federal and primary boards and the president of the Council are appointed by the Minister of Agriculture. This last provision and the provision regarding the right to veto of the Government delegate apply to all corporative organisms.

National Federation of Millers

We have so far said a good deal about the production side of wheat, but little about the problems connected with its milling. Favoured by the handsome profits that could be made on imported wheat, this industry had grown in a haphazard fashion much beyond the requirements of the country. Before the advent of the new régime home-production was more or less stationary; so in order to be able to import larger quantities, the millers encouraged consumption by popularizing wheaten bread even in out-of-the-way places, which had not been used to it. The high prices of the war period encouraged a mushroom growth of flour mills. As a consequence there grew a host of inefficient mills situated in uneconomic localities, both from the point of view of production and of consumption. Therefore, if the planned economy as regards wheat was to be thorough, it had to comprise the milling industry.

There were in Portugal, when the millers were about to be organized, 240 power mills capable of processing 1,599·9 million kilograms of wheat p.a. The annual consumption of Portugal is about 430 million kilograms of wheat. Of this 100 million is kept for family consumption and is processed by water and hand mills, producing integral or coarse flour. For the power mills turning out fine flour there were left, therefore, only 330 million kilograms, representing a little

over 20 per cent of their working capacity.[1] If they were all allowed to work the marginal cost would be high and the competition greater. The former would be detrimental to the public, and the latter against an important national industry.

The Government decided, therefore, to meet the situation by eliminating those least desirable both as regards plant and situation, and fixed the maximum of those coming under this category at 30 per cent of the total working capacity. On the ground that the elimination of the less efficient increased the value of those left, the latter were to pay, in proportion of their capacity, the cost of amortizing the former. A committee especially appointed by the Government was to determine which mills were to be scrapped and their present value.

A second problem in connection with the industry was the orderly and equitable distribution or apportionment of the millable home-grown wheat, as also of any wheat that might have to be imported. Thirdly, uniform freight rates had to be provided both for the raw material and for the processed product if the millers' margin fixed by the State was to be equitable. It is in order that the millers might solve these problems by auto-direction, as the Charter of National Labour provides, that the National Federation of Millers was formed. Its chief distinctive features are as follows. It is understood that in other particulars the principles applied in the parallel growers' Federation are followed.

Constitution.—The primary units of the Federation are guilds formed in every district by flour mills whose total output is not less than 5 per cent of the total national output. Mills in districts not attaining this minimum must join the nearest guild, or several districts below the minimum may join to form a guild.

Objects and Powers.—The objects and powers of the

[1] As a matter of fact, the actual working of the 240 mills was as follows: 7 worked 15–20 per cent; 169, 20–25 per cent; 44, 25–30 per cent; 16, 30–35 per cent; 3, 35–40 per cent; and 1, 60–65 per cent. Cf. Introduction to decree No. 24,185, dated 18th July, 1934, in *Diário do Governo* of the same date.

Federation are: (1) To direct and to check the activities of the guilds; (2) to direct and to check the technical working conditions in the mills; (3) to store, to preserve and to improve the processed products that may be confided to its charge; (4) to promote and to regulate the distribution of the products among the consumers in such a manner as to avoid competition among its associates; (5) to assure to the consuming public stable prices and regular supplies both as regards quantity and quality; (6) to promote in agreement with the growers' Federation the distribution of the home-crop as per quotas fixed; (7) to promote the unification of freights for wheat, flour and the by-products; (8) to draw up a plan for regulating the industry and to submit it to the Minister of Agriculture after the approval of the Council; (9) to import, when necessary, wheat and to distribute it among its associates, as provided by law; (10) to provide credit facilities to its associates; (11) to enter into collective contracts of labour with the national syndicates; (12) to promote in collaboration with the national syndicates institutions of providence; (13) to assist the Government in aiding the workers; (14) to fulfil all other legal dispositions.

Members' Duties.—The members are bound: (1) To pay for each kilogram allotted to them 20 milavos; (2) to declare by the 10th of each month the quantity of wheat milled and the flour and the by-products produced during the previous month; (3) to declare likewise the quantity of the flour and the by-products sold during the previous month both within and outside the area of the respective guild.

Finance.—The Federation is to have a capital of 20,000 contos, which may be increased to 40,000 contos by order of the Minister of Agriculture. The capital of the guilds is to be fixed according to circumstances. In either case it is formed out of the said levy of 20 milavos, 15 per cent of which goes to form the federal fund and 5 per cent for the guild fund. The remaining 80 per cent of the levy goes to amortize the scrapped mills. The amortization fund cannot be applied to any other purpose. When the amor-

tization has been completed the levy paid by millers may be reduced. The scrapped mills are to be paid for at once by means of a loan issue bearing interest at the rate of 5 per cent and redeemable within 20 years. The plant and machinery become the property of the Federation, whereas the buildings remain in the possession of their owners, who may put them to any other use. A decision having been arrived at in February, 1937, as to the mills to be scrapped and the indemnity to be paid for them, an issue by the Federation of a loan of £500,000 on these terms was sanctioned by the Government in March, 1937.

Commission for Regulating Coarse Flour

We have said before that the power mills processed about 330 million kilograms of wheat destined for public consumption, whereas water and hand mills, producing integral flour, worked about 100 million kilograms meant for family or private use. Owing to the superabundance of wheat, both the growers and the millers of the second category asked that the latter might be allowed to grind flour to be sold to the public. The Government saw no objection to this provided that two conditions were observed: (1) That the flour meant for sale to the public should be milled only out of wheat bought from the growers' Federation; and (2) that the said wheat should not invade regions where the cultivation of maize and rye predominated, in order that these two latter products might not suffer competition. For these purposes the mills were required to register themselves with an official body called the Technical Inspectorate of Agricultural Industries and Commerce.

As a matter of fact, few mills registered themselves; on the other hand it was noticed that the growers were retaining excessive quantities of the wheat produced. In former years about 100 million kilograms had been retained for family consumption and about 50 millions for seeds. Of the 1935 crop additional 68 million kilograms had been retained, to be sold, no doubt, quickly and at cut prices. As consequence, the growers' Federation, the only body entitled to sell wheat for public use, was meeting with

difficulty in disposing of its stocks and in paying for the wheat that it had received. The sales of fine flour were also below the average; coarse flour was being sold at a price below the cost of wheat to the power mills.

It is to meet this situation that the Commission for Regulating Coarse Flour was set up by decree No. 26,695 of 16th June, 1936. It is not an auto-directed corporative organism, but a body of economic co-ordination. Its salient features are as follows.

Constitution.—The Commission is composed of: One representative of the coarse flour mills, one of the growers' Federation, one of the millers' Federation, all appointed by the Minister of Agriculture, and the Government delegates attached to these two latter bodies. All hand and water mills grinding coarse flour either for public consumption or for family use are subject to the Commission.

Functions.—(1) To distribute through the producers' granaries to the mills the wheat for flour for public consumption; (2) to direct and to check the working of the mills so as to assure that they obtain their wheat requirements and produce their flour in accordance with the laws in force; (3) to do or to order all that is necessary for the due fulfilment of this measure.

Peripherical Organization.—The Commission may, with the approval of the Minister of Agriculture, appoint its delegations in places where it may deem necessary. They are composed of a secretary and two members, chosen from among millers within the area. Their functions are to carry out the instructions from the Commission and to make to it any proposals that they may deem advisable.

Millers' Duties.—(1) To register themselves at the growers' granary of the area, stating whether they work for public consumption, or family use, or their own private use; (2) to obtain the wheat for flour for public use from the area granary; (3) to sell the flour only in places where the use of bread made from it is traditional, or where it is customary to mix it with fine flour or where in the opinion of the Government authorities and the Commission it is necessary for making the regional type of bread; (4) to

deliver to the area granary the wheat received in payment of the milling and to receive payment for it at the official rate;[1] (5) to keep a register, as directed by the Commission, showing the in-comings of wheat and the out-goings of flour; (6) to pay 20 milavos per every kilogram of wheat milled for public use or family use, other than miller's own use; (7) to sell flour at the official price; (8) to allow their premises to be inspected and to obey the instructions of the Commission. The said levy is collected by the growers' Federation through the granaries and is meant for the expenses of the Commission.

Bakers' Guilds of Lisbon and Oporto

After the organization of the growers and of the millers, there remained the bakers to be disciplined. This link of the wheat chain was the nearest to the great mass of consumers, to whom the quality and price of bread are of vital importance. With it was connected also the orderly distribution of flour. Owing to surplus stocks and the anxiety of the millers to realize, the bakers were able to obtain their requirements at cut rates, though the price of bread remained the same. A beginning was made last August in the solution of the economic, technical, hygienic and social problems connected with the making and the distribution of bread by the formation of two guilds in the two greatest and most important urban areas of Portugal.[2] These new organisms are fully corporative bodies, and so follow the general principles with which we have already become acquainted. The details especially worth noticing are the following.

Constitution.—All bakers, whether individuals or firms or companies, of the city of Lisbon and of the neighbouring districts of Oeiras, Cascais, Almada and Barreiro form the Guild of Lisbon; their confrères of the city of Oporto, and of the near-by districts of Vila Nova de Gaia, Matozinhos,

[1] The wheat milled for family use is sometimes paid for in kind. The millers used this wheat to cover clandestine purchases of the grain: hence this rule, the breaking of which is liable to the mill being closed in the first instance for 30 days, and in the next for 90 days.

[2] Decree No. 26,891, dated 14th August, 1936.

Maia, Valongo and Gondomar form the Guild of Oporto. Other districts of the county of Lisbon may be brought into the guild by order of the Minister of Agriculture and on the proposal of the Council of the guild. In each ward of the city and in each district there is a representative delegation.

Objects and Powers.—The functions of the guild are: (1) To direct and to discipline the industry and the trade of bread, with the object of safeguarding the interests of the industry, of protecting its members against unfair competition and of having due regard for the legitimate interests of the consumers; (2) to organize statistics of consumption of each district and ward, to regulate in accordance therewith the supply of flour to members by the mills, re-sellers or depôts, and to countersign all the members' orders for the supply of flour: (3) to promote the fulfilment by its members of all the regulations regarding the use of flour and the type, quality, price and weight of bread: (4) to promote in co-operation with the National Institute of Bread the technical improvement of the industry and to contribute to the technical training of the workmen; (5) to give to its members help, information and explanation necessary for the right exercise of their industry and trade; (6) to give opinions and information to the National Institute of Bread, and to make proposals on all matters within its jurisdiction, especially on the proper regulation of the industry and its hours of work; (7) to promote the improvement of the working conditions of its members' workmen by signing collective contracts of labour with the national syndicates, by co-operating in the gradual foundation of syndical institutions of providence and of assistance for the benefit of the workers; (8) to fulfil the orders of the National Institute of Bread or to see that they are fulfilled; (9) to take disciplinary measures against its members.

Members' Duties.—(1) To contribute not less than 20 milavos per kilogram of the flour taken; (2) to obey the orders not only of the boards of the guild and its delegation, but also of the National Institute of Bread; (3) to submit to the countersignature of the delegation all orders for flour, detailing therein quantities, types and marks, without which

no order may be passed; (4) to declare by the 5th of each month the stock of flour in hand at the end of the previous month. Bakers of maize bread, who may join the guild, pay only 50 per cent of the levy paid by the wheaten-bread bakers.

Capital.—The capital of the Lisbon guild is to be of 1,500 contos and that of the Oporto guild of 1,000 contos. They may be raised to double of those amounts by the order of the Minister of Agriculture. The capital is formed out of 10 per cent of the said levy of 20 milavos.

Reserve Fund.—Five per cent of the levy collected goes to the reserve fund.

Provident Fund.—A percentage, fixed by the General Council, of the annual net revenue goes to the provident fund, which is to be applied to set up technical schools, canteens, health services and any other works of aid for the benefit of workers in the bakeries. The application of this fund is subject to the approval of the Under-Secretary of State of Corporations and Social Providence.

Revenue.—Besides the usual sources, such as charges for services, fines and interest, 75 per cent of the said levy of 20 milavos constitutes revenue of the guilds.

National Institute of Bread [1]

At the apex of the elaborate organization directing, controlling and supervising the various activities connected with wheat is a body bearing the above name. It is not a corporative organism, but an organ of economic co-ordination, located in the Ministry of Agriculture, with functions more or less similar to those of the British Development Boards. It will be incorporated in the respective corporation when the latter is formed, and will serve as a link between the State and the various functional associations which we have already examined and which are subordinate to this Institute.

Objects and Powers.—Stated more in detail, the functions of the Institute are: (1) To effect the industrial classification of the home-grown wheat in accordance with the quantity

[1] Decree No. 26,890 of 14th August, 1936.

and quality of the flour that it yields; (2) to co-operate with the Government research departments by furnishing them with the necessary information and the result of its enquiries and experience; (3) to propose and to recommend through the corporative bodies the most efficient and economical means for the treatment and preservation of wheat; (4) to study the mechanical qualities and the physical and chemical properties of flour and to classify it accordingly in types and marks; (5) to study and to propose the technical conditions to be observed by the millers and the bakers with a view to the proper return and quality of their products; (6) to study the technical conditions of the whole process of bread-making, and to lay down the most suitable regulations in that regard; (7) to propose working hours most in accordance with the technical requirements of bread-making; (8) to set up, in co-operation with the respective enterprises and corporative organisms, schools for the proper technical training of millers and bakers; (9) to co-operate with the Government supervisory bodies and to direct the corporative bodies with a view to the due fulfilment of laws and regulations; (10) to reply to all technical enquiries made through or by the corporative bodies regarding wheat, flour or bread and to issue certificates of analysis; (11) to collaborate with similar foreign bodies in the technological study of wheat, flour and bread; (12) to promote unity of action and the discipline of the activities which are subordinate to it.

Administration and Control.—The Board of Management is composed of a director and two deputy-directors, appointed by the Minister of Agriculture. The General Council is composed of (*a*) the three members of the Board; (*b*) the Government delegates attached to the subordinate corporative bodies; (*c*) one representative each of the growers' Federation, the millers' Federation, the Guilds of bakers and the Commission for Regulating Coarse Flour. There may sit on the Council, in addition, two representatives of the Public Services and two more members appointed by the Minister of Agriculture. The members of the Board and the members of the Council appointed by the Government

must not have any interest, either direct or indirect, in the controlled activities. The functions of the Board and of the Council are those usually assigned to such bodies. The Board may take directly disciplinary measures which the subordinate bodies should have, but have not, taken.

Finance.—The revenue of the Institute consists of the following: (1) A subsidy fixed annually in the budget of the Ministry of Agriculture; (2) a percentage of the revenues of the subordinate bodies, subject to a maximum of 100,000 escudos each by the growers' and millers' Federations, 50,000 escudos each by the Lisbon Bakers' Guild and the Coarse Flour Commission, 35,000 escudos by the Oporto Bakers' Guild and 20,000 escudos by each additional bakers' guild that may be set up; (3) the fees of the certificates of analysis; (4) any other collection that may be authorized.

Results of Wheat Planning

It is as yet too early to gauge the fruits of the many-branched organization that we have reviewed. Three of the organisms are of recent birth, and they are just finding their feet. Of the two others, one, the Growers' Federation, had unexpected problems of a very serious nature thrown in its path; and the other, the Millers' Federation, was born with grave original sins, the expurgation of which has not been an easy matter and has taken time. We shall, however, endeavour to see, as far as we are able, how the various elements concerned in the planning of wheat, that is, the growers, the millers, the bakers and the consumers, have fared in the new régime.

Growers.—We saw that when Portugal started her Wheat Campaign the object was only to attain self-sufficiency. But, whereas in Italy it had been laid down that the deficiency should be made good by intensive cultivation only and the increase of wheat production had, as a result, been gradual, in Portugal extensive cultivation was largely resorted to,[1] sub-marginal lands were sown, rotations were

[1] Compared with the average of 1926–30, when there were 435,170 hectares under wheat, the 1931–35 average showed an increase of about 33 per cent. Cf. *Anuário Estatístico de Portugal*, Imprensa Nacional, Lisbon.

not observed and wheat was sown even in cork-tree and olive-tree plantations. As a consequence, and with the aid of exceptionally good weather conditions, within three years the production of Portugal more than doubled itself, whereas it had taken Italy nearly seven years to obtain an increase of about 50 per cent.[1]

As already stated, out of the 1932 crop there was a surplus of about 250 million kilograms. The 1933 harvest gave only 437 millions, that is, just about enough for the annual human consumption. As about 50 millions were required for seed, the 1932 surplus was reduced to about 200 millions. The 1934 crop gave, however, 672 millions, with which there came into being a surplus of nearly 400 millions. To make matters worse, the 1935 crop yielded 616 millions, creating a further surplus of about 136 millions. In other words, when the new harvest year began in August, 1936, there would be carried into it a surplus from previous years of about 536 million kilograms.[2]

The Growers' Federation had been created to promote the orderly marketing of wheat, and its quick payment, and to ensure a remunerative price to producers. The surplus raised serious difficulties of storage and finance and considerably increased storage, interest and depreciation charges, which meant corresponding deductions from the guaranteed price. With a loan and a subsidy given by the Government out of the Unemployment Fund, the Federation was providing warehouses as fast as it was possible, but since the declared policy was only of self-sufficiency, it could not, without jeopardizing its future, build for such

[1] The Italian *Battaglia del Grano*, to cover the one-third deficiency in its annual requirements, was launched in 1925 and up to 1929 it produced only 10·9 quintals per hectare, an approach to self-sufficiency having been attained only in 1932, with an average of 15·2 per hectare. Cf. Serpieri, *Fra Politica ed Economia Rurale*, p. 250, G. Barberá, Florence. The Portuguese yield, in quintals per hectare, was in 1925–29, 6·39; in 1930–34, 9·28; in 1932–34, 10·36. Cf. International Institute of Agriculture, *The World Agricultural Situation in* 1934–35, p. 453, Rome. The yield in quintals per hectare was in 1935 10·87 and in 1936 only 5·02 owing to bad weather. (Cf. *Boletim Mensal* of the National Institute of Statistics.)

[2] Cf. decree No. 26,889 of 14th August, 1936, *Diário do Governo* of 14th August, 1936, Imprensa Nacional, Lisbon.

huge surpluses.[1] The Federation had no initial capital but was forming it out of levies on the wheat declared for sale; in the meantime it had to borrow from the *Caixa Geral de Depositos, Crédito e Previdência.* To finance a normal crop about £3 million were necessary; with the surplus double that amount would not be enough. At one time a sum representing one-fifth of the fiduciary circulation of Portugal was placed at the disposal of the Federation, and there was a clamour in certain sections for that amount to be doubled, some going so far as to suggest a special note issue to finance the wheat stocks.[2] From its inception in August, 1933, to the 19th December, 1936, the Federation had bought 1,085 million kilograms of wheat at a cost of £14 million.[3]

As the Federation could not pay for or even collect all the wheat declared for sale, the growers themselves sold furtively at low rates and large quantities remained in unsuitable premises, where, owing to their proximity to dwellings and the toxic qualities of the preservatives, they could not be treated for better keeping. To relieve somewhat the situation the millers were compelled to carry a surplus stock of 100 million kilograms. Owing to storage, interest and depreciation charges growers lost about 10 per cent of the guaranteed price.

The price to growers for the 1934 crop had been fixed

[1] The work of building warehouses was completed in January, 1936, at a cost of £176,000, out of which £141,000 were taken on loan and £35,000 were out of the Unemployment Fund. In all 300 granaries had been built, capable of storing 150,000,000 kilograms of wheat. At the end of 1936 the Federation administered through its 117 guilds, 362 warehouses, in addition to those 300. (See *Diário da Manhã* of 1st January, 1937 and 27th May, 1937.) In Portugal there are no silos, and the policy in this regard has been subjected to much one-sided criticism. Had Portugal been a militarist country, silos would have been considered a necessity, whatever the present and the consequential cost might be; but the country has so much to construct or to reconstruct internally, that it is planning for normal needs and as economically as possible. Long keeping would raise storage and credit charges, and they might rise so high as to make it more advantageous to import. On the other hand a succession of good years, like 1934 and 1935, might turn the reserves into a dead or heavy loss, as the 1936 exports. A moderate policy, like the present, seems, therefore, to be justified for the time being.

[2] In accordance with decree No. 19,869 of the 9th June, 1931, the maximum limit of the note circulation of Portugal is £20 million, but it could be increased by agreement between the Government and the issue bank when the economic needs of the country made it advisable.

[3] Cf. said special number of *Diário da Manhã* of 1st January, 1937.

at 27*s.* 3*d.* per 100 kilograms. In order to increase consumption and thereby to reduce stocks the Government decreed that wheat should be sold to millers at 25*s.* 6*d.*, with a corresponding reduction in the price of bread. The loss resulting to the Federation from the difference between the growers' and the millers' prices was to be made good by paying to the producers for the 1935 crop at the rate of 23*s.* 9*d.* for 100 kilograms, while the rate to millers would remain the same. In addition, the Government warned growers that in future only what was required for home consumption would be paid at the official rate, and the balance at the world price, which was less than half of the home price.[1] In the circumstances, growers were advised to sow more rationally and to endeavour to reduce the cost and to increase the yield per unit. The maximum quantity that could obtain the guaranteed price was fixed at 330 million kilograms.

The additional surplus of 1935 made more direct measures necessary. By a decree issued in October of that year the Government ordered that lands sown with wheat in 1935 should be left fallow in 1936 and that no wheat should be sown in cork-tree and holm-oak plantations, in olive-tree plantations of over an hectare and in lands used for other grain. It forbade also the sowing of certain inferior qualities. As a consequence, the 1936 sowings compared with the 1931–35 average fell by about 25 per cent, and compared with

[1] In 1931–34 foreign wheat could be had in Portugal, c.i.f. Tagus, at between 10*s.* 2*d.* and 12*s.* 9*d.* per 100 kilograms, as against the home price of about 27*s.* 3*d.* (cf. *Diário de Notícias* of 8th June, 1935, p. 9). It is some consolation, however, to know that Portugal was in this respect much better off than Germany, France and Italy, whose home prices as compared with the world price are shown in the following table:

GOLD PRICES OF HOME-GROWN WHEAT IN GERMANY, FRANCE AND ITALY, EXPRESSED AS PERCENTAGES OF THE GOLD PRICE ON IMPORTED WHEAT IN ENGLAND.

Year.	England.	Germany.	France.	Italy.
1931	100	253	291	226
1932	100	261	276	270
1933	100	250	243	269
1934* . . .	100	276	300	268

* Nine months only. The English price of imported wheat taken as 100 is the average of the London and Liverpool prices of Canadian, Argentine and Australian wheat. (Cf. League of Nations, Economic Committee, *Considerations on the Present Evolution of Agricultural Protectionism*, p. 21, Geneva, 1935.)

1935, by a little under 16 per cent, the total area sown in the two years being, respectively, 468,210 and 557,207 hectares.

In January 1936 the Government realizing that the stocks of the home product would be enough for about two and a half years' consumption, and that it would be impossible to absorb them at home even if the 1936 crop were a poor one, decided to cut the losses and to export 300 million kilograms for what they could fetch. In pursuance of this policy 110 millions were exported to foreign markets at an average price of 10*s.* 2*d.* per 100 kilograms, in addition to a small quantity to Madeira. The growers were to be paid on the crop harvested at the pre-arranged rates, and the difference was to be made good by a levy of 2*s.* 3*d.* for 100 kilograms on future crops until the loss on exports was covered.

The severity of winter in the early months of 1936, with diluvial rains which destroyed entire fields and made the prospects for the 1936 crop very poor indeed, entirely changed the situation. Exports were, therefore, stopped and the Government withdrew the restrictions as regards sowings, the maximum payable at the official price remaining still at 330 million kilograms.[1] The situation for the year August, 1936, to July, 1937, is this. The visible surplus from the 1935 crop was of 303 million kilograms. The 1936 crop yielded for sale about 100 millions,[2] giving total stocks of 403 millions. Deducting from this figure the 330 millions required for home consumption and 15 millions exported to Madeira, there will be in August, 1937, a surplus of about 60 millions only, which is quite a reasonable carry-over.

If in spite of the economic price guaranteed by the Government the growers have not fared too well, they have themselves to blame for their disorderly over-production, and but for the organization set up by the State they would

[1] For the year 1936–37 the average price of 100 kilograms of two parts of soft and one part of hard wheat of the specific weight of 77 kilograms per hectolitre was 24*s.* 2*d.* For higher or lower specific weights there were corresponding increases or decreases in the guaranteed price. (Decree No. 26,889 of 14th August, 1936.)

[2] The total production of 1936 was of 235,433,390 kilograms. Taking out 100 million kilograms for private use and about 35 million for seeds for the reduced acreage, there remains about 100 million for public use.

have been entirely ruined, as can well be seen from the facts stated. The doctrine of self-sufficiency as regards essential prime products needs at the present moment little defence, especially in view of the crisis of foodstuffs experienced during the Great War and the war clouds now hanging over Europe. Portugal had not only to stop a yearly drain of over £2 million for foreign wheat, but also to find employment and healthy rural life for her unemployed. New Portugal attaches great importance to the social value of agricultural development,[1] and gives especial encouragement to small producers, of whom there were over 120,000 engaged in wheat growing, and producing over 250 million kilograms a year. The wheat of this class of growers is taken first and paid in full. When owing to insufficient and improper storage there was heavy depreciation, the Government decreed that in however bad condition it might be, not less than 18*s.* 2*d.* per 100 kilograms should be paid to small growers. The consequent loss was pooled and distributed over the entire production.

Millers.—The first problem with which the millers had to contend was of the elimination of the surplus mills, as provided in the decree No. 24,185 which created their

[1] Agricultural development is being effected in two ways: (1) By improving what cultivation there is; (2) by bringing new lands under cultivation. We have already seen and shall see in the following pages what is being done under the first head as regards the principal commodities. General measures to the same end consist in a re-organization of the Ministry of Agriculture with the provision of technical departments to direct a systematic fight against insect pests and plant diseases, and to promote the spread of scientific knowledge regarding cultivation, the training of agricultural labourers and the use of better machinery and implements, facilities for obtaining which are provided. As regards new lands to be brought under cultivation, two important bodies have been set up: (*a*) A Board of Internal Colonization; (*b*) a Board of Irrigation and Drainage. The former Board has been studying what lands which are at present uncultivated and which are not required for common use can be brought under cultivation with good economic results, and already some areas have been decided upon. The Board of Irrigation has, after five years' study, following a preliminary survey by the British expert Sir Murdoch MacDonald, drawn a five-year plan of fifteen irrigation and drainage works, to be completed by 1940 at a cost of £5,500,000, making suitable for cultivation 217,426 acres. The necessity of this development will become evident when we bear in mind that the population of Portugal is rising at the rate of 100,000 souls a year. (For details of the irrigation and drainage works see an article by R. Mayer in *The Engineer* of June, 1936, pp. 590–2.)

Federation. This came into being in July, 1934, and it soon transpired that several millers were prepared to offer their premises for amortization. So, in August of the same year the Federation invited the registration of those prepared to scrap their mills. As a consequence, 120 registered themselves, and the Minister of Agriculture appointed a commission of five, two of them representing the Federation, to settle the indemnity to be paid to those scrapped.

The commission submitted its report in August, 1935, but the Minister could not accept its recommendations, as the values fixed were too high. The commission had not taken into due account the fact that by building so much in excess of the requirements of the country, the mills had depreciated themselves in proportion to that excess, and that, therefore, their present value must be conditioned by that circumstance, however good the intrinsic state of the mills might be.

Moreover, it had been laid down that those least desirable as regards situation and plant should be eliminated. In the voluntary registration this principle had not been observed, but it was not taken account of when the commission was appointed. It became necessary, therefore, to consider the whole question anew.

A new commission was appointed in April, 1936, and it gave its report in December of that year, same having been published in February next. The mills recommended for scrapping totalled 131, representing a daily working capacity of 1,506,905 kilograms, that is over one-third of the whole. The total amount of indemnity fixed was of £500,000, as already stated, and the same was arrived at by the following method: The basic amount of indemnity was 75 per cent of the present cost of building an average mill of that type and size, the reduction of 25 per cent being due to the depreciation that the mills had suffered by being in excess of the country's requirements. Additions to or deductions from the basic price were made according to the quality and present condition of the plant, location, past activity and the expenses necessary to adjust the building to other purposes. In eliminating, the country was not considered

as a whole, but in districts, with the result that the efficiency of those remaining was not absolute but relative. From the economic point not only the technical efficiency had to be considered, but also the transport costs of the raw material and of the processed product. Those mills that wanted to pass to coarse flour were allowed to remain, but no compensation was allowed them for putting out of use their sieves.

Another element of discontent was the millers' margin. Since 1927 the margin officially allowed had been 4*s.* 6*d.* per 100 kilograms. The millers alleged that they could not now work on that margin for the following reasons: (1) They could not buy any longer wheat in the open market at below official rates; (2) they could not now buy foreign wheat which gave higher profits; (3) the by-products which formerly fetched 9*s.* 1*d.* per 100 kilograms were now worth only 7*s.* 3*d.*; (4) the mixing of maize and rye within the same margin was no longer allowed; (5) they had to warehouse a surplus stock of 100 million kilograms; (6) had to pay amortization charges to buy off the redundant mills.

Objection (5) was met by allowing millers storage charges for the surplus stock. No. (6) did not stand, because just as the mills scrapped had to content themselves with depreciated values, so must also those allowed to remain. Therefore, the latter had to make good their own depreciation out of normally reasonable profits.

To meet the other points the margin was raised to 5*s.* per 100 kilograms and giving way to a general desire three types of flour were allowed, to wit, sole type, first and second qualities. Besides, if a hectolitre of wheat weighed, say, 80 kilograms, only 80 per cent flour could be extracted from that wheat. The maximum price of the sole type was to be 35*s.* 9*d.* per 100 kilograms. When two qualities were taken, the proportion of the first to the second was to be in some districts of 1 : 2, and in others of 1 : 3. The price of the second quality was to be per 100 kilograms 28*s.* 6*d.* in the former case, and in the latter case 30*s.* 10*d.* in some districts, and 31*s.* 10*d.* in others. The price of the first-quality flour was 51*s.* 10*d.* in any case, per 100 kilograms.

The Federation finds the difference between the proceeds of the flour at the maximum price and the total cost thereof, and collects the difference for a pool called the fund for balancing the millers' margin, from which up to 6·5*d.* per 100 kilograms of the wheat processed is paid to millers, any surplus being disposed of as especially provided by Government.

The milling industry had waxed prosperous in the past and had amassed huge reserves. It was, therefore, in bad odour with the public, which thought that that wealth had been acquired at its expense. Here was, then, a very delicate problem for the Government to tackle : on one side, very powerful financial interests ; on the other side, social welfare, which had been Dr. Salazar's dream since his youth and to which he was now most whole-heartedly pledged. In fixing the margin, after allowing for reasonable expenses, only 6 per cent has been allowed on capital, 4 per cent being for distribution and 2 per cent for reserves and the risks of the enterprise.

Bakers.—Generally speaking the baking industry in Portugal is not well organized and powerful ; it is rather composed of small local units. Bakers' trade is too open and too well subject to official supervision to leave much room for abuses. The shops in the cities are well fitted and clean, and since the organization have fixed hours for opening and closing. Bakery workers are always a hard-worked lot ; a collective contract has been signed between their syndicate and the bakers' guild, giving the workers good conditions of labour. A syndical institute of providence is in course of formation, and in the meantime contributions are being collected. It may be useful to add here the maximum prices that have been fixed by the Government for bread : fine quality, if in small-sized loaves, 6·75*d.* per kilogram, and if in sizes of ½ kilogram or more, 6*d.* per kilogram ; second quality, 3½*d.* per kilogram ; and sole type, 4*d.* per kilogram. These prices are strictly observed. Large-size loaves are weighed at the time of sale, and any deficiency is made good.

Consumers.—It is complained that the price of bread has

gone up and that the consumption has fallen. There is no doubt that with the stoppage of imports of the cheaper foreign wheat the price of bread has gone up, but there are no data to show that the consumption has gone down. We saw already that the yearly average consumption of 1925–29 was 417 million kilograms. Since the planning the yearly distribution of wheat through the mills has been of about 330 million kilograms and the producers have retained for private use as much as 167 million kilograms, making a total of 497 millions. But supposing even that all that was retained for private use was not consumed during the year (which is not likely to any large extent, as the producers would realize their holdings rather than run the risk of carrying depreciated wheat into an uncertain future) there is a wide margin for supposing that the consumption has not fallen, even after taking into account any probable rise in population. The 1930 census, compared with that of 1920, showed an increase of 1·31 per cent per annum. Supposing that the same rate had been maintained, the population in 1935 should have risen by 6·55 per cent. If the consumption of wheat had risen proportionately, only about 445 million kilograms would be required every year ; as a matter of fact, as already stated, a much larger quantity has, apparently, been consumed. On the other hand, the prices of bread, compared with those in other countries, cannot be said to be high ; in fact, they compare favourably.

CHAPTER V

WINE

WINE occupies a very prominent place in the economy of Portugal, a place second only to wheat. We saw that the imports of wheat cost Portugal in the 1925–29 quinquennium a yearly average of over £2 million. The exports of wine had brought to Portugal in the 1926–33 period a yearly average of £2,275,000, constituting the highest individual export and about 35 per cent of the total. According to the data furnished by the *Office International du Vin*, there are in Portugal about 344,000 hectares under vine, whose product was worth, based on the prices ruling in 1924–33, a yearly average of over £4·5 million. Portuguese viticulture employs over 150,000 hands.[1] The fortunes of the wine industry were, therefore, bound to be one of the major concerns of any serious Government.

The war and the boom that followed it gave a fillip to Portuguese vine-growing, but with the reaction that followed Portugal suffered more than the other countries, which were better equipped technically and commercially. Changing tastes, vine cultivation in new countries, customs barriers, the "dry" laws and competition from other producing centres made the lot of Portuguese wine all the more precarious. Especially from 1929, while exports were falling, production was mounting up, as the following tables will show: [2]

[1] Cf. *The Financial Times, Supplement Series No. 134*, dated 7th October, 1935, p. ii, column 6, and *Diário de Noticias*, Lisbon, dated 5th December, 1934, p. 1, column 7.

[2] Cf. *Boletim do Instituto Nacional do Trabalho e Previdencia*, dated 30th January, 1935, p. 116, Instituto Nacional do Trabalho e Previdencia, Lisbon.

Quinquennium.	Production in Hectolitres (Yearly Average).	Exports in Hectolitres (Yearly Average).
1919–23	5,015,831	1,455,743
1924–28	5,776,544	1,120,099
1929–33	7,023,050	808,620

Years.	Production in Hectolitres.	Exports in Hectolitres.
1929	6,599,883	945,566
1930	5,784,703	817,658
1931	7,380,420	756,371
1932	6,149,867	755,917
1933	9,200,379	767,618

The rise in production was due to : (*a*) an increase in the area under vine ; (*b*) higher yield per hectare due to better manuring ; (*c*) the introduction of breeds which sacrificed quality for quantity ; (*d*) the extension of vine plantations from the hillsides to the plains, which also gave quantity at the expense of quality.

The fall in exports was due mainly to reduced takings of common or table wines by France and Brazil. Either because of deficiency in her crops or for the purposes of blending, France had imported large quantities of Portuguese wine, amounting, in hectolitres, to 1,489,627 in 1922, to 476,000 in 1923 and 651,000 in 1928. But from 1928 to 1932 the area under vine had increased in Argelia by 114,000 hectares and in France by 39,000 hectares. Brazil was contending with exchange difficulties. The exports to the two countries in the 1929–33 quinquennium may be seen in the following table : [1]

Year.	Export in Hectolitres : France.	Brazil.
1929	44,975	120,879
1930	2,187	90,340
1931	2,070	39,735
1932	38,287	32,293
1933	46,804	50,895

As the exports had fallen, so had also the home consumption, owing to the reduced purchasing power brought about by the general economic crisis. The situation could be met either by an increase of exports and of home consumption, or by a reduction of the production, or by a combination of the two. The Government has adopted the last method.

[1] Cf. the *Boletim* just cited, pp. 116 and 117.

The aims which the Government has set itself in the solution of the problem are the following: (1) Reduction of production; (2) improvement of its quality; (3) the adoption and the enforcement of rigid standards and marks; (4) the control of the commerce of wine at home and abroad; (5) the increase of exports by means of better value, propaganda and commercial treaties; (6) increase of consumption at home; (7) processing of surplus wine.

In fulfilment of the above plan the various regions producing wines with distinctive characteristics have been demarcated, and the following regions have been fixed in Continental Portugal:[1] (*a*) Douro (port-wine district); (*b*) Carcavelos; (*c*) Moscatel de Setubal; (*d*) Bucelas; (*e*) Dão; (*f*) Colares; (*g*) centre and south of Portugal (the rest).

The producers of each region have been compulsorily associated in a guild in the case of the smaller regions, and into a federation in the case of the larger ones. In the latter case, district guilds form the primary units. On the other hand, the exporters of each region have also been compulsorily associated into a guild. In the more important regions, like Douro and Dão, there is a higher body, called institute or union, for the purpose of directing, controlling and co-ordinating the activities of the two lower unions. To complete the organization, wholesalers within the country have also been compulsorily corporativized. To acquaint students with the structure of the wine organization we shall examine the main features of the Douro or the port-wine region associations, which are the most important and the most complete of all, and the principles of which have been applied, *mutatis mutandis*, in all the other regions.

Port-wine Planning

The port-wine industry is of especial interest to Great Britain, which is the greatest foreign consumer of this wine. Many English and Scottish firms are engaged in the industry and have invested therein millions of pounds; the exporting

[1] In the adjacent islands Madeira forms a region.

side is mainly a British industry, and the firms engaged in it are known throughout the world.

From the end of the seventeenth century port-wine became an important item in the international exchanges of Portugal, and many are the measures taken by various governments for its protection, the most notable of the earlier ones being those adopted by the Marquis of Pombal. This famous statesman had the region demarcated in accordance with its natural qualities, chiefly in order to secure the best qualities of wine, and confided the trade to a concern called the General Company of Agriculture of the Vine Plantations of Upper Douro, which, apart from the classification of the soils, selected the wines, fixed their prices and bought them, as it was bound to in terms of its Charter. Though a capitalistic concern, it was subject to a Government agent, who controlled its operations. The best wines were exported, and the rest remained for home consumption and for distillation. The company enjoyed great privileges, among which was the monopoly of exports to Brazil and of sale in Oporto and within three leagues around thereof.

In 1834 the privileges granted to the company were withdrawn, and there began a régime of freedom both as regards production and commerce. Inferior wines from other regions came to be blended with those of the demarcated area, and the good name of port-wine suffered, though the exports increased. An effort was made later to come back to the old régime, but the company, with its privileges curtailed and with difficulties of all kinds, was unable to restore the old order.

In 1867 the ravages of phylloxera brought ruin to the Douro region, and whole vineyards ceased to exist. As a consequence, the blending of outside wines with what the Douro region produced assumed enormous proportions, and large exports lowered the high reputation gained by the genuine port-wine. In the midst of the disorder, plantations were made in the plains, yielding large low-grade quantities at a cheap price.

Franco, an able statesman of the closing years of Don Carlos's reign, endeavoured to restore the good name of

the unique product of Portugal. For that purpose he established in 1907 a control of the exports and again demarcated the Douro region with the object of shutting out outside wines. But, whereas Pombal had demarcated on a scientific basis, Franco simply followed the boundaries existing for administrative purposes, with the result that to the typical hillside wine was added the lower-grade and cheaper lowland product. A horrible double tragedy put an end to the fair promise of Franco's administration, and the demand created by the Great War let loose an orgy of disorderly production, with the result that the reputation of the wine suffered much.

In the post-war period the fleeting governments issued many measures tending to redress the situation, but the country was too troubled politically and financially to secure economic rehabilitation. It was only in 1932, after six years of the new régime and after four years of budget surpluses, that far-reaching and efficient measures were taken to tackle the whole problem of port-wine. First of all the producers were compulsorily associated by decree No. 21,883 of the 18th November, 1932, since slightly altered by decree No. 24,948 of the 10th January, 1935. These two decrees govern the organization of the Douro production, which we shall now examine.

Federation of the Vine-growers of the Douro Region

The original or the 1932 association, which was a kind of co-operative or pre-corporative body, was called the Syndical Federation of the Vine-growers of the Douro Region. At that time what agricultural producers' associations there were took the form of syndicates and co-operatives, after the French model. The organization as altered by the 1935 decree is a full-fledged corporative body and bears the above name. Originally the growers of a parish formed a syndicate, the syndicates within a district formed a district union and the various unions of the region formed the Syndical Federation.

Present Constitution.—Now all the producers of a district,

whether they be landlords, usufructuaries, tenants, sub-tenants, depositaries or metayers, are members of the district guild, and the various guilds form the Federation, which is also called " Casa do Douro," that is, Douro House. Two or more districts, if not big enough to have each a guild, may form one guild. Formerly even agriculturists who were not wine producers could join the organization, and when ten or more in number could form a special section of the local syndicate. This has now been done away with.

Objects and Powers.—The Federation has the following aims and faculties: (*a*) To direct and to control the vine plantations and the wine production of the region, so as to guarantee the genuineness of the product and to improve the conditions of manufacture by giving the necessary technical assistance to the producers; (*b*) to fix the minimum prices for the wines and musts produced in the region; (*c*) to fix the quantity of wine to be treated for sale each year, and to allow that treatment having due regard to the quality of the musts; (*d*) to regulate the transit and the application of the brandy necessary for that treatment; (*e*) to promote the flow of the musts not treated; (*f*) to set up and to organize co-operative wine-making; (*g*) to sign collective contracts of labour and to collaborate with the National Syndicates and the People's Houses of the Region for the improvement of the workers' conditions and for the gradual foundation of institutions of providence to protect the workers in sickness, disablement, involuntary unemployment and to provide old-age pensions; (*h*) to carry out the resolutions of the Institute of Port-wine and to collaborate with that organism in all matters relating to its associates and the region; (*i*) to keep a proper record of all the vineyards of the region together with their boundaries and the statistics relating thereto.

Control and Administration.—The organs of control and administration are, respectively, the General Council and the Board of Administration. The latter is composed of a president and two members appointed by the General Council for a period of three years; at least one of them must be reinstated on the expiration of that period. The

president is subject to the approval of the Minister of Commerce and Industry, who may dismiss the whole Board after hearing the Council or on the proposal thereof. Any vacancy on the Board during the triennium is filled by the Board itself, subject to the approval of the Council. This organ is composed of the president of the central Board and of the presidents of the local guilds or their representatives. There is a Government delegate attached to the Douro House, who attends all the meetings of the Council and of the Board and has the right of vetoing any of their decisions which he may deem contrary to the interests of the nation or of the associates. An appeal lies to the Minister of Commerce in economic matters and to the Under-Secretary of State for Corporations and Social Providence in social matters.

A district guild is administered by a Board composed of a president, a treasurer and a secretary. The president is appointed by the Board of the Federation out of three persons proposed by the general assembly of the members of the guild. The treasurer is elected by that body and the secretary is appointed by the central Board. The last is a paid official. All the members of the local Boards must be habitually resident in their respective areas, and they, as well as the members of the central Board, must be Portuguese citizens. In each parish there is a paid delegate of the Federation, who may look after more than one parish when they are small.

Members' Rights and Duties.—Besides what is usual, the members have a right: (*a*) to the technical and financial assistance that they may require; (*b*) to sell to the Federation at the prices fixed those wines that they may not succeed in selling directly. The duties are: (1) To fulfil all the laws regarding the production and commerce of wine; (2) to co-operate by all means possible with the Federation, especially in improving the quality of port-wine and in enforcing the checks employed to that end; (3) to pay for each hectolitre of their production about 4*d.* for the capital fund and about 10*d.* for the credit fund of the Federation; (4) to declare their total production by the 15th November

of each year. Failure to fulfil this last duty, or inaccuracy in fulfilling it is liable to a fine of about 1*d.* per each litre under-declared.

Finance.—The capital of the Federation is formed out of the levy of 4*d.* per hectolitre already mentioned, and 30 per cent of which goes to the central fund, 30 per cent to the local guild fund and the remaining 40 per cent to the social providence fund.[1] An additional source of capital to the central fund is 50 per cent of a levy of 20 escudos per hectolitre on all brandy entering the region from elsewhere. Any fines go also to this fund, together with donations and such like, both at the centre and at the districts. All these items, though said in the decrees to constitute a capital fund, are in reality revenue, from which the expenses of the organization are paid. The real capital fund is the credit fund to be dealt with later.

Surplus.—Any surplus is to be allocated as follows: (*a*) As long as the credit fund has not been completed: (1) At least 20 per cent to the legal reserve fund; (2) 30 per cent to the rural providence fund; (3) the balance to purposes decided on by the General Council. (*b*) After the credit fund has been completed: (1) 10 per cent to the reserve fund; (2) 40 per cent to the rural providence fund; (3) interest at the maximum rate of 5 per cent on levies contributed to the credit fund; (4) the balance, as decided by the General Council.

Credit Fund.—This is really the capital fund of the Federation, and it must attain a minimum of £450,000, the Minister of Commerce having the power of increasing it on the proposal of the Council. The main source of this fund is the levy of 10*d.* per hectolitre paid by members, as already mentioned. Any profit on transactions on musts, wines and brandy and on credit given goes to this fund. The credit operations are limited to discounting the warrants issued by the Federation on wines and brandies. Formerly all the co-operative credit societies within the region were under the Federation, at the head office of which there was

[1] Up to the end of 1936 the Federation had set apart £11,000 for rural social assistance. See *Diário da Manhã* of 1st January, 1937.

a regional co-operative credit bank. This has now been done away, the local co-operative credit societies reverting to the general organization, and the credit operations of Federation being out of its own credit fund, and, if necessary, out of borrowed funds.

Social Service.—The Board of the Federation must take the initiative in founding People's Houses within the region, and its local delegate is the *ex-officio* secretary of the House of the locality. Sickness, disablement and unemployment benefits are given by the Federation through the local Houses, and the Federation administers the funds of providence of the People's Houses within the region.

Guild of the Exporters of Port-wine [1]

Once the producers had been associated, the ideal thing would have been to organize export by and on account of the producers themselves, as is done in Italy by the co-operatively associated vine growers. But in Portugal insurmountable difficulties presented themselves. The organization was new; the great majority of the associates were small producers and impecunious; the funds of the association were being built slowly by means of levies; the export of port-wine required large capital both sunk in huge stocks kept to mature and used in financing the actual exports; knowledge and experience of the foreign markets had to be acquired. On the other hand, there were powerful interests already engaged in the trade, in which they had invested millions of pounds sterling and in which they had grown old and wise. The Government decided, therefore, not to do away with the existing order, but to control it so as to ensure the genuineness and the good reputation of the wine, to eliminate unfair competition and to guarantee economic prices to the producers. For those purposes and others that we shall see in the course of this study it compulsorily organized the exporters into the above-named guild.

[1] The decrees governing the guild are Nos. 22,460 of 10th April, 1933, 23,183 and 23,184 of 28th October, 1933, and 27,282 of 24th November, 1936.

Constitution.—Only those exporters of port-wine that fulfil the following conditions may be members of the guild: (1) To be registered as an exporter at the Customs of Oporto; (2) to possess and to maintain within the zone of the entrepôt of Gaia and in their own storehouses a permanent stock of the generous wines of Douro of not less than 150,000 litres;[1] (3) to pay the industrial taxes payable for the exercise of that trade; (4) to be registered at the Commercial Registration Office of Oporto. Conditions (3) and (4) do not apply to producer-exporters, who will, however, have to prove that their vineyards are registered at the Douro House.

Objects.—The aims of the guild are: (1) To promote through members the export of port-wine; (2) to fix minimum prices for export; (3) to supply information to members; (4) to assist the Institute of Port-wine in the services and the expenses of propaganda and expansion and of the repression of fraud affecting the wine; (5) to promote reciprocal trade, in exchange for port-wine, in co-operation with the corporative organisms or organisms of economic co-ordination controlling the goods imported; (6) to apportion among members the quotas or the exchange available.

Members' Duties.—(1) To pay once, on registration, a fee of 1,000 escudos; (2) to pay every month a fixed fee of 50 escudos and a variable fee at the rate of 50 escudos for every 500,000 litres of the stock in excess of the first 500,000 subject to a maximum of 250 escudos; (3) to pay 2·50 escudos per hectolitre of the wine exported.

Control and Administration are exercised, respectively, by the general assembly and by the directorate. The former is composed of all the members and the latter of three members elected by the assembly and a Government delegate, one of the three being designated as president by the electors. Each member of the guild has one vote, plus another for every 500,000 litres of the stock in excess of the first 500,000. The names of members together with the

[1] Before this measure came into force there were hundreds of so-called exporters, without warehouses, stocks or any commercial organization, and whose only qualification was registration at the Customs-house.

number of votes to which each one is entitled are published in the official gazette. The Government delegate has the right of vetoing the resolutions of both the organs. The majority of the elected directors must be Portuguese.

Finance.—There is no capital fund. The fees and levies already mentioned together with fines, if any, constitute revenue. What is left over after paying the expenses of the guild and contributing for social providence and to the Institute of Port-wine is capitalized. Fifty-five per cent of the levy under (3) above goes to the Institute of Port-wine.

Conditions for Export.—(1) Only members of the guild may export; (2) each lot must be accompanied by a "certificate of origin" issued by the Institute of Port-wine; (3) for wines of superior quality the Institute may issue on request a "certificate of origin and quality"; (4) the certificates must state the name of the exporter and the quantity and the quality of the wine, the marks and countermarks and the class of wine; (5) the certificates must be preceded by a direct examination of the wine (this applies also to wines for home consumption); (6) the Institute may issue certificates of analysis; (7) no member may export during a calendar year more than 60 per cent of the stock held on the 30th June last (this percentage is subject to variation and stands at present at 80, but exporters must build their stocks at harvest time);[1] (8) no export may be made at less than the minimum price fixed by the guild, which price must include the exporter's profit, agent's commission, bonus and any other especial concession. It is absolutely forbidden: (*a*) To sell bottled wine with a certificate of origin and quality on terms of "payment after examination"; (*b*) to export wines "on consignment"; (*c*) to give to a foreign buyer, for any reason whatsoever, any bonus or indemnity, except by especial permission of the Institute obtainable in each case. Wines sent to depôts of the Institute or to own or to the sole agency of the exporter are not considered as "on consignment." Wines in casks

[1] The wine for export is treated by the exporters themselves. As they have the monopoly of export, it was thought right that they should buy their requirements at harvest time, thereby helping the producers to realize.

may be sent "on payment after examination," but if sold below the minimum prices the exporter is held responsible. Sample wines also are subject to all the above conditions. The penalties for contravention are: (1) Censure; (2) fine of from 1,000 to 50,000 escudos; (3) suspension of membership; (4) cancellation of membership. Those distributing exclusively in the home market must be registered as such at the Institute.

Institute of Port-wine

Several references have already been made to this organism (now governed by decree No. 26,914, dated 22nd August, 1936), which is parallel to the National Institute of Bread, which we reviewed when dealing with the planning of wheat. As that institute caps, directs and controls the organization of wheat, so does this body that of port, both being not corporative associations, but semi-official organs of economic co-ordination. It is needless to emphasize its importance. One of the most serious charges levelled against the British Marketing Boards is that they are producers' organizations, working for the benefit of producers only, without much regard for the taxpayer and especially for the consuming public. It will be remembered that the Reorganization Commission of 1932 recommended a Milk Marketing Board, representing the primary producers, a Dairymen's and Manufacturers' Board, representing the two main groups of milk buyers, and a Joint Milk Council, appointed by the two boards. That proposal was not adopted, and the solitary Milk Marketing Board was created, with results that have not proved very satisfactory. To remedy the situation the Reorganization Commission of 1936 recommended the establishment of an official Milk Commission. The Portuguese Institutes have functions similar to those of the British Joint Milk Council, the Development Boards provided for in the Marketing Act of 1933 and the Milk Commission put together.

Objects and Powers.—The main functions of the Institute are the following: (1) To co-ordinate the activities of the corporative organisms of production and commerce of port-

wine, keeping in view their own objects and the superior aims of the corporative organization, as expressed in the Charter of National Labour ; (2) to create the corporative conscience and to develop the feeling of national solidarity among all the factors of the activities that it co-ordinates ; (3) to check, to direct and to control the production and commerce of port-wine either through the Federation or the Guild, or directly when the persons or bodies concerned do not belong to those associations ; (4) to fix the quantity of port-wine that must be treated each year in the region ; (5) to fix the quantity and the conditions of sale of the brandy deposited with the Douro House for distribution among wine producers and merchants ; (6) to fix the price limits within which the Douro House may buy musts from the producers of the region ; (7) to fix the price limits for the sale of the treated wine in stock at the Douro House ; (8) to ascertain the stocks of the port-wine merchants and to check them with their accounts ; (9) to order any alterations or improvements that it may deem necessary in the wine presses or warehouses with a view to either better quality or more hygiene ; (10) to keep a register of all trade-marks, of whatever kind they may be, used for port-wine, whether exported or consumed at home, with power to demand in this connection samples of the respective wines, which shall be identified and registered ; (11) to propose to the Government all that it may deem advisable for a proper and efficient application of the principles that governed the demarcation of the region and the installation of the entrepôt of Gaia ; (12) to study the improvements to be introduced in the making and treatment of port-wine and to enforce them ; (13) to issue " certificates of origin and quality " and " bulletins of analysis " for export wines ; (14) to issue engraved paper seals or perforated lead seals of models approved by the Minister of Commerce to be used compulsorily on all bottled wine whether exported or consumed at home ; (15) to limit, to forbid or to condition the export of port-wine in accordance with the requirements of the markets or in the interests of the trade-marks ; (16) to defend the good name and the just value of port-wine in

the consuming markets, combating by all means fraud and transgressions, as regards both quality and designation; (17) to promote and to organize the commerce of port-wine in foreign markets, and to make its propaganda through the "Houses of Portugal"[1] or through own delegations, where necessary; (18) to establish depôts abroad for bottling and guaranteeing quality; (19) to give its opinion on all matters submitted to it by the Ministry of Commerce for its study and report.

Control and Administration.—The Institute is administered by a Board composed of a director and two deputy-directors, appointed by the Minister of Commerce. Control is exercised by a General Council composed of the following: (*a*) The three members of the Board; (*b*) the president of the "Douro House" or his legal representative; (*c*) the president of the exporters' guild or his representative; (*d*) the Government delegates attached to those two bodies; (*e*) the head of the Oporto Customs; (*f*) two persons of well-known prestige and technical ability in the port-wine industry. The Board and the Council have the functions usually assigned to such organs.

Services.—The Institute has three main services: (1) Scientific studies, experimental research and technical direction; (2) supervision, a Chamber of Tasters and a Consultative Board of Tasters; (3) economic studies, foreign services of publicity and expansion, of repression of fraud and of depôts. The Consultative Board of Tasters is the body whose opinion on the quality of wine and brandy is final. It also examines and passes the tasters of the chamber.

Finance.—The Institute has no capital fund. Its revenue consists of the following: (1) A cess of 5 escudos

[1] "Houses of Portugal" are bureaux set up in important cities like London, Paris and Antwerp, and those who live in or have visited the former city must have noticed in Regent Street "Portugal" in big flaming red letters. The "Houses" have two departments: (*a*) Commercial; (*b*) Tourist. The former not only uses the usual means of propaganda to push Portuguese products, but also defends their trade-marks and other rights, even by going to court of law, if necessary. The department generally fosters trade and economic knowledge between the two countries. The bureaux are under the higher control of the consuls.

per hectolitre on casked wine and of 2·50 escudos per 100 bottles on bottled wine payable at the Customs on export; (2) 50 per cent of a levy of 20 escudos per hectolitre of outside brandy sold within the region; (3) 55 per cent of the levy of 2·50 escudos payable by the members of the guild of exporters per hectolitre of the wine exported; (4) the fees for the certificates of quality or of analysis; (5) the price of the seals of guarantee; (6) the proceeds of fines.

Disciplinary Powers.—Besides those imposable by the respective corporative organization, the Institute may impose on producers and exporters the following penalties: (*a*) Warning; (*b*) censure, communicated through those organisms when the transgressor belongs to them; (*c*) fine of 1,000 to 50,000 escudos; (*d*) suspension; (*e*) prohibition of further production or export. The names of transgressors are made public.

Guild of Wholesalers of Wine

We have already stated that the primary producers of wine have been compulsorily organized in regions, and that likewise the exporters of the wine of each region have also been associated. Now, as will be seen from the statistics already quoted, the export represents only about 10 per cent of the production. If, therefore, wine was to be properly planned, the home distribution could not remain uncontrolled. Due to over-production and the consequent low prices, speculators sprang up who bought wine and placed it on the retail market without blending, without allowing it sufficient time to mature and in an unhygienic condition. About 80 per cent of the vine growers of Portugal are small producers making not more than 5,000 litres a year, individually and in primitive presses. There were good reasons, therefore, for the wholesalers to be responsible entities, with sufficient capital, storage capacity, stocks to mature and plant to render wine safe for human consumption. It is for these reasons and for the purpose of subjecting, through the wholesalers, retail distribution to a discipline that the above corporative organism was created by law No. 1889 of 23rd March, 1935, replacing a

pre-corporative body set up three years earlier. Decree No. 27,002 of 12th September, 1936, completed the organization now in force.

Constitution.—All wholesalers of wine must be members of the guild, and no one except members of the guild may sell wine to retailers. Taverns, restaurants, eating houses, hotels, milk bars, beer gardens and grocers' shops are considered as retailers. The guild has its head office in Lisbon, its delegations in the capitals of districts and sub-delegations where necessary, subject to the approval of the Minister of Commerce.

Objects and Powers.—(1) To direct, to discipline and to check the wholesale trade of wine and its sub-products, advising and adopting to that end measures leading to better relations with producers and retailers; (2) to fix the conditions of sale to retailers and by them to consumers after agreement with the respective producers' association; (3) to ensure that the members' premises have the necessary conditions as to capacity, ventilation and cleanliness and as to hygienic conditions for the workers; (4) to give to its members information relating to the trade; (5) to effect at home by itself or in collaboration with the other corporative bodies propaganda of wine and its sub-products; (6) to promote measures of social providence on behalf of the workers in the trade.

Conditions for Membership.—Only those wholesalers, whether dealers or producers, who fulfil the following conditions may be members of the guild: (1) To own storehouses with the necessary capacity, ventilation and hygiene, the same premises not being admissible for more than one membership; (2) to own the necessary utensils and plant for storage and treatment; (3) to maintain minimum stocks equal to one-fifth of the maximum annual sales; (4) to pay an industrial tax of 1,500 escudos, which is reduced to 500 escudos for members with business outside the capitals of districts and whose annual sales are of less than 100,000 litres; (5) to be registered at the Commercial Registry Office. Producers who sell only their own production are not subject to conditions (3) to (5) above.

Members' Duties.—(1) To pay to the guild a registration fee of 200 escudos; (2) to pay by the 15th of each month a levy of 20 escudos; (3) to pay 1 escudo per hectolitre of wine or its sub-products sold to the retailer; (4) to buy only from producers or fellow-members of the guild or from the exporters' guilds; (5) to observe in the purchases the prices and conditions laid down by the producers' corporative organisms.

Control and Administration.—The composition and powers of the Board of management and of the general assembly are generally similar to those of parallel organs in the other associations already reviewed. A special feature is that the president of the assembly installs the Board in office, may attend all its meetings, and even vote when only two members of the Board are present and they disagree.

Voting Rights.—Each member is entitled to one vote for every 50,000 litres of the minimum stock already mentioned under conditions for membership. Those stocking below that figure must group themselves so as to complete that figure and obtain one vote.

Finance.—There is no capital fund. The revenue consists of the members' contributions detailed under members' duties, in addition to which there are fines for contravention of the guild's regulations which may range from 300 to 10,000 escudos. This revenue, together with interest earned by any surplus that may have been capitalized, pays the expenses of the guild (including the salary of the Government delegate), which like all other corporative bodies is fully self-supporting. This is worthy of special note.

Retailing.—Wherever the guild functions retailing may be done only under special licence. Wholesalers' retail shops or producers', for their own produce, must also be licensed.

Results of Wine Planning

The aims which the organization of wine set to itself were fourfold: (1) To drain off the surplus stocks which were dragging down the whole production to ruinous prices, with far-reaching deleterious consequences to the national

economy; (2) to reduce production so as to establish equilibrium between supply and demand; (3) to secure economic prices for the producer; (4) to increase consumption at home and abroad by offering improved quality, reliable standard brands and reasonable prices. Our examination of the results will, therefore, have to centre round those four points.

In an appraisement of the fortunes of the Portuguese wine industry only two regions need to be taken into account, viz. the Douro and the centre and south of Portugal. The former contributes only about 10 per cent of the whole production, but about 50 per cent in volume and about 86 per cent in value of the total exports.[1] The latter produces about 70 per cent of the whole and supplies the bulk of the home consumption.

The Douro region yields about 70 million litres a year, out of which only about 50 per cent can be exported. The balance, owing to its higher cost of production, cannot compete in the internal market with the cheaper wines of the other regions. In 1932, before the Federation of the Douro growers came into being, wine of the region was fetching only about 5*s*. per hectolitre. When that organization began to operate it bought off the free market 15·5 million litres at an average price of about 14*s*. 3*d*. per hectolitre, thereby raising the price by nearly 200 per cent.[2] The possibilities of the surplus being placed in the wine market were very remote, owing to the bumper crop of 1933 as also of 1934. Any long holding raised in acute form the problems of storage and credit. The Federation decided, therefore, to turn the surplus wine into brandy and to distribute it among the exporters for treating their wine.

[1] In the 1929–33 quinquennium the unitary price of the 808,620 hectolitres of all wine exported was £2 15*s*., whereas the unitary price of the 349,306 hectolitres of common wine comprised therein was only 17*s*. 6*d*. Cf. *Boletim do Instituto Nacional do Trabalho e Previdência*, dated 30th January, 1935, p. 116.

[2] Cf. *Edições do Sub-secretariado do Estado das Corporações e Previdência Social*, No. 13, 1934, p. 24. From its inception to the 30th November, 1936, the "Douro House" came to the aid of the producers by issuing warrants or making advances to the tune of £396,760, and by buying up to the 30th June, 1936, wine to the value of £507,000. Cf. *Diário da Manhã* of 1st January, 1937.

But as port-wine brandy is dear, it raised the cost of the export wine and made its sale difficult.

To meet the situation two measures were decided upon. First, to effect a more selective demarcation of the region, thereby reducing production and securing better wines for export; second, to reserve 30 per cent of the consumption of the city of Oporto for the untreated wines of the region, thereby absorbing about 15 million litres. By these means the surplus would be eliminated, and any that did take place would be turned into brandy, of which the major portion required for treating the export wine would be obtained from the cheaper wine of other regions. Moreover, production was more directly restricted by measures similar to those adopted in the centre and south of Portugal, to be mentioned shortly. Owing to all these steps and the short crops of 1935 and 1936, not only had the surplus disappeared, but there was an actual shortage, to remedy which the Government, by a decree issued in August, 1936, allowed in the demarcated area new plantations and renovations, which had previously been forbidden.

The yearly production of the centre and south of Portugal region was, according to available statistics, in 1933 and 1934, 575 million litres. There are no exact data as regards the home consumption, but it is estimated at 468 million litres a year. Therefore, in each of those years there was a surplus of about 107 million litres, in addition to what had come down in smaller quantities from the 1931 and 1932 harvests. Fortunately for the situation, the 1935 crop gave only about 50 per cent, and that of 1936 only about 25 per cent, of the production of 1934, but to the end of 1935 the position remained critical.

First of all the surplus, which was a drag on the market, had to be cleared. This was done in three principal ways: (1) The Federation of the producers of the region bought up to the end of 1935 133 million litres, worth £600,000, either to be turned into brandy[1] or to be kept in reserve;

[1] In 1935 and 1936 the Federation of the centre and south of Portugal sold to the Douro region over 5 million litres of brandy, worth about £150,000. Cf. *Diário da Manhã* of 1st January, 1937.

(2) it collected from its members 39 million litres, being an 18 per cent levy on their production (the proceeds of this were to go to the capital fund of the Federation); (3) the permanent minimum stocks which the exporters and the wholesalers were obliged to maintain absorbed further 46 million litres, making a total under the three heads of 218 million litres.

In order to reduce production the following measures were adopted: (1) The uprooting or the destruction of all vines planted against regulations; (2) the grafting, the replacement or the destruction of all "direct producers," vines producing about 87 million litres of wine of a very low type and scarcely fit for human consumption, which vines required, moreover, little labour and affected adversely the maize sown in the plantations; (3) the wine of the "direct producers" was to be rendered unfit for human consumption and bought off by the producers' Federation of the region to be turned into brandy; (4) a subsidy of 75 escudos was granted for every 1,000 vines voluntarily destroyed.

To stimulate internal consumption the Government forbade municipalities to impose any rates on wine consumed at home and compelled them to revise the existing rates subject to a prescribed maximum, as it forbade also inter-regional taxes, with a few exceptions. Bottled wine with a registered trade-mark could not be retailed at more than double its cost price, which had to be shown on the label. The bill of fare of all *table d'hôte* meals in hotels, restaurants and boarding houses was to include a pint of table wine. The Federation took part in 6 fairs within the country and distributed 14,460 litres of wine free, and carried on propaganda by means of lectures, wireless talks and 3 motor brigades.

Thanks to all these measures and the short crops of 1935 and 1936 already mentioned, the wholesale price of common wine which up to the beginning of 1936 stood at 6*s*. per hectolitre had by August of that year risen to 15*s*.–18*s*. per hectolitre. Now it became necessary for the organization to intervene in order to protect the home consumer and to conserve the foreign markets which it had conquered, as

any excessive rise was sure to affect adversely both the markets ; as a matter of fact, there had been already reduced exports in some months. The organization has been able to meet the situation by releasing its reserve stocks and by allowing a reduction in the permanent minimum stocks of the exporters and the wholesalers. In doing this it has not neglected the legitimate interests of the producers, who were entitled to higher price for the very poor crop of 1936. As 80 per cent of the producers are small men, producing less than 5,000 litres each, impecunious and without storage facilities, and, therefore, liable to be exploited by middlemen, the Federation became a firm buyer of all their offerings, or gave them credit to enable them to hold on. In July this year the credit facilities were extended to large growers, up to one-third of their holdings if possessing not more than 50,000 litres, and up to one-fourth only if holding more.

In order to improve the quality of wine the Federation undertook campaigns in 1935 and 1936. In the last year 4 motor brigades were employed with 19 experts, who visited 41 districts, and 171 villages, showed 449 growers how to treat their musts, distributed 4,875 booklets on wine-making, 9,500 pamphlets on the treatment of musts and the washing of bottles and 7,900 placards. Over 3 million kilograms of chemicals were distributed at cost price. To check the quality of the wine retailed 10 motor brigades with 16 inspectors were sent out, and they visited 361 wholesale and 14,926 retail premises. The Wholesalers' Guild co-operated in this work and in that of propaganda, and in 1936 it had 3,890 samples analysed. Co-operative wine-making has been started by the Federation at one place with excellent technical and economic results. If this movement spreads, the future of the industry will have been placed on a sound basis.[1]

It has already been said that wine is the chief export of Portugal, and naturally the movements in that direction

[1] Cf. said special number of *Diário da Manhã* of 1st January, 1937, and *Boletim Mensal do Instituto Nacional de Estatística* for December, 1935 and 1936.

will be a good index of the results of the organization. The two bodies controlling exports of wine are: (1) The Guild of the Commerce of Wine Exports, dealing with common or table wines; (2) the Guild of the Exporters of Port-wine. The following table shows the exports of table wines: [1]

Year.	Thousands of Litres.	Year.	Thousands of Litres.
1933	34,930	1935	38,473
1934	37,664	1936	39,042

It will be seen that they have been gradually rising, and would have been still higher in the last year, but for an increase in price at home, due to the short crop already mentioned. The guild was represented at the Brussels Exhibition and the Rio de Janeiro Sample Fair, and effected propaganda in the foreign press, though the resources at its disposal have so far been small. It is chiefly through a control of quality that expansion has been secured, in spite of fixed minimum prices. In 1935 and 1936 9,933 and 10,121 samples were analysed and those condemned amounted to 23 and 39 respectively.

The position of the port-wine exports has been still better, as will be seen from the following table: [2]

Year.	Thousands of Litres.	Year.	Thousands of Litres.
1933	35,692	1935	40,023
1934	38,153	1936	45,701

Though port-wine is a speciality of Portugal, and as such it has not to stand so much competition as table wines, still in its best market, the British, it had to compete with the preferentially treated Australian and South African wines of "port type," which designation is not forbidden. Its best strength lay in its native qualities, which were maintained pure by the organization by means of strict selection in production, close tests before shipment and the repression of frauds and falsifications abroad, for which

[1] Cf. *Boletim do Instituto Nacional do Trabalho* of 30th January, 1935, p. 116, the said *Diário da Manhã* and annual report of the guild for 1936.

[2] In the first quarter of 1937 exports of port-wine rose to 10,721,500 litres against 7,085,900 litres in the corresponding period of 1936, that is, an increase of 50 per cent. Cf. said number of *Diário da Manhã* and *Boletim Mensal* for December, 1935 and 1936 and March, 1937.

many lawsuits were successfully instituted in France, England and Brazil. At international exhibitions, through the press and in co-operation with the trade associations interested an extensive propaganda has been carried on, the amount spent for this purpose in Great Britain alone amounting to about £7,000 a year.

CHAPTER VI

FRUITS

SOIL, climate and geographical position are all favourable to Portugal for the production and export of fruits. An additional advantage was early maturity, enabling its fruits to be the first in the field in foreign markets. But up to 1933 Portugal had not thought systematically of taking advantage of these favourable circumstances. There were scarcely any orchards on a commercial scale, whatever fruit-growing that there was being dispersed in vineyards, kitchen gardens and grain fields or by the roadside. Cultivation was traditional, unconscious and unscientific, insect pests infested the trees, the fruit was of low quality, packing primitive, marketing most disorderly and at the mercy of the middlemen, exports most haphazard, gluts alternating with scarcity, with the result that sometimes producers had, owing to the low prices realized, to return a part of the advances received against delivery contracts.

It had not always been so: at one time Portugal was a large supplier of northern Europe. In 1876 it exported 551,988,000 oranges, against 235,000 in 1930 and only 138,000 in 1934–35. Scientific and organized fruit production and export in California, Australasia, South Africa, Palestine and Brazil, allied with good packing and better transport, had ousted the less efficient like Portugal. While fruit imports and consumption, keeping pace with higher standard of living, were rising in markets like the British, Portuguese exports thereto were falling, as shown in the following table of yearly averages.

Quinquenniums.	Kilograms.	Quinquenniums.	Kilograms.
1919–23	22,609,478	1929–33	16,554,614
1924–28	21,186,082		

What made the position all the more unsatisfactory was that by far the greater percentages of the exports were composed of dry and dried fruits, as will be seen from the following table: [1]

PERCENTAGES OF THE TOTAL VALUE OF EXPORTS IN THE THREE QUINQUENNIUMS 1919–23, 1924–28, 1929–33.

Fruits.	1919–23.	1924–28.	1929–33.
Almonds	34	31	43
Figs	31	19	8
Grapes	13	28	9
Pineapples	6	8	23
Chestnuts	3	2	6
Apples	6	5	3
Unspecified dry fruits	1	1	2
Unspecified fresh fruits	3	2	4
Various	3	4	2
	100	100	100

Portugal, which owing to its proximity to the very important British and German markets could be a good competitor there, was almost a negligible factor, as against the prominent positions held by Italy and Spain. Excepting pineapples from the Azores, the already meagre exports of fresh fruits were actually declining. In 1933, whereas Spain contributed 57 per cent of the British imports of 587,350 tons of oranges, Portugal contributed next to nothing. The same may be said as regards lemons, of which Italy supplied 72,441 tons and Spain 16,814 tons to the British market. In grapes, Portugal sent to the said market only 5,029 tons, as against 22,555 tons by Spain and 5,588 tons by far-away South Africa. Out of the total British imports of fruits of a little over 1·5 million tons, Portugal contributed only 5,000 tons, as against 395,000 tons by Spain. The position was a little better as regards the German market, Portugal having contributed 9,000 tons out of the total imports of a little over 1 million tons.[2]

[1] Cf. Report preceding decree No. 25,325, dated 14th May, 1935, *Boletim do Instituto Nacional do Trabalho e Previdência* of 15th May, 1935, and Saraiva Vieira, *Subsidios para o Estudo Economico dos Mercados de Frutas e Produtos Horticolas de Londres e Hamburgo*, p. 411, Imprensa Moderna, Porto.

[2] Cf. Report just cited.

It was to meet this situation that the organization of the production and export of fruit was undertaken. First of all it was necessary to control what export there was, in order to secure a fair name for the Portuguese products; secondly, to organize export and give it credit facilities with a view to orderly marketing; thirdly, to improve and to increase the production. The more important measure to these ends was the decree No. 22,800 of 4th July, 1933, containing what was called the Statute of National Fruit-culture and Horticulture. It reorganized a body set up in July, 1931, called the National Board for the Export of Fruits. In order to bring it into line with the new legislation on organisms of economic co-ordination, that body has been changed again by decree No. 27,355 of 19th December, 1936, and is now called:

NATIONAL BOARD OF FRUITS

Constitution.—The Board is composed of (*a*) a president, (*b*) a vice-president, (*c*) a representative of the Director-General of Agricultural Services; (*d*) another of the fruit suppliers of Lisbon; (*e*) two of the corporative associations of fruit exporters; (*f*) two of the parallel associations of growers. It is the controlling body, and it meets ordinarily once a month. The president is the executive officer, and he, as also the vice-president, is appointed by the Minister of Commerce and Industry. The Board may have its delegations at the important centres of production and commerce, and there were already delegations at Oporto, and in Algarve, S. Miguel and Madeira.

Functions.—The main functions of the Board are: (1) To direct, to discipline and to supervise the commerce of fruits and horticultural products in the home and the foreign markets, to defend their reputation, to obtain an economic price for them, to issue national marks and to make propaganda on their behalf; (2) to give to the Ministry of Agriculture information on market requirements in order that production may be brought into line.

Finance.—The revenue of the Board consists of the following: (1) Fees for inspecting and passing fruits and

vegetables; (2) a part of the fees charged by municipal inspectors; (3) a proportion of the levies charged by the producers' and exporters' corporative guilds; (4) the proceeds of the sale of national mark labels.

Guild of the Export Commerce of Fruits

The 1933 organization provided that there should be set up, where necessary, exporters' guilds, to which had to belong all the exporters or producer-exporters of the region, whether individuals or associations. The guilds had to collaborate with the Board and its delegations, and to carry out their instructions as regards standardization, packing, national marks, propaganda at home and abroad, and arrange collective contracts of freight and insurance. There were four regional fruit exporters' guilds, viz. of Algarve, S. Miguel (Azores), Madeira and Vila Franca da Xira, and decree No. 23,829 of 7th May, 1934, created one national guild with the above name, and having its head office in Lisbon. It could have separate sections for the various fruits, and delegations in the more important centres. A delegation has been established at Oporto. We shall not examine the constitution of the guild, as it follows the principles of the guild of the exporters of port-wine already examined.

Producers' Guilds

As the export organization developed, production was to be controlled by means of producers' guilds set up at the more important centres. We shall study the only one that exists at present, the Guild of the Fruit-growers of the Region of Vila Franca da Xira, a region noted for its production of table grapes, which commodity has vast possibilities of good sales abroad.

Constitution.—All producers whose output is to be marketed outside the region, either within the country or abroad, must be members of the guild.

Objects.—The objects of the guild, which might be those of any orthodox co-operative society, are the following: (1) To direct and to discipline the production of fruit within

the region in accordance with the instructions issued by the Director-General of Agricultural Services on the recommendation of the Board; (2) to promote the marketing of the members' output at home or abroad in accordance with the rules laid down for the respective markets; (3) to contract on behalf of members the supply or the sale of fruit; (4) to propose minimum prices for export or sale abroad; (5) to arrange freight for members' products in order to reach consuming markets more quickly and economically; (6) to give or to arrange credit facilities for members; (7) to undertake propaganda for the protection and expansion of fruit production either on its own or in collaboration with other bodies; (8) to assist members in all matters relating to contracts for the supply of fruits at home or abroad; (9) to organize protection against theft or damage in the orchards, and to see that legal dispositions of technical or corporative character are duly fulfilled. The minimum prices referred to in (4) above are fixed by the Board or its delegation after consultation with the producers' and exporters' guilds. Contracts for sale are to be usually effected through the exporters' or wholesalers' guild, if any; but the producers' guild may contract independently if those guilds are not prepared to buy or in order to secure better conditions or when the products have been pledged to the guild against credit given. The producers' guild is a member of the exporters' guild and enjoys the full rights of that membership.

Control and Administration follow lines similar to those in other bodies already examined.

Finance.—There is no capital fund, and the guild may borrow, with the approval of the Minister of Agriculture, up to 1,500 contos for the fulfilment of its objects. Revenue consists of a fee on enrolment and a levy on all fruit sent outside the region. All expenditure must be paid out of revenue. No fruits may leave the region without a permit from the guild, and the export levy must be paid on obtaining the permit.

Results of Fruit Organization.—As fruit production cannot be improved and increased to any extent in two or three

years' time, it is too early as yet to gauge the results of the organization. The Board has done a good deal of preliminary work. In 1934 it sent out a special representative to study the British and the German markets, and we have already referred to his valuable report. The needs and the capacity of those markets are now better known, as also the packing advisable and the business methods used. Tariffs have been studied, as also the transport and storage facilities available. Extensive and up-to-date plant, worked by electricity, for selecting, polishing, grading and packing fruit has been installed in Lisbon.

Propaganda has been carried out at home and abroad, but the exports of some fruits have fallen, while those of others have risen. Grapes, for instance, had in 1936 a catastrophic fall to 887,899 kilos, against 4,005,766 and 5,423,173 kilos in 1935 and 1934 respectively, the fall having no doubt been due in a large measure to the bad harvest of 1936.

Generally speaking, unless the production improves, no appreciable rise in exports can be expected. The Department of Agriculture is endeavouring systematically (*a*) to improve what there is ;[1] (*b*) to develop fruit growing on a commercial scale. To the first end propaganda and practical demonstrations in the prophylaxy and treatment of trees, pruning, better cultivation and manuring and correct plucking have been carried out. As regards extension of fruit growing, 42 commercial orchards have already been planted, covering an area of 761,603 square metres and containing 18,777 trees of the best varieties. In addition, 15 vineyards have been made, covering 306,912 square metres and containing 118,224 vines of the best table-grape variety. It is estimated that these plantations will in a

[1] According to tables displayed at an excellent exhibition of fruits and horticultural products held in Lisbon in July, 1937, there were in Portugal : Fig trees, 4,717,030 ; almond trees, 3,428,880 ; apple trees, 2,242,400 ; pear trees, 2,042,470 ; citrus-fruit trees, 1,731,510 ; peach trees, 1,379,430 ; plum trees, 1,372,600 ; cherry trees, 874,768 ; apricot trees, 168,460 ; other fruit trees, 3,499,400 ; making in all 21,456,940 trees. As already stated they were spread over sundry plantations ; but if they were planted in orchards, they would cover 146,694 hectares and produce marketable fruits worth £2·84 million in the home market and £13·63 million in the British market.

few years' time produce 641,650 kilograms of assorted fruits and 354,732 kilograms of grapes, which in the British market would fetch about £28,000. During the last year permission has been given for 114 more orchards and vineyards, to contain approximately 39,600 fruit trees and 265,000 table-grape vines, covering in all an area of about 228 hectares.[1]

[1] Cf. an authoritative article in the *Diário da Manhã* of 28th May, 1937, p. 3, columns 6 and 7, Lisbon.

CHAPTER VII

RICE

PORTUGAL consumes about 55 million kilograms of milled rice every year, but up to 1932 only about 22 million kilograms were produced internally, though there were large uncultivated tracts suitable for rice cultivation. Such a state meant that considerable national resources remained unused, work that could be found remained unprovided and about half a million pounds sterling of national gold was drained abroad every year.

Matters became worse when world production increased and prices fell, and the position became particularly serious after the Ottawa Agreement, when the exporters displaced from the British market turned to Portugal as one of the countries into which to dump their surplus. As a consequence there was not only a slump in the price of the home product, but also the danger of the national fields going out of cultivation, thereby causing unemployment and increased imports.

In these circumstances two things were necessary: (1) To provide a remunerative price for the home production; (2) to increase the production, to attain self-sufficiency if possible, as in the case of wheat, without raising unduly the cost to the consumer.

For the attainment of those main ends several measures were indicated: (*a*) The orderly marketing of the home-grown rice; (*b*) its equitable distribution among the millers; (*c*) orderly wholesale and retail distribution of the milled product; (*d*) regulated importation of the quantity necessary to satisfy the national requirements of consumption and its equitable distribution among millers and dealers; (*e*) control of quality and price to consumers; (*f*) financial

and technical assistance to primary producers; (*g*) fight against malaria, which increased rice cultivation, with fields full of water, developed. To carry out these objects, assisted by the technical departments of the Ministry of Agriculture and the Public Health Service, three organisms have been created, namely, the Commission for Regulating the Commerce of Rice, the Guild of Rice Millers and the Guild of Importers and Wholesalers of Codfish and Rice, the constitution and regulations of each of which we shall now proceed to examine.

Commission for Regulating the Commerce of Rice

This commission, which was set up by decree No. 23,400 of 23rd December, 1933, has been altered by decree No. 27,148 of the 30th October, 1936, to conform itself with the recently issued decree No. 26,757 on pre-corporative bodies and organisms of economic co-ordination (already referred to in Chapter II) to which category the commission belongs. Its head office is in Lisbon, and it may establish delegations where necessary; as a matter of fact, at the time of writing there were 19 of them located at the chief centres of production, in order to keep in touch with and serve better the producers, whom it has not been thought advisable to organize corporatively, owing to the fact that they are diffused all over the country.

Objects and Powers.—The functions of the Commission are: (1) To create corporative consciousness and to develop the spirit of solidarity among the constituent elements of the activities which it directs and controls; (2) to regulate the supply for home consumption, keeping in view the protection of the production of Portugal and its colonies; (3) to control imports of foreign rice for the purposes of the preceding number; (4) to check the flow of rice, whether foreign or national, through the millers and the dealers down to its sale to the public, with the object of standardizing its types and regulating their prices; (5) to co-operate with the relative departments of the Ministry of Agriculture in controlling the production of rice, so as to meet market requirements as regards quantity, quality, types and prices;

(6) to co-operate with the Public Health Department in fighting malaria. The Commission controls primary producers, millers, wholesalers and retailers by means of regulations which we shall examine later.

Control and Administration.—The Commission is composed of: (*a*) a president and a vice-president appointed by the Government; (*b*) a representative of the Ministry of Agriculture; (*c*) another of primary producers; (*d*) a third of millers; (*e*) a fourth of wholesalers and importers. Those under (*c*), (*d*) and (*e*) are appointed by the Minister of Agriculture if the interests concerned are not corporatively organized. The executive functions are vested in the president.

Finance.—There is no capital fund, and the revenue is raised by levies on the rice imported and on the national rice sold. A percentage of the latter levy goes to the millers towards the granaries which they are obliged to have to receive on harvest the quantity declared for sale by small producers, that is, those whose production does not exceed 10,000 kilos, or those who do not cultivate more than 5 hectares.

Guild of Rice Millers

Objects and Powers.—This guild, created by decree No. 24,517 of 28th September, 1934, is a corporative body, to which all millers or producer-millers must belong. Its functions are: (1) To direct and to supervise the milling industry either with its own staff or through the competent authorities; (2) to apportion among its members, the unhusked home-produced rice, if necessary and as directed by the Rice Commission;[1] (3) to fix the selling price and conditions of milled rice in accordance with the instructions of the said Commission; (4) to arrange with banking institutions credit facilities for the fulfilment of its objects; (5) to make with land and sea transport organizations and with insurance companies collective contracts of freight and premium rates; (6) to import colonial and foreign (if necessary) rice and to distribute it among its associates, as directed

[1] Producer-millers are excluded from this apportionment.

by the Commission; (7) to export or re-export rice, as directed by the Commission; (8) to give its associates all the information relevant to the industry; (9) to act as arbitrator among its associates, who must in the first instance have recourse to it, though they may appeal to higher authorities; (10) to sign collective contracts of labour and to promote among members' employees social providence institutions.

Subordinate Organization.—The guild may have delegations where found advisable. The Commission decides which members are to belong to a delegation. A delegation is managed by a president elected by the members belonging to it, and its function is to carry out within its jurisdiction the work of the guild.

Control and Administration.—There is no general assembly but in its place we find a general council composed of the presidents of the delegations. Administration is carried out by a Board composed of a president and two members elected every three years by the general council. There is a Government delegate attached to the Board with powers previously stated.

Finance.—The funds of the guild are drawn: (*a*) A fee of 1,000 escudos paid by members on registration; (*b*) a levy on all rice milled; (*c*) any fines that may be imposed. These receipts are to be allocated, in percentages to be fixed by the general council, to: (1) General expenses; (2) social providence; (3) capital fund; (4) fund for amortizing inefficient or redundant mills. Members share in the capital in proportion to their contributions. The amortization was not to be compulsory, as in the case of flour mills, but voluntary, preference being given to the inefficient. They could be paid off in one lump sum, or in annual instalments, which could not exceed three. They could also be bought against a bill of exchange, earning interest at 6 per cent p.a., renewable every year and redeemable at the end of three years. Scarcely any have been amortized, as most of them are small, worked only by the members of a family, and the régime does not wish to interfere with such industries if it can possibly be avoided.

General Regulations for Rice Control

Producers.—Landowners, or tenants who grow rice or those who receive rice as rent or on any other account are considered as producers, and by the 30th of November of each year they must declare the quantity in their possession, being otherwise subject to heavy penalties. Formerly they had to sell through the Commission, but as it was found that this created unnecessary work, it has now been decided that producers may sell directly to millers after obtaining a delivery order from the Commission. Those who do not manage to sell directly inform the Commission, which then arranges to place it through the millers' guild. If the rice in question belongs to small producers, the millers' granaries already referred to are bound to receive it at once.

Millers.—Only those who are members of the respective guild are considered as millers, and they must: (*a*) Buy the whole of the declared national production at a price fixed by the Commission, any purchase beyond the declared quantity being severely punishable, as correct statistics are necessary for regulating properly home production and imports; (*b*) import the quantity of colonial or foreign rice necessary for home consumption, this being done usually by the guild, though an individual miller may exceptionally apply for and obtain an import licence from the Commission; (*c*) finish the rice in standard types fixed by the Commission;[1] (*d*) sell the finished product only to wholesalers and only within the maximum price and on the conditions fixed by the Commission; (*e*) mill only within its quota, as fixed by the Commission based on 90 per cent of its working capacity, the remaining 10 per cent being reserved for any adjustment of quota that may become necessary in view of situation, past years' actual working and the efficiency of the mill. It is the guild that apportions the quantity

[1] Ten standard types, to meet various tastes and purses, have been fixed, and all rice, whether national or imported, must be finished to those specifications, though it may be marked "colonial" or "foreign," as the case may be. In order that the types may be maintained rice may usually be imported only half-finished; otherwise guarantees must be given as to its quality and price.

available. Millers may not be wholesalers or retailers, and they may not mill directly for consumers. They, as well as the wholesalers, must supply at the prices fixed, all the rice that may be required.

Importers and Wholesalers.—We have reserved dealing with the guild of this branch of the industry for the chapter on codfish, as this guild is common to both the commodities, which enter largely in the everyday diet of the mass of the people, and are, therefore, usually dealt in by the same merchant or grocer. Rice wholesalers must ; (*a*) buy from national millers, but they may import foreign finished rice as directed by the Commission, this being usually done through their guild, though permission for that purpose may be given to individuals ; (*b*) carry stocks as laid down by the Commission ; (*c*) follow all other instructions of the Commission, particularly as regards maximum prices to retailers, who in their turn are obliged to sell within the maximum prices laid down by the Commission.

Results

As already stated, the object of the organization had been twofold : (1) To guarantee a remunerative price to home production ; (2) to attain, if possible, self-sufficiency in rice, without increasing the cost to the consumer. In an examination of the results we shall have, therefore, to see if those objects have been attained and to what extent.

It must be stated that it has not as yet been possible to work out scientifically the average cost of the rice production of Portugal : the expenses are not known with certainty, neither was production known with precision until the last harvest, when compulsion was used in that direction by the threat of strong penalties. Throughout Portugal soils, irrigation and working conditions are so varied, that it is not easy to find a satisfactory mean. Agricultural economists have the subject still under study, and from the data available it appears that the guaranteed price in force at present is remunerative to some regions and unremunerative to others. The fact that production has increased by leaps and bounds, as we shall see presently,

seems to show that growers as a whole have found it worth their while to grow rice. The price paid to them for the last harvest varies between 2·2*d.* to 2·88*d.* per kilogram, according to quality and specific weight, and has been round about those figures throughout the control.

As regards production, the following table will show the rapid rise during the last six years. The quantities given are of rice in husk, husked rice being equal to two-thirds thereof.[1]

Year.	Thousands of Kilos.	Year.	Thousands of Kilos.
1931	26,000	1934	48,000
1932	33,000	1935	51,000
1933	40,000	1936	64,000

For the 1937 season applications to sow additional 3,000 hectares have been made, and there is already a fear of over-production, as there was in wheat. It has been stated that the annual consumption of Portugal is of about 55 million kilograms of husked rice. Last year's production was of 42 million husked, and with colonial imports it will meet fully home requirements; imports of foreign rice, will, therefore, be dispensed with. It is not thought advisable to dispense with colonial imports for two reasons: (1) In order to provide a market for their growing production and to enable the colonies to buy from the mother country in exchange; (2) to satisfy the tastes for better qualities which the colonies can supply, but continental Portugal cannot. Investigations have been ordered on which to base a decision as to whether restriction should be resorted to or not. If restriction is decided upon a selection of fields will be possible, enabling a lowering of the marginal cost and of the price paid to the producer.

With the organization the prices paid by the consumer have actually come down. Before the Commission was set up, in 1933 home production was suffering not only from competition but also from great instability. As any foreign shipment arrived, the price of the home product slumped, and the grower, not having either storage capacity or credit,

[1] These figures were obtained from the Rice Commission.

sold at sacrificial prices. The prices paid by the consumer remained, however, high. Before the control was introduced, in 1931–33, retail prices had on some occasions risen from 6·1*d.* to 6·9*d.* per kilogram. The corresponding prices were in 1935, 5·24*d.* to 6·43*d.*; in 1936, 5·24*d.* to 6·1*d.*; in 1937, 5·24*d.* to 6·54*d.* The slight rise in the maximum of the current year is due to some scarcity of the finest qualities. The prices quoted are the maximum prices fixed by the Commission for the retailer, and it was expected that the more efficient grocers or those able to spread their overhead charges over other lines would be able to sell at less. In order to enforce those prices the Commission sends out *incognito* inspectors, and any charges in excess are severely punished. In order that consumers themselves may act as a check, two official posts have been established, one in Lisbon and the other at Oporto, where rice may be bought at the prices laid down. It is expected that the posts will also enable consumers to know the types prescribed. Formerly national rice was passed off as foreign, and any mixtures at any price. When foreign rice was still imported, the Oporto official post displayed and sold it in order to enable customers to make comparisons, which were not unfavourable to national production. Now the two posts display and sell also colonial rice, the price of which varies, according to qualities, from 5·34*d.* to 7·85*d.* per kilogram. The higher price is fully justified by the fine long grains of the better qualities, which cook particularly dry.

CHAPTER VIII

CODFISH

As the British fancy kippered herrings and smoked haddock at breakfast, so the Portuguese relish salted and dried cod prepared in a variety of ways at almost all meals. In spite of the fact that fresh fish caught along the 426 miles of the coastline of Portugal and in the 92,000 hectares of water of its rivers, streams, estuaries and bays is increasing, as is also its consumption, the quantity of the dried cod consumed shows no abatement; on the contrary, it shows an upward trend. The average consumption of the 1930–34 quinquennium was 47 million kilograms per annum, whereas the last year of that period compared with the first showed an increase of about 12½ per cent.[1]

An unsatisfactory feature of the situation was that Portugal made to the total consumption only a small contribution: a little over 7 per cent in the said quinquennium, and 11·5 per cent in its last year. The average annual cost of the imports of dried cod amounted to about 1·25 million sterling.[2] Meagre as the national production was, foreign competition was making its lot precarious, depressing and unsteadying the Portuguese industry, leading to the laying up of boats and causing unemployment and increased imports. In fact, cod had to face problems similar to those of rice, with the difference that, whereas the country could expect to be self-sufficient as regards the latter commodity, no such hopes could be entertained in respect of the former. Therefore, making the best of the situation, the necessary imports had to be controlled in such a way as to give

[1] Cf. Report preceding decree No. 26,106, dated the 23rd November, 1935, creating the Guild of the Owners of Boats for Cod-fishing (*Boletim Oficial* of the same date, Imprensa Nacional, Lisbon).

[2] Cf. Report just cited.

Portugal reciprocal trade, endeavouring at the same time to increase national production as much as possible.

Three organisms have been set up to plan the cod industry, namely, the Commission for Regulating the Commerce of Codfish, the Guild of the Owners of Boats for Cod-fishing, and the Guild of the Importer-wholesalers of Cod and Rice. We shall not study the first body, which was created by decree No. 23,968 of 5th June, 1934, and re-organized by decree No. 27,150 of 30th October, 1936, as, *mutatis mutandis*, it is identical with the Rice Commission. We shall describe briefly the main features of the two others.

Guild of the Owners of Boats for Cod-fishing

This is a corporative body to which all, whether individuals, societies or companies, who undertake the fishing of cod and have duly registered at the Port Offices of Portugal or its adjacent islands the relative boats, must necessarily belong.

Objects and Powers.—It is incumbent on the guild: (1) To develop, to direct and to check the fishing, the drying and the sale of the cod fished by national boats, and the utilization and the trade of the by-products of the industry; (2) to place at the disposal of its members, either out of its own funds or with the help of banking institutions, the resources necessary for the development of the cod-fishing industry by national boats and of the allied industries; (3) to establish a mutual insurance society for insuring the cod-fishing boats that belong to members together with their fixtures and cargo, or to insure collectively the same in national insurance companies through the Insurance Companies' Guild and by a policy specially approved for that purpose; (4) to improve the living conditions of the crew and the fishermen of those boats; to fix the conditions of labour contract for each season subject to higher approval; and to co-operate in the progressive foundation of institutions of social providence, designed to protect the workers in the industry in sickness, disability and involuntary unemployment and to provide for them retirement pensions; (5) to insure in national companies, through their guild,

the crew and the fishermen against accidents while at work; (6) to give to members all the information relating to the industry; (7) to promote, if possible, the establishment of a by-product industry; (8) to study systematically the improvements to be introduced in the fishing boats, having due regard to what the law prescribes as regards their supervision and safety; (9) to study the means of improving the drying processes and to furnish to those concerned information and suggestions to that end.

Control and Administration.—In lieu of general assembly there is a General Council composed of representatives of local delegations (set up at the more important centres), each of which is entitled to one representative for every five ships or part thereof within its jurisdiction. Administration is by a Board of three elected for three years by the General Council. The president of the General Council, who is elected thereby, follows the activities of the Board, specially in external matters, and there is no Government delegate. A delegation is managed by a president elected by the owners subject to it. There are a Board of Auditors and a Board of Arbitration, both elected by the General Council.

Finance.—Under this heading there are some very interesting provisions, in accordance with the best co-operative practice, which are worthy of special notice. There are distinct funds, viz. capital, social providence and revenue and expenditure, all of which are financed by a levy of 5 escudos per 100 kilograms of fresh cod fished, two-fifths of the levy going for the first fund, one-fifth for the second and two-fifths for the third. The levy, as well as its apportionment, may be altered by the Minister of Commerce and Industry. It is collected by the Codfish Commission, based on the declarations at the Customs, and is credited to the guild.

Capital Fund.—For the present the amount of this fund has been fixed at 10,000 contos, but it may be raised by the Minister to 20,000 contos. The contributions to this fund do not belong to the owner, but to the boat, and follow it, whoever the owner or user may be, until it goes out of

commission. They do not, therefore, give any special rights to the owner, who, however, answers by them for any of his dues to the guild. The rights in the fund may not be mortgaged. When an owner has more than one boat the contributions paid by him are at the end of a year allocated to the various boats in proportion of the fish caught by them during that period. When the boat goes definitely out of commission, the owner gets back at the end of the year the relative contributions, minus that proportion which may have been immobilized or lost. For the value immobilized he receives coupons to be cashed as the funds of the guild permit.

Social Providence Fund.—This fund is separate from the funds of syndical institutions of social providence and is meant for the provision of cheap housing, schools, health services or any other works designed to assist those that are employed in the fishing of cod. The fund is permanent, and it is to be utilized as directed by the Under-Secretary of State for Corporations and Social Providence.

Revenue and Expenditure Fund.—This is annual and ends with the disposal of the surplus, if any. The allocation of the surplus is to be made as follows:

(A) As long as the capital fund has not been completed: (1) To re-instate any amount taken out of the capital fund; (2) at least 5 per cent to reserve fund; (3) any special remunerations, funds or allotments; (4) the balance to the next year's account.

(B) When the capital fund has been completed: (1), (2) and (3) as above, then, (4) up to 5 per cent interest on the capital fund; (5) of the balance one-half to be distributed among owners in proportion of the cod fished by them during the year, and the other half to the social providence fund. In case of dissolution this fund is made over for social service purposes.

The guild is subject to the Codfish Commission in all that relates to the development of fishing, the processes of drying and the sale of the products and by-products, and to the Under-Secretary of State for Corporations and Social Providence in labour and social matters.

Guild of Importers and Wholesalers of Codfish and Rice

This is a corporative organism created by decree No. 27,152, of 30th October, 1936, to replace an earlier body called the Guild of Importer-wholesalers of Groceries. Its head office is in Lisbon, with a delegation at Oporto for the northern part of the country. Other delegations may be set up where necessary.

The guild has two sections: (*a*) rice; (*b*) codfish. To the first belong all rice merchants registered as wholesalers; to the second all codfish merchants and importers. Members of both sections must prove before being admitted that they have commercial ability, financial resources and storage facilities necessary to fulfil their obligations. Rice wholesalers must carry a permanent stock of not less than 250 bags of 60 kilograms each, and must not sell retail except at special shops opened for that purpose. Codfish wholesalers must likewise carry a minimum permanent stock (to be fixed) in the cold storage rooms of the Commission, and must not effect sales of less than 50 bales of 60 kilograms each at a time. These provisions have been made to avoid mushroom wholesalers.

Objects and Powers.—The guild must: (1) Give to the Government, the Rice and the Codfish Commissions and its members all the necessary information on the two commodities; (2) protect its members against unfair competition, likely to hurt economic interests and fair name, by establishing rules of collective discipline; (3) co-operate with the said Commissions in developing the national production and regulating the commerce of those commodities; (4) promote an improvement of the conditions of its members' workers by arranging collective contracts of labour with the respective syndicates and co-operating in the foundation of syndical institutions of providence; (5) fulfil the instructions of the Commissions and see that its members do likewise.

Control and Administration.—A general assembly composed of all the members of both the sections is the controlling body and elects every year the president of the

Board of Management and his substitute. Of the four other members completing the Board, two and their substitutes are elected by the rice section and the other two by the cod section. Attached to the Board is a Government delegate with the usual powers and paid out of the revenues of the guild, as in other organisms.

Finance.—There is no capital fund, and the revenue is derived from membership registration fees, a fixed monthly fee and a levy based on turnover. There is besides, as in all other organisms, the contingent revenue from fines, which are on lines already described. Out of net revenue a percentage must be set aside every year for a social providence fund. In case of dissolution of the guild, the Minister of Commerce decides as to the application of its funds.

General Regulations.—Only cod fished by boats of the owners, members of the respective guild, and in accordance with instructions of the Commission is treated as national production, and no boat may embark on cod-fishing without the consent of the Commission. The fishing year begins on the 1st October and ends on the 30th September. The Commission is advised by both the owner and the Customs office through which it was cleared the quantity of the cod fished, a margin of 10 per cent being allowed. On drying, a reduction of 30 per cent is allowed, with a margin of 5 per cent.

Owners of boats must inform the Commission every fortnight, through their guild, of the quantity of dried cod sold and for sale. Wholesalers must buy at least at the minimum price fixed by the Commission the whole of the national production, and what they do not buy freely from the producers is apportioned to them by their guild. The Commission advises the guild between the 1st and the 5th and the 15th and 20th of each month of the quantities available for sale. All cod is graded according to size and in quality it must correspond to certain specifications.

The imports are to be regulated according to national production and probable consumption. The imports are to be ordered collectively by the guild, but it is the Commis-

sion that bargains with the exporters and obtains the best prices, as we shall see later. The apportionment of imported cod is dependent on and proportionate to the purchase of national cod, and the total apportioned to the various wholesalers is proportionate to 90 per cent of their previous average turnover, a 10 per cent allowance being made for better situation and equipment. The Commission fixes the maximum prices at which cod may be sold to retailers, and by these to consumers. It may create a compensation fund to equalize the prices of the national and foreign cod. It may also set up posts to retail at the maximum price fixed to ensure thereby that consumers are not overcharged. Retailers are obliged to display at their premises the maximum prices laid down.

Results

The organization has functioned a little over a year, but already, thanks to guaranteed purchase and price, the national industry has progressed, as will be seen from the following table : [1]

	1934.	1935.	1936.
Fresh Cod caught, in Kilos. .	9,150,705	9,988,239	12,131,906
Dried Cod sold, in Kilos. .	6,107,580	6,450,000	8,128,377
Value of Dried Cod in £ .	206,930	219,100	285,115
Boats Employed . . .	33	47	51
Crew and Fishermen . .	1,274	1,944	2,187

Efforts are being made to increase production. Two iron boats have been constructed, and a trawler was put into commission last year as an experiment. The usual method of fishing cod is by hook, and the results of the trawler are being watched with interest. Sleeping accommodation has been provided on the boats for the fishermen. The boats usually travel by sail, but for emergencies motors have been fitted, as also wireless receiving apparatus and water-pumps for washing fish.

The imports of dried and fresh cod in 1936 totalled 48,294,768 kilograms valued £1,102,902, against 40,992,145 kilograms and £970,723 in 1935. It will be noticed that whereas the quantity imported increased by nearly 20 per

[1] The statistics were obtained from the Codfish Commission, with the qualification that they were approximate as regards 1936.

cent, its value rose by less than 13 per cent. This was due to collective purchases through the Commission, in which not only the quantity bought but also the strength of the organization had its influence. Due to those favourable purchases it was possible to pay higher prices to national producers and charge less to retailers and to consumers.

The organization has also been able to help international trade exchanges. As the exchange available for the purchase of wine was exhausted, Denmark made an agreement with Portugal in 1934 whereby it undertook to take wine in exchange for cod of the Faröe Islands. The value of the wine thus taken amounted to £45,300. An agreement has also been made with Norway, whereby that country agrees to take every year not less than 28,900 hectolitres of alcoholic wines, against a quota of 40 per cent of all foreign imports of cod assigned to her by Portugal.

By the institution of mutual insurance by the Boat-owners' Guild, insurance rates, which in 1935 and 1936 were, respectively, 14·5 and 12·75 per cent, have been reduced to 7·94 per cent.

Formerly the fishermen received in advance the full fixed wages for the season, and, as is frequent with such class of men, squandered it. Now the guild retains one-quarter of the amount and distributes it to the family during the six months' absence of the fisherman. During that period the family is also helped in sickness, maternity and other needs. Formerly fishermen were engaged through middlemen. This has been stopped and better terms have been provided. In order to keep the fishing fleet in touch with the mother country and home, an old man-of-war fitted with wireless apparatus is being sent out during the current season. It will receive and broadcast general news as well as any extraordinary news about the families of the crew and fishermen, distribute and receive postal correspondence and render medical aid. An infirmary with 14 beds and observation-, isolation- and operation-rooms has been fitted up on board the ship. It will carry also a motor-boat, suitable for high seas, to render the fishing boats assistance in emergencies.

CHAPTER IX

INTEGRAL ORGANIZATION OF AGRICULTURE

WE have already dealt with the partial organization of Portuguese agriculture on a commodity basis. That organization was effected compulsorily because of the crisis that the products in question, the most important of the country, were undergoing due to their disorderly production and marketing, and because of the grave effects that their depreciation in the internal and external markets was having on the national economy. Not only were employers affected, but the workers as well: as the income of the former diminished almost to vanishing-point, less and less work and bread could be provided for the latter. Compulsory organization was, therefore, as indispensable as an operation in an acute case of appendicitis.

Portuguese organization is based on "private initiative, legitimate competition, methodical and loyal co-operation of the organized activities, the State independent and strong to co-ordinate all the interests with a view to the public good." [1] It does not essentially mean, therefore, governmental control, the State intervening only when private enterprise does not function to the public good; in other words, State action is suppletory, and intervenes only when private enterprise has shown itself incompetent or insufficient. Such was the case when wheat, wine, fruits and rice were compulsorily controlled. It was a short-time policy, dictated by the pressing needs of the moment.

The long-term policy was expressed in the preamble to decree-law No. 24,715 in the following words:

[1] Cf. Preamble to decree No. 24,715, *Boletim Oficial No. 283*, I Series, of 3rd December, 1937.

In ordinary cases, the organization of employers, though subject in all matters to the aims and duties imposed by corporative law, must not depend exclusively on Government initiative, nor must it endeavour to associate compulsorily all the enterprises, but it will have to come into being through the initiative of those interested, who will have to put forth endeavours, show responsibility and undertake study of the problems that most affect them, and, at least, a certain degree of understanding of their rôle within the corporative structure.

Apart from the question of principle, there are some practical reasons for the new law governing the integral organization of agriculture, which shows a tendency to depart from the practice hitherto followed. Firstly, the primary units, the local guilds, of the compulsory federations had so far been rather the creatures of the federal body than the makers of it, in other words, the organization that had been designed to be from the bottom, had in practice been from the top. Secondly, the multiplicity of guilds, of wheat, wine and fruit, had created a dispersion, which was all the more undesirable as all or almost all the agriculturists were multiple producers. Thirdly, the lack of compactness would be still greater if products, such as rice and olives, were to form separate guilds, as the production in these cases being more sparse in each district, several districts would have to join to form enough volume for a guild. Fourthly, there were not enough competent men to control and to manage so many guilds. Fifthly, one guild for all the products would enable better staff to be engaged at less cost to each. Sixthly, the distant national federation had not been able to establish enough cohesion and solidarity among the various regions with distinct characteristics and needs. Seventhly, the organization in force had been able to control marketing and through it the quantity and to some extent the quality of products, but it had done little to render production more efficient and more economic ; technical and supply service given by each commodity guild would be more expensive. Eighthly, there were some agricultural syndicates which had rendered good service in those directions, but they were too few and too small to form an organization of their own ; it would be

better, therefore, to merge them in the general organization. Ninthly, one guild would be able to give unity and strength to the social service.

The new law was presented to the National Assembly in January last and approved by that body in April with slight alterations, after a favourable opinion of the Corporative Chamber. It was promulgated as law No. 1957 on the 20th May, 1937, but it will probably be a considerable time before the guilds come into being voluntarily. That would not, for practical purposes, matter much, as the organization in force is, in the main, well able to defend the interests of the producers as well as of the public. Moreover, even after the district guilds and their provincial federations and regional unions have come into being, the present national federations, either as they are or transformed into organs of economic co-ordination, will have to remain to co-ordinate and to give unity of purpose to the activities of the lower organisms. To acquaint students with the shape that agricultural organization in Portugal will take in the future we shall give the main provisions of the new law.

Constitution.—The primary units will be called Guilds of Agriculture. The area of their jurisdiction will usually be a district, though in certain cases parishes of an adjoining district may be added. In the parishes there may be subordinate associations called " Houses of Agriculture." The guilds will represent all the agricultural production of the area, with a separate section for each of the important products and a common section for the rest. Only exceptionally may a separate guild be formed for one product, that is, when it is ascertained that its interests cannot be properly defended by the general organization. The guilds may be set up voluntarily by the producers or compulsorily by the Government ; in the former case they are subject to the previous approval of the Under-Secretary of Corporations. Once formed they represent all the producers of the area.[1] In technical matters they are under the

[1] The law does not say what number or percentage of producers is necessary to form a voluntary guild.

Minister of Agriculture, in corporative and social matters under the said Under-Secretary, with the control and supervision of the National Institute of Labour and Providence. The guilds may form provincial federations, and these may join together in regional unions either for the attainment of their common ends or for their representation in national organisms of economic co-ordination, in the Corporations of Agriculture, or in political or administrative bodies. No bodies other than those created by this law and higher corporative bodies are recognized as representatives of agriculture.

Objects.—The objects of the Guilds of Agriculture are: (*a*) To exercise either by themselves or through the higher organisms the political functions conferred on corporative bodies; (*b*) to develop the spirit of co-operation and solidarity among all the factors of production—capital, enterprise and labour—for the realization of the maximum good of the community; (*c*) to contribute by the means at their disposal for the economic development and the technical improvement of agricultural production with the object of improving economic and social conditions; (*d*) to enforce within their jurisdiction legal dispositions and regulations or instructions emanating from corporative bodies or organs of economic co-ordination; (*e*) to guide and to discipline the activities of their members to their own interests and the superior interests of the nation; (*f*) to help their members in selling their products, or to promote the sale of same at their request and in fulfilment of rules laid down for the defence of national economy; also to enable the collective purchase of agricultural requisites for their members; (*g*) to own warehouses, granaries, wine cellars, agricultural machinery and implements, animals, equipment or services of common interest to associates; (*h*) to collaborate with agricultural stations or experimental posts in the development and technical improvement of production and the training of farmers and farm-labourers; (*i*) to co-operate with People's Houses in the attainment of their ends, chiefly for the material and moral improvement of rural populations, the regulation and discipline of their labour

and the development of institutions of providence and assistance.

The guilds may promote the creation of agricultural credit societies, producers' or consumers' co-operatives or any other form of co-operation allowed by law, including cattle insurance, for the sole benefit of its associates or of agricultural labourers. Existing Agricultural Syndicates must join the corporative organization in a manner to be prescribed, though they may be governed by the special legislation that applies to them in so far as it is not against the Charter of National Labour or this law. Parish syndicates that remain in being must assume the name of Houses of Agriculture and exercise the functions prescribed by the guilds besides their own.

The guilds are to be financed by means of levies, fees, commissions or surplus on services rendered or undertaken and fines, if any. For the purposes of the levy producers will be classified, based on income, and levies will be fixed for the various classes. This will no doubt be easier, but perhaps it would be more equitable if the levy were based on production, the principle generally followed hitherto. As the guilds will probably collect the statistics of production, they would have the data on which to work.

It will be noticed that, apart from their political and wide social functions, the new Guilds of Agriculture are very similar to agricultural co-operative societies for general purposes. Like the Italian *consorzi agrari*—the best and the most successful societies of that type [1]—these Portuguese guilds will supply manures, machinery and implements, render technical assistance and training, store products and promote collective marketing, processing and various forms of co-operation. No explicit provision is made in the new guilds for giving credit, as in the corporative bodies now in force and in the *consorzi*, but since they provide for warehouses and cellars, they will probably be allowed to issue *warrants* at least, if not permitted to make advances as well on the produce stored.

[1] Cf. Cotta, *Agricultural Co-operation in Fascist Italy*, pp. 44–53, P. S. King & Son, London, 1935.

In the introduction we referred to the Portuguese organization as a *kind* of co-operation. One of the charges that could be levelled against the organization from the co-operative point of view was that it was not voluntary. At the beginning of this chapter we stated the reasons that dictated compulsion. Voluntary co-operation is a very slow growth ; in Ireland, for instance, fifty propaganda meetings were necessary before one society was formed. In Portugal there was excellent legislation governing and favouring co-operation, but there were no Raiffeisens, no Horace Plunketts, no Del Buffalos. To have waited for voluntary co-operation would have meant the ruin of Portuguese agriculture in the grave crisis that it was undergoing. Now that production is fairly protected it does not matter much if the new guilds take time in coming into being.

Another and a more serious criticism to which the organization might have been subjected is that by organizing internal distribution and export separately from the producers, middlemen were left to remain, to the detriment of both producer and consumer. That criticism does not hold as regards wheat and rice, which were sold directly to the miller, who had been there and whom the producers were not in a position to replace. The internal distribution of wine was organized through the wholesaler because about 80 per cent of the total were small producers with no capacity for holding, maturing and blending, neither could their federation undertake at short notice work of such magnitude. In the circumstances use was made of wholesalers with the necessary premises and equipment. Producers who were similarly situated could join the wholesalers' guild. Producers were equally deficient as regards export wine, perhaps more so, especially when port was concerned, which required longer maturing, more careful blending and bigger capital. Producers with the necessary requisites for the export trade were allowed to belong to the respective guild. Direct marketing of fruit is provided for in the producers' guild, as we saw, though there is an exporters' guild. There is a distinct provision for direct marketing in the new Guilds of Agriculture.

The Government in organizing production, processing and distribution separately, simply took things as they were, creating as little disturbance as possible and respecting all interests as long as they were not incompatible with the public good. When the commercial interests concerned protested against the power given to the Guilds of Agriculture to reach consumers directly, the relative sections of the Corporative Chamber pointed out in their report on the Bill creating the guilds that under the régime in force wholesalers and retailers could claim the monopoly of distribution only in two cases :

1. When their intervention was *demanded* by the national necessity of ensuring either the internal circulation of products or their regular export or import ;
2. When direct sale or the sale effected through the corporative organisms of production endangered commerce to the detriment of the national economy, and, therefore, ultimately to the detriment of the productive forces.[1]

There are, therefore, grounds for saying that agricultural organization in Portugal is a good kind of co-operation, and that position will be improved when the new Guilds of Agriculture and their federations are a reality and from among the producers themselves there arise enough of capable and public-spirited men to direct, to control and to administer the organization—the dearth of such men is the chief difficulty of the present. Its function of developing the spirit of co-operation and solidarity among all the factors of production for the realization of the maximum good of the community and its social duties to the workers will greatly enhance its economic and social usefulness. Its definite integration in the general economic organization of the country will supply a ready-made machinery for controlling production, imports and distribution in national emergencies.

[1] Cf. *Diário das Sessões*, Supplement No. 6 to No. 118, of 2nd March, 1937, p. 468HH, Imprensa Nacional, Lisbon.

CHAPTER X

SARDINES

NEXT to wine, canned sardines occupy the highest place in the export trade of Portugal, the country's receipts on this account averaging about 1·5 million sterling a year. The home consumption of canned product is small, being less than 1 per cent of the total production.

The sardine canning industry in Portugal dates only from 1880, though as far back as 1865 there were one or two factories for canning tunny. Prior to that, the preservation of fish, especially of sardines, by salting and drying had been resorted to from time immemorial and had been encouraged by the Government as a means of making fish available in inland parts of the country when communications were poor, and of enabling the export of fish and salt.

The establishment of the sardine-canning industry in Portugal was due to French enterprise, stimulated by the crisis of the industry in France, which began in 1880 and lasted about eight years. The factory set up in that year in Setubal soon found imitators, chiefly among the workers of the pioneer concern, who with the experience gained and the small savings collected launched out on their own. The demand being large and the supply small, they all prospered, though due to poor technique the quality left much to be desired. The progress was so rapid in Portugal, that in 1884 there were 18 factories, and in 1886, 66 of them. In France, however, the number of factories had fallen from 200 in 1880 to 100 in 1886.

With the improvement of fishing conditions in France in 1888, the Portuguese industry suffered a setback, and in 1890 there were only 54 factories and the exports in 1891 totalled 9,365 tons. But thereafter, with ups and downs,

the industry went on expanding, until attaining the peak of the pre-war period in 1912, with 25,490 tons of exports. In the next two years there was a slight fall, but thanks to the fillip given by the war, the exports in 1919 had risen to 39,737 tons and the post-war boom created a much higher record of 53,599 tons of exports in 1923. From this year there began a decline, which reached the lowest in 1926 with only 31,509 tons of exports, there having been a slight rise in the following years up to 1930, with a yearly average of about 34,000 tons.[1]

The prosperous conditions of the war period and of the period that immediately followed it had led to a large and disorderly increase of factories. In 1918 there were 223 factories exporting 35,879 tons, with an average of 189·89 tons each. In 1926 when the exports fell to 31,509 tons there were 400 factories, their average being, therefore, only of 78 tons each. Generally speaking, the Portuguese factories had never been well equipped; the new ones put up during the boom period had been no better. Besides, they were not financially strong, and owing to the unsound position of the industry credit could be obtained only at high rates.[2] As a result of the economic depression, growing competition from other producing centres such as the United States of America, Japan, Norway and Spain, exchange restrictions, quotas, customs barriers and more stringent sanitary regulations in the importing countries the position of the Portuguese sardine-canning industry became very precarious. To cap it all the usual practice

[1] Cf. *Boletim dos Organismos Económicos Criados pelo Ministério do Comércio e Industria*, Dezembro, 1935, vol. I, pp. 41–3, 217–21, and graph No. 39, Imprensa Moderna, Limitada, Rua da Fabrica, 80, Porto.

[2] Of the 203 factories working in 1933 the production was as follows in thousands of cases of 100 tins, ¼ club, 30 mm. each: 9 factories, 7 to 9·9 thousand cases; 46, 10 to 19·9; 77, 20 to 29·9; 32, 30 to 39·9; 23, 40 to 49·9; 8, 50 to 59·9; 4, 60 to 69·9; 3, 70 to 79·9; 1, 80,000 cases. Cf. *Boletim* cited, graph 24, opp. p. 224.

The poor capitalization can be gathered from the following figures: Of the 145 Portuguese-owned joint concerns working in 1934, the capitalization was as follows, expressed in contos: 37 concerns, 1 to 50 contos; 39, 50 to 100; 18, 100 to 200; 9, 200 to 300; 5, 300 to 400; 15, 400 to 500; 4, 500 to 600; 3, 600 to 700; 4, 700 to 800; 4, 900 to 1,000; 6, 1,000 to 2,000; 1, 3,000 to 4,000. Individuals owned 17 factories with unknown capital and foreigners 7. Cf. *Boletim* cited, p. 229.

of increased production to counteract falling prices was resorted to, and exports in 1931 jumped to 45,415 tons, but the price which in 1930 was of 25*s.* per case of 100 tins of 30 millimetres, ¼ club, in October, 1931, had fallen to the entirely unremunerative level of 13*s.*[1] Action was, therefore, necessary to save the industry from ruin, and as it did not and could not come from within, the Government stepped in.

The present Prime Minister, then only Minister of Finance, undertook a thorough study of the industry and at the end of 1931 published an elaborate report recommending the organization of production and export on co-operative lines. On 27th August, 1932, decrees Nos. 21,621, 21,622 and 21,623 were issued, the first containing strict regulations regarding the production and the export of tinned sardines, the second creating a consortium of the canners and the third controlling the number, the ownership and the working of the factories. The consortium was a co-operative association, though compulsory, with power to organize collective marketing. With the introduction of the corporative organization in 1933, it became the policy of the Government to organize employers on a functional basis, as consequence of which producers had to form one organism and exporters another, though a producer-exporter could belong to both. On the 10th January, 1935, by decree No. 24,947, the consortium was, therefore, converted into a Union of producers and exporters, in which the former formed four guilds, representing four regions with distinctive needs, and the latter, whose needs throughout the country were identical, one guild only. With the further evolution of the corporative organization and as the Union had not been able to allow a full development of the guilds and to function so as to establish a proper balance between the two branches of the industry, by decrees Nos. 26,775, 26,776 and 26,777 of 10th July, 1936, separate guilds of producers and of exporters were created, and to control and

[1] Cf. *Boletim* just cited, said pages and p. 17. This organization is called of canned fish, but both in 1935 and 1936 sardines formed about 94 per cent of all the exports of canned fish. So fish other than sardines matters little.

to co-ordinate their activities there was set up, as in the case of wheat and port-wine, an Institute. As the present organization is a refinement of the earlier measures, we shall pass over these and examine only the salient features of the organisms in force to-day.

Guilds of Canners of Fish

Constitution, Control and Administration.—All canners of fish must belong to the guild of the region in which their factory is situated. There are five guilds, and they are autonomous, except in matters of general interest, and for this purpose they do not form a federation but have an organ called plenary assembly, on which more will be said presently. All members of each guild form its general assembly, and their votes are proportionate to their contributions to the corporative fund. The administration is done by a Board of three elected by the general assembly. They themselves decide who is to be president, secretary and treasurer. There is a Government delegate attached to the Board with the usual powers. The delegate is one for the Boards of all the five guilds, but he may have deputies.

Plenary Assembly.—The presidents of the Boards of administration of the guilds form the plenary assembly, whose functions are: (1) To decide on matters in which all canners are interested or to adopt measures common to all the guilds; (2) when production is to be restricted, to lay down how the quotas are to be apportioned among the guilds and then among the members of guilds; (3) to apportion all the exports or the exports to a particular market (when it is subject to a quota) among the various guilds, and to lay down how they are to be apportioned among their members. When approved by the Government delegate the decisions of the plenary assembly are binding. When a matter submitted to the plenary assembly concerns the exporters, the president of their guild is to have a seat therein. The votes of the members of the plenary assembly are proportionate to the corporative funds collected by their respective guilds during the previous year.

Objects and Powers.—Besides the usual functions of directing, controlling and co-ordinating the activities of its members, giving them moral assistance and defending their material interests and co-operating with the other organisms connected with canned fish, the guilds must: (1) Give credit to its members; (2) co-operate with the Institute in promoting industries complementary to the canning industry with the object of providing work to the factory hands in the off-season and when work is irregular, and in carrying out plans of workers' dwellings, crèches and such other works; (3) keep a classified register of the workers in the industry as directed by the Under-Secretary of State for Corporations and Social Providence, promote an improvement in their conditions, arrange for collective contracts of labour and co-operate in the progressive foundation of syndical institutions of providence.

Finance.—Funds are drawn from a levy charged not on production but on the quantity exported, and of the total thus collected nine-twentieths go to the corporative or capital fund, ten-twentieths to the social providence fund and one-twentieth to the revenue fund. This levy is collected and apportioned by the Institute as we shall see later.

Corporative Fund.—This is common to all the guilds and is subject to a maximum of 30,000 contos. It is meant for the collective defence of the industry and for helping it to occupy its proper place in the national economy. Normally this fund is used for giving credit to producers by discounting their storage certificates. As in the case of the Guild of the Owners of Boats for Cod-fishing, the contributions are not credited to the owners, but to the factories owned, in proportion to their output.

Social Providence Fund.—This is to be used for providing cheap dwellings, schools, canteens, crèches, and sanitary services and for promoting complementary industries for the slack season.

Surplus.—In no case is there interest on capital, and the surplus, if any, of the revenue and expenditure account is to be allocated as follows: (1) Re-instatement of any

amount spent out of capital fund ; (2) 20 per cent to reserve fund ; (3) 30 per cent for social assistance to workers or needy old canners ; (4) the balance is carried to the next year.

Board of Arbitration.—The guilds have a Board of arbitration composed of the Government delegate, an arbitrator appointed by the producers' guild and another by the exporters' guild. The decisions of the Board are final. Recourse to the Board is compulsory when the parties have agreed in writing to submit to it or when one of the parties has when signing a contract declared in writing that any disputes shall be settled by arbitration and the other parties have not expressly repudiated that declaration.

Guild of Exporters of Canned Fish

As it follows the lines with which we have already become acquainted, it is needless to study in detail the constitution of this guild, which has for its objects to direct, to co-ordinate and to control the activities of its members, to defend their interests, to give them information and make propaganda on their behalf, to promote social welfare of the members' workers and finally to co-operate with the producers' guilds and with the Institute in the orderly production and marketing of canned fish. There is no capital fund and the revenue is derived from registration fees and a monthly fee. There is no provision regarding allocation to social providence, but as the funds provided for this purpose under the canners' guilds come out of levies on products exported, it may be said that the exporters share in that contribution. Besides, exporters who are not also producers form a small percentage, as we shall see later. By having only one levy the accounts become simplified.

The Portuguese Institute of Canned Fish

We have examined in some detail the Institutes of Bread and of Wine. We need not, therefore, say much on the constitution of the institute above named. Its functions are, *mutatis mutandis*, those of the earlier institutes, as are also its services. The Board of administration is com-

posed of three appointed by the Government and the general council is composed of (*a*) the Board; (*b*) the Government delegate attached to the producers' guilds (who is attached also to the exporters' guild); (*c*) a representative of each of the five canners' guilds and of the exporters' guild. The president of the Board is also the president of the council.

Finance.—The Institute charges the following levies per 100 kilograms exported: (*a*) 7*s.* 3*d.* on canned tunny; (*b*) 4*s.* 6*d.* on sardines; (*c*) 2*s.* 9*d.* on other kinds of fish; (*d*) 1*s.* 10*d.* on other preserves. Forty per cent of these collections go to the Institute for the payment of its services and of propaganda and defence abroad. The remaining 60 per cent goes, as we have already said, to finance the canners' guilds, apportioned among them in proportion to the exports from their respective areas during the previous month. The levies are collected at the Customs, and no export may be made without a permit from the Institute. The levies may be altered by order of the Minister of Commerce and Industry.

General Regulations

Without the permission of the Minister of Commerce preceded by a favourable opinion of the Higher Council of Industry and of the Institute no new enterprises, individual or collective, may be started or the ones existing modified, no part of capital, shares and any rights of ownership may be disposed of, nor may the ownership or the working rights of a factory be transferred for any time or for any reason. In the event of a factory or its main plant being sold without permission it will not be allowed to work.

New limited liability concerns may not be formed or the existing concerns converted into that form, or existing registered shares converted into bearer shares or new capital admitted with a right to share in the profits. All existing shares must be registered in the name of holders and no blank transfers may be effected, and when the shares are not registered no dividends are to be paid thereon and they are to be allocated to social providence.

New factories may not be built, except in replacement of the existing ones and except in the adjacent islands (Madeira and Azores). The Institute is to maintain a register of all the factories. New factories will be allowed only when considered clearly necessary in the national interests. The Institute is to see that no factory that is not duly authorized or does not comply with the foregoing regulations works. The Institute may order the closing down of the factories that do not comply with the regulations. The foregoing regulations have been introduced owing to the redundant and disorderly provision of factories already referred to, and in order to avoid ownership falling into foreign hands. Only Portuguese citizens may be members of the Board of administration of the guilds or of the Institute.

No factory for the utilization of by-products may be set up without previous approval, and in any case an enterprise representing more than 50 per cent of the working capacity of the factories and of the canners of the region shall have priority of right to such a factory. Any contributions made to the share capital of a by-product factory shall not be credited to the canners, but to the factories run by them, and it is laid down that they shall be considered as non-existent in the event of their ceasing to belong to a member of the canners' guild.

With the approval of the Minister of Commerce and Industry, the Technical Corporative Council of Commerce and Industry and its General Council, the Institute may act as a commission for regulating the importation and commerce of the goods required by the canners for the industry. The Institute may also set up, without the object of gain, industrial enterprises for experimental purposes or with the object of improving the technique, utilizing the by-products or providing work in the slack season. When the experimental stage is over and the enterprise has proved to be sound or when the minister so determines, the Institute may make over the works to private agencies, preference being given to enterprises owned by the canners' guild, with the proviso that more than 50 per cent of its members and working capacity must be represented therein. Any profit

made by the Institute in such enterprises must be allocated to the social providence fund of the canners' guilds.

Results

Production.—Quantitatively, the canned production is to a large extent dependent on the total quantity of sardines fished. It is estimated that for fresh consumption between sixty to seventy thousand tons are required every year. The yearly average of the sardines caught in Portugal in 1929–33 was about 100,000 tons, which is about one-half of all the fish caught in that country. In the year 1931 when the canned production reached the peak of 51,871 tons, the fresh sardines caught weighed 116,000 tons. In 1933, the first year after the organization, the production of tinned sardines amounted only to 32,000 tons, due chiefly to poor catches. In 1934 it rose to 43,453 tons, reaching nearly that of 1932.[1]

Qualitatively, the production had not been all that could be desired. We saw that, especially of late years, the Portuguese sardine industry had been a mushroom growth, technically and financially deficient. One of the first cares of the Consortium (the original organization) was to see that the technique and sanitary conditions were improved and the fish used was of the prescribed size and quality. Inspectors went round and reported conditions to the engineers of the Consortium, who enforced the necessary alterations. Opportunity was taken also of any changes applied for by the canners to prescribe the most suitable improvements. Revolutionary methods are not being followed, but rather the principle of gradualness; however, by the end of 1936, 700 machines had been improved or replaced, and it could be said that all the factories were now clean and hygienic. There is a project to set up a small model factory, which could also serve as a school for future workers. It is expected that in the course of time the industry will be second to none in the world. The Norwegian model is being followed.

[1] Cf. *Boletim* cited, p. 236, and graphs 26 and 39. In spite of best efforts statistics for 1935 and 1936 in this respect and some others have not been available.

Exports.—In 1932 they fell slightly to 43,993 tons, but in 1933 they dropped sharply to 29,274 tons, due partly to the reduced production already mentioned and partly to economic and fiscal difficulties in the consuming countries. In 1934 the exports improved somewhat to 36,363 tons,[1] due principally to larger quantities taken by Germany and France. This figure, though slightly lower than the yearly average of the 1921–30 decennium, is not so bad considering the economic situation and trade barriers still prevailing. Another good feature of the export situation was that whereas in the 1929–32 period pure exporters handled 35 per cent of the total, in 1933–34 the respective percentage was only 23·5, that is a reduction of about 33 per cent in the middlemen's services.[2] The exports in 1935 and 1936 rose to 38,533 and 42,658 tons, respectively, whereas those in the first quarter of 1937 jumped to 15,293 tons, as against 8,788 tons in the corresponding period of 1936, that is, an increase of 75 per cent.[3]

Prices.—The organization has meant improved prices both for the fresh and the canned sardines. The price of fresh sardines had in 1927 been 15*s.* 9*d.* per 100 kilograms. In 1929 it reached the peak at 23*s.* 9*d.*, to drop in 1931 to the miserable figure of 9*s.* for the said quantity. As soon as the first measures in defence of the industry had been published in August, 1932, the price reacted to 15*s.*, to fall later and stabilize throughout 1933 and 1934 at 11*s.* 9*d.*

Fall in prices due to competition among the canners themselves had been one of the chief causes of the precarious condition of the Portuguese industry. Several attempts had been made by an association of theirs to remedy the evil, but with short-lived success; we have already stated that in August, 1932, prices had fallen to 13*s.* per case of 100 tins of ¼ club, 30 mm. size. As soon as the Government showed signs of wishing to intervene the price rose in October, 1932, to 15*s.* 7*d.* per case.[4]

[1] This is in accordance with p. 288 of the said *Boletim*, though graph 39 shows 34,401 tons only.
[2] Cf. p. 290 of the *Boletim*.
[3] Monthly Bulletins of the National Institute of Statistics.
[4] Cf. said *Boletim*, graph opp. p. 270.

Minimum prices for export were fixed in April, 1933, and they included the profit of the exporter, agency commission and any special bonuses or concessions. The basic unit was a case of 100 tins, ¼ club, 30 mm., of the standard quality "good current," there being two other qualities called in ascending order "fine" and "extra," and prices for other sizes and qualities varying accordingly. The first minimum price was 16*s.* 4*d.* per case f.o.b. In August, 1933, owing to rise in raw materials, such as oil and tin, it was raised to 17*s.* 3*d.* As from 1st May, 1935, for sardines in olive oil the minimum was of 18*s.* 3*d.* and for those in a mixture of olive and ground-nut oils of 17*s.* 3*d.* These prices were for large consignments, wholesalers and retailers having to pay more. The Consortium promoted uniform rates of freight, insurance, bank charges and consular fees. Forward sales are subject to the prices ruling on delivery, but products made before the rise may be sold at the old price, as also the goods sold within 120 days of the contract. Sales on consignment are forbidden and sales ex deposit abroad must be at the price fixed, plus freight, insurance, etc. All such deposits must be registered at the head office of the Institute, and all movements thereof notified monthly. Producers had credit facilities to hold stocks at home. It is calculated that to the end of 1934 the control established had benefited the industry to the tune of 80,000 contos.[1]

Credit.—In the past credit had been difficult and dear owing to the unsatisfactory condition of the industry, as a consequence of which sales were made before the product had matured and at sacrificial prices, on consignment or ex heavily mortgaged deposits abroad. Before the institution of the Consortium credit was obtained chiefly from the National Bank of Credit, and the advances obtained from it by discounting warrants had amounted in the years 1929–30, 1930–31 and 1931–32 to 150, 1,358 and 2,674 contos, respectively. In 1932–33 and 1933–34 due to the confidence introduced by the organization the credit given by that institution had risen to 5,764 and 4,231 contos, respectively. In addition to that the Consortium had in the years 1933

[1] Cf. *Boletim* cited, p. 286.

and 1934 discounted warrants to the extent of 4,197 and 16,181 contos, respectively. If goods were deposited by producers, up to 65 per cent of the f.o.b. price was advanced ; if by third parties, up to 40 per cent only. The rate of interest had at first been 5 per cent, soon after 4 per cent and from November, 1934, 3½ per cent. In addition, the Consortium charged commission at ½ per cent. The industry is now considered so sound that private banks advance as much as 80 per cent of the f.o.b. price without charging high rates of interest.[1]

Laboratory.—In 1933 the Consortium established an analytical and research laboratory. Up to the end of 1934 its attention had been absorbed by the lead problem, high percentages of the metal having been found by the sanitary authorities in consignments to England and the United States of America. Of the 1,594 analyses made during that period most were related to the presence of lead in the canned product. Thanks to such measures as the plating of the gridirons (used for the cooking of sardines prior to canning) with pure tin, the use of tinplates free from lead, the reduction of soldering, especially that which comes into contact with the contents, to the minimum, and the use of inks (for printing the tins) free from lead, the presence of that metal had been reduced to 3 to 4 parts to a million parts. and it is hoped that before long it will be entirely eliminated. Besides chemical and bacteriological analyses of the raw materials and the tinned products, the chief work of the laboratory consists now in research work into the food values and vitamins, and the results so far obtained warrant the conclusion that the Portuguese sardines are the richest in them.

Centre of Studies.—At the head office of the Institute there is a centre of studies and information bureau, where books, periodicals and sundry literature of a comprehensive character on the subject is kept. This department made also a careful study of the technique, raw materials and the latest developments of the industry in other countries.

[1] Cf. *Boletim* cited, pp. 157–8 and 228. Conto = 1,000 escudos, and 110 escudos = £1.

The utilization of by-products formed one of the most important items of its enquiries, as a result of which an up-to-date fish-flour factory was opened early in 1937 at one of the centres. Others will follow in due course, thereby not only giving economic benefits, but also leading to more hygienic conditions in the factories, due to quicker removal of offal.

Propaganda.—This was carried out both within the country and abroad. The internal consumption of canned sardines is very small, and in 1933 it was only of 11,475 cases. Old and damaged stocks, in fact the worst, were passed off on the home consumers. To prevent this the Consortium arranged with the official Food Inspectors for a closer and stricter supervision. With a view to stimulating consumption 1,300 advertisements were published in Portuguese newspapers and reviews up to the end of 1936. During the same period 200,000 sandwiches were distributed free at 11 fairs, where the organization had its own stands. Thanks to the propaganda, the internal consumption had in 1936 risen to 33,560 cases, an increase of nearly 200 per cent.[1]

Abroad the Consortium resorted to articles and advertisements in various reviews and newspapers, and took part in fairs at Brussels, Lyons, Prague and Vienna, the last mentioned having been such a brilliant success as to necessitate a special service to maintain order. The Sardine Institute has a stand at the current Paris Exhibition, with a typical sardine fishing boat on the Seine. Two films, of 300 metres each, on fishing and canning, have been made to be shown at home and abroad.

Social Service.—The sardine canning industry was always seasonal; it has become more definitely so now, when in order to assure that the fish canned is of the prescribed size and fatness a close season lasting four months, between January and May (the exact dates varying according to regions), has been decreed. Secondly, even during the season poor catches cause idleness at the factories. Thirdly

[1] Cf. *Diário da Manhã* of 1st January, 1937, under *Instituto Português de Conservas de Peixe.*

the growing mechanization of the industry left many hands unemployed. For social reasons it is the policy of Dr. Salazar to mechanize as little as possible ; but as canned sardines have to compete with highly mechanized industries in other countries, Portugal has to follow suit, at least to the minimum extent possible.[1]

In former times, when conditions were easier, workers in the industry when unemployed could slip into agriculture ; it was not so easy now. The Consortium tried to meet the situation by engaging the unemployed in works of social utility, such as crèches and schools for their children. At first this idea was not well received : the workers thought that they were treated as slaves, and in 1933 scarcely anything was built, 2,892 contos having been spent in pure unemployment relief. In 1934 they were employed in making tins, the men three days and the women two days in the week, and the payments amounted to 3,934 contos. One-half was paid out of Unemployment Fund, and one-quarter each by the Consortium and the canners. Maternity benefits and tuberculosis relief given in 1933–34 amounted to 255 contos. At Setubal there has been built a school, which is attended by 300 children of the workers, clothed and taught free by their syndicate.

Another activity of the Consortium has been the provision of cheap houses for the workers. They are clean and hygienic, and though small, several rooms are provided in order to avoid promiscuity. They are paid for in instalments at cost price, the organization losing in the bargain 1 per cent in interest, as it borrowed at 5 per cent and charged to the buyers of houses at 4 per cent. One hundred houses have already been built and an additional 250 are under construction, as also a crèche capable of accommodating 300 children during working hours. It is planned to provide eventually housing not only for all the labourers, but also for the office and managerial staff.

The future policy of the Institute will be so to mechanize

[1] The Portuguese industry was so little mechanized, that whereas in the United States of America 6,000 workers made 14 million cases of tins, in Portugal 22,000 workers were required to make 2 million cases. Cf. *Boletim* cited, p. 176.

the industry as to be able to keep workers engaged all the year round, the sardine canning off-season being spent in making tins, repairing the buildings, overhauling the machinery and in tinning other kinds of fish, which has no close season. Otherwise, there would come a time, when the works of social utility had been completed, at which it would be impossible to provide off-season work for all, the consequence being that many would have to be kept simply on dole, which is against the policy of the present régime. Besides, a good proportion of the present workers is not specialized but merely adventitious, and it is realized that it would not be fair to maintain them in the slack season at the cost of the industry.

Family Wages.—The Institute has established a very interesting fund for providing family wages. The staff contributes 10 per cent of the salary and the Institute doubles the amount thus collected. The distribution is made in the following manner: (1) A monthly subsidy of 15*s.* for wife and each minor child; (2) on the birth of a child, £4 10*s.*; (3) monthly subsidies, varying according to circumstances, for dependent mother, invalid father, spinster sisters and minor brothers or sisters; (4) about £4 for funeral expenses; (5) dowries of about £60, varying in proportion of the employee's years of service, for his children on marriage or on attaining majority.

CHAPTER XI

FOREST PRODUCTS

Pinewood Props for Pits

Props for pits were the first forest product to be controlled. The export of this commodity has developed only in recent years. Until 1928 only about 60,000 tons were exported annually, but in 1931 a rise had taken place to 100,000 tons. When England left the gold standard the exports continued to increase, chiefly at the expense of France, but with great difficulty owing to competition from other producing centres. The Government came then to the aid of the industry by granting a reduction, amounting almost to an elimination, of export duties and lowering port dues and railway freights, as a consequence of which exports to Great Britain rose as follows:

Year.	Tons.	Year.	Tons.
1931	81,953	1933	259,557
1932	264,781	1934	372,197

Already in 1933, though British imports compared with 1927 had fallen by 50 per cent, owing to slackness in coal mines, the Portuguese exports compared with 1928 showed in 1933 an increase of over 300 per cent and in 1934 of over 500 per cent. The phenomenal rise was, however, most disorderly. Heavy consignments were made without ascertaining the demand, with the result that prices fell to 18*s.* 4*d.*, to the detriment of the producer, the worker and the exporter. It is to meet this situation that a corporative body, called the Guild of Exporters of Timber for Pits, was set up by decree No. 24,290, dated the 2nd August, 1934, with the following objects:

(1) To direct and to check the exports of pit-props; (2) to fix minimum prices for internal purchase as also for export; (3) to subject to conditions, to restrict or to suspend

temporarily the export and to assign quotas to each exporter; (4) to gather statistics in order that the quotas may be just and equitable; (5) to check the quantity and the quality of the exports; (6) to make arrangements with banks affording credit facilities to its associates; (7) to make collective contracts of freight and insurance; (8) to promote on its own account or in collaboration with other corporative bodies the expansion of the exports; (9) to give its associates all information on the importing markets and all that relates to the commerce; (10) to promote an improvement in the conditions of the associates' workers by means of collective contracts of labour and to co-operate in the foundation of syndical institutions of providence.

As regards conditions of membership, control, administration, finance and penalties the guild follows the lines with which we have already become acquainted.

The chief result so far has been the stabilization of the price at about 21*s.* 6*d.* In June, 1934, French exporters made an agreement with British mine owners (which agreement was incorporated in a Commercial Treaty signed by the two countries on the 27th of that month) whereby it was stipulated that for every two tons of props bought, up to a maximum of 320,000 tons, Great Britain was entitled to export to France three tons of coal over and above the quota previously fixed. This gave France a pull, in consequence of which the Portuguese exports in 1935 fell to 191,469 tons. For 1936 the guild made a contract with the British buyers to sell 279,000 tons, but the actual quantities bought amounted to 179,742 tons only, due to reduced production caused by reduced purchases of British coal by Italy and Spain. The export to French Morocco, the only other market of any importance, rose from 1,806 tons in 1935 to 6,240 tons in 1936.[1] The exports in the first quarters of 1936 and 1937 were, respectively, 44,709 and 51,814 tons.[2]

[1] The figures on pit-props have been taken from an article on the guild in a special number of *Diário da Manhã* of 1st January, 1937, the Report in the said decree No. 24,290 and *Boletim Mensal do Instituto Nacional de Estatística*, December, 1936, Imprensa Nacional, Lisbon, 1937.

[2] Cf. Monthly Bulletins of the National Institute of Statistics.

Resin

This is another forest product that has been subjected to control. Its exports are rising, 50,324 tons were exported in 1936 against 41,986 in 1935, and it occupies the fourth place in order of importance among the national exports. The uses for resin are growing, as is also world production, and together with it competition for markets. It is chiefly to enable Portugal to win on efficiency and quality that an organization of the industry has been started. For the time being an organism of economic co-ordination, the National Board of Resin, has been set up for the purpose of controlling production and export. It is expected that in due course these two branches of the industry will form their own corporative guilds, and then the Board will transform itself into an Institute, like those of bread, port-wine and sardines. In the meantime the functions of the Resin Board are the following:

(1) To study the conditions of the production and commerce of resin and to promote their technical and economic improvement, together with the social welfare of those connected therewith, proposing to the Government measures that it may deem suitable to those ends; (2) to direct, to discipline and to check the production, processing and commerce of resin products in accordance with regulations that may be issued; (3) to propose after due study the control of production in accordance with demand; (4) to propose after due study the organization of the National Institute of the Pine, an organ of economic co-ordination designed to derive full economic benefit from the pine, specially with regard to timber for building purposes, pit-props, and packing cases and to resinous products; (5) to promote an improvement in the conditions of the workers in the industry, including the hygiene and the safety of the places of work; (6) to promote and to organize the expansion of resin exports to foreign markets, to defend their good name and just price and to repress frauds and falsifications; (7) to subsidize laboratories, experimental stations and training schools in connection with resin; (8) to issue

certificates of origin and quality; (9) to develop the corporative spirit in the activities controlled; (10) to study and give an opinion on matters submitted to it by the Minister of Commerce and Industry.

The Board is constituted, administered and financed similarly to the commissions and Boards previously studied. It was set up by decree No. 27,001 of the 12th September, 1936, and in view of the nature of its functions requiring far-reaching investigations and study it has not been able to show as yet any appreciable results. It is planning slowly, but surely, for the future. The industry is so far expanding, the exports of the first three months of 1937 having been 10,197 tons, against 7,286 tons in the corresponding period of 1936, that is an increase of 40 per cent.[1]

Cork

The third forest product to be controlled has been cork. Portugal ranks as the greatest producer of this raw material, its annual output being about 150,000 tons against the world production of about 225,000 tons. There are in the country 400 factories employing about 25,000 men.

Cork contributes also one of the chief exports of Portugal. In 1935 146,000 tons were exported, worth approximately £1,400,000. Out of that total 10,400 tons were of processed cork and 135,600 tons of cork in the natural state; but whereas the former were worth £391,000, the latter were valued only at £972,700.[2] If a greater part of the production were processed, more gold would flow into the country and more work would be provided. But this was not an easy problem, as there had been a haphazard construction of factories to the detriment of all. So before anything was done the whole question would have to be carefully studied, and the industry directed and disciplined accordingly.

The production side had also to be studied and the raw material selected and graded. Conditions in foreign consuming centres had to be investigated and exports directed to the best advantage. Consumption at home had also to

[1] Cf. Monthly Bulletins of the National Institute of Statistics.
[2] Cf. Report preceding decree No. 27,164.

be encouraged. It is for these purposes that another organism of economic co-ordination, called the National Board of Cork, has been created by decree No. 27,164 of 7th November, 1936. We need not examine its constitution as it is similar to that of the Resin Board just described. It is also of too recent creation to have produced any appreciable results. The 1936 exports rose to 11,326 tons of manufactured cork worth £417,500 and 153,131 tons of raw cork, worth £1,101,300. The total exports in the first quarters of 1936 and 1937 were, respectively, 16,061 and 28,065 tons.[1]

Olive Oil

We include this commodity with the forest product group because what we have to say on it is too little to form a chapter by itself.

Portugal ranks fifth among the olive-oil producing countries of the world, having produced in the 1931–35 quinquennium an average of 49,020,000 kilograms a year. The countries standing higher than Portugal are, in ascending order, Tunis, Greece, Italy and Spain. Calculated at the rate of 6·5 escudos per kilogram (the average home price during the quinquennium), the Portuguese production was worth approximately £3 million a year.[2]

Portugal is also a great consumer of olive oil, its annual domestic consumption having been calculated by the Central Agrarian Station at 43,435,000 kilograms, giving an annual *per caput* consumption of 6·363 kilograms, though private investigators arrived at an average of about 10 kilograms. For canning fish Portugal uses in addition about 3 million kilograms, besides another 3 million kilograms of other edible oils.[3]

Though the quantity of olive oil consumed in Portugal is about equal to its production, as the figures given above show, still it has considerable exports, which in the 1931–35 quinquennium had a yearly average of 2,943,200 kilograms

[1] Cf. Monthly Bulletin of the National Institute of Statistics.
[2] Cf. *Boletim da Direcção Geral do Comércio, Número Extraordinário, Janeiro, 1937*, pp. 13 and 119, Imprensa Nacional, Lisbon.
[3] Cf. said *Boletim*, pp. 113–16.

worth about £180,000. The exports were made possible by imports, chiefly from Spain, which in the said quinquennium averaged 3,474,800 kilograms worth about £170,000. Portugal bought cheaper olive oil, the price of which averaged 5·35 escudos per kilogram, while the average price of exports averaged 6·52 escudos per kilogram. For that reason and because at some future date it might be able to dispense with imports, it wants to retain and develop her foreign markets.[1] This year a bumper crop is expected, yielding something like double the average production; foreign markets will, therefore, be necessary.

From the peak of 3,933,000 kilograms in 1932 exports had been gradually falling until they reached 2,631,000 kilograms in 1935. The position as regards Brazil, Portugal's chief buyer, was rapidly deteriorating, as may be seen from the following table: [2]

BRAZIL'S IMPORTS OF OLIVE OIL

Year.	Total Kilos.	Portuguese Origin. Kilos.	Portuguese Percentage.
1933	4,852,000	1,990,000	41
1934	4,990,000	1,837,000	37
1935	4,130,000	1,263,000	30

The chief competitor in 1935 had been Greece, which chiefly at the expense of Portugal and Italy had been able to place 858,000 kilograms, gaining rapidly a share of 20 per cent. The Portuguese exporters themselves were in a great measure responsible for this, as inferior qualities were exported and in containers of uncertain weight. Besides, their prices were 15 to 25 per cent higher than those of the Spanish, Italian or Greek products. The Brazilian market was important not only on economic grounds but also for sentimental reasons.

The Government came to the relief of the situation briefly reviewed above by creating a compulsory Guild of the Exporters of Olive Oil (decree-law No. 26,973 of 2nd September, 1936), into the details of which we need not enter, as it is similar to the wine and fruit exporters' guilds already described.

[1] Cf. *Boletim* just cited, pp. 80 and 108. [2] *Op. cit.*, p. 88.

Besides organizing the trade, the Government has created an exchange compensation fund to subsidize exports to those markets where competition was helped by depreciated currencies. At present the subsidy is limited to exports to Brazil (as a matter of fact owing to last year's short crop no exports may be made except to Brazil and the colonies) and to qualify for it an equal amount of olive oil must be imported from Spain, in which case a 75 per cent rebate is allowed in the Customs duties on imports.

It is as yet too early to gauge the results of the control, but it is noteworthy that the exports in 1936 had jumped to 3,759,948 kilograms, reaching nearly the peak of 1932, the exports to Brazil, compared with 1935, having almost doubled themselves to 2,504,502 kilograms. Exports in the first quarter of 1937 had risen to 1,452,000 kilograms, against 800,000 kilograms in the corresponding period of 1936, showing an increase of over 75 per cent.[1]

[1] Cf. Monthly Bulletin of the National Institute of Statistics.

CHAPTER XII

MANUFACTURING INDUSTRIES

Restriction of Industries

Long before the introduction of the present corporative organization, decree No. 19,354 of the 3rd January, 1931, had instituted industrial control in Portugal. As we have seen, as regards flour milling and sardine canning, there was in the country a tendency to follow the urge of the moment, to imitate any new enterprise that seemed to be paying, with the result that there was soon a multiplication of factories, over-production, competition and loss to all. Besides, in order to increase industrial production and to encourage the use of home and colonial raw materials, the Government had subjected foreign manufactures to heavy Customs duties. It was, therefore, its duty to see that the protection given to the home industry was not at too high a cost to the consumer.

In virtue of that decree Government permission was necessary: (1) To open new factories; (2) to re-open those that had been closed for over two years for reasons within control; (3) to install machinery that would increase production; (4) to transfer the ownership or the working of industries to foreigners or to concerns in which Portuguese citizens did not have a controlling majority.

That measure succeeded, to some extent, in arresting disorderly production, but the Government services had not developed sufficiently to check its observance until the auto-directive machinery created by the corporative organization came to the aid. It had been the original intention to establish control after a thorough study of the entire industrial field. Such an investigation had not been possible, but in the meantime corporative discipline had grown step by step,

until now, when it is nearly complete. It was thought, therefore, that the time had come to refine the earlier provisions and lay down more definite rules to guide industrial planning.

Subordinated to the fundamental principle that all production must be socially useful, Art. 7 of the Charter of National Labour gave the Government the right and the duty of co-ordinating and regulating superiorly the economic and social life of the country by : (1) Establishing equilibrium of production, professions, employment, capital and labour ; (2) by defending the national economy against agricultural, industrial and commercial enterprises of a parasitic nature or incompatible with the higher interests of human life ; (3) by securing through improved technique, credit and other facilities the lowest prices and highest wages compatible with the just remuneration of the other factors of production ; (4) promoting the formation and the development of corporative economy which will allow its constituent elements to serve its own ends and those of society by avoiding harmful rivalries and unbridled competition ; (5) reducing to the lowest minimum possible the State interference with national economic activities. Again, Art. 19 of the Charter lays down that the State shall favour private enterprises that at relatively equal cost are more profitable, without prejudice, however, to small domestic industries. Those enterprises are to improve constantly their methods of production and the quality of their products, but must not upset the equilibrium between supply and demand. In pursuance of that mandate the Government presented to the National Assembly in February last a bill (since approved with slight alterations, and published as law No. 1,956 on the 18th May, 1937), the chief provisions of which are the following :

(1) Only those industries may be controlled : (*a*) Whose productive capacity is much higher than the normal consumption of the country or the possibilities of export and which use foreign machinery of high cost ; (*b*) those that employ many hands and the mechanization of which would mean a sudden and considerable reduction of workers ;

(*c*) those that use chiefly foreign materials; (*d*) those that manufacture products necessary for other national industries of economic and social importance; (*e*) those that require exceptionally high outlay, especially on foreign machinery; (*f*) those which produce goods meant chiefly for export and which weigh heavily in the trade balance. Those that are organized corporatively or pre-corporatively or are subject to organisms of economic co-ordination are to be governed by the rules of their respective organizations.

(2) The control consists in obtaining previous Government sanction, as under the 1931 decree. In addition, sale to a national is subject to previous approval if he is to transfer the industry from its present situation to another. The interests of independent home and family industries likely to be affected must always be respected within just limits. Exclusive rights may be granted only up to ten years and only when the industry is of especial national economic importance and high cost or when it matters to national defence. Similar rights may be granted also when same prove necessary for utilizing national raw materials or for completing the industrial equipment of the country.

(3) Controlled industries must furnish periodically to the Government or to organisms appointed thereby information on the following points: (*a*) The selling price of their products; (*b*) the cost of the materials used during the period, whether national or foreign; (*c*) the working conditions; (*d*) the salaries or wages paid to the various categories of the staff.

(4) The question of control is to be studied by the higher organs of the Corporations when they are formed. In the meantime that function pertains to the higher organs of economic co-ordination or to corporative organisms of the respective industry, if any; otherwise, to State services. In any case, a higher consultative body, on which the corporation concerned shall be represented, is to be heard before arriving at a final decision. The fulfilment of the conditions of licence is to be checked by the Government services or by the organs of economic co-ordination or the corporative bodies of the respective industry.

(5) Licence given for industrial production may be withdrawn or altered if the industrialist does not give proof of solidity and stability, does not endeavour to improve his production or to contribute to the progress of the industry, or departs from the conditions mentioned in his application or laid down in the licence. The Government may withdraw the control when the conditions that warranted it have disappeared, in which case the withdrawal is to become effective within six months.

We have seen to what extent the above rules have been followed in the industries processing agricultural and maritime raw materials of home production. The organization of manufacturing industries proper, such as woollen and cotton textiles, is just beginning, as we shall see presently. Just as in the plan of reconstructing Portugal Dr. Salazar had laid down that the financial, economic, social and political problems should be tackled one by one in the order mentioned, similarly in the economic field the various sectors were dealt with seriatim, first those of prime necessities, such as wheat and rice, or those, like wine and sardines, which as exports reduced considerably its unfavourable trade balance; and only then those, like textiles, for the economic production of which Portugal was not so well placed, but which in spite of that adverse circumstance it had to produce in increasing quantities if it was to bring her commercial balance nearer to equilibrium and to find full use for its resources in men and materials.

Woollen Mills

The first manufacturing industry proper to be organized have been the woollen mills, which in 1935 were run by 86 companies or societies, with a capital of £250,000, producing 7,517,017 metres of piece goods and 1,778,975 kilograms of other goods, worth in all a little over £750,000 and employing 7,576 hands.[1] The statistics relating to mills owned by individuals producing woollen goods are not available.

[1] For these and following statistics see supplement entitled *Fiação-Tecelagem-Malhas* issued with the December, 1936, number of the Bulletin of the National Institute of Statistics.

The progress made by the industry during the 1926–35 decennium thanks to fiscal protection given to it may be gathered from the following table:

Year.	Imports of Wool: Tons.	Value in Contos.	Year.	Imports of Woollen Goods: Tons.	Value in Contos.
1926 .	455	17,800	1926 .	759	59,275
1935 .	2,179	40,530	1935 .	96	8,949
Difference	+ 1,724	+ 22,730	Difference .	− 663	− 50,326

The imports of the raw material had increased by 22,730 contos, whereas those of the manufactured products had fallen by 50,326 contos, thereby giving the country in the last year compared with the first a net gain of about £250,000. This result had been brought about not only by high tariffs, but also by the restriction of factories. The producers had been protected and favoured. The Government had now in terms of Art. 7 of the Charter of National Labour already quoted to do its part by the consumer, by affording him good quality and fair price; by the worker, by ensuring that he got just wages and good working conditions; by the national economy, by seeing that the mills became progressively efficient.

These ends could have been obtained by bureaucratic means; but this, though not very easy, would be against the principles of the new régime. Corporative control could have been effected voluntarily by the industry itself, or compulsorily by Government decree. For a long time the industrialists had expressed a desire of being organized, but they had not been able to do it themselves. So by decree No. 26,850 of 29th July, 1936, the Government created

The National Federation of Woollen-Mill Owners

The primary units of the Federation are regional guilds, of which there are five and to which must belong all the owners of the respective region. They co-operate within their jurisdiction with the Federation, the objects of which are the following: (1) To co-ordinate the activities of the guilds; (2) to enforce its regulations and directions as also

those of the guilds the carrying out of which is subject to its control; (3) to guide and to control production in accordance with consumption and having in view the progress and the improvement of the industry; (4) to establish guarantees in the use of wool in the textiles and other goods and to create technical services to study and to check the said products; (5) to discipline the conditions of sale of the manufactured products so as to avoid unfair competition and other practices harmful to the proper exercise of the industry; (6) to co-ordinate the conditions of discipline and remuneration in the various industrial centres, taking due account of the standard of living and the technical qualifications of the workers in the several regions; (7) to give its opinion after hearing the respective guild on questions of restriction proposed to it by higher authorities; (8) to prepare and to submit for the approval of Government regulations for the exercise of any branch of the industry; (9) to co-operate by means of its agents with the National Institute of Labour and Providence in checking the hours and conditions of work and the due fulfilment of social laws and of collective contracts of labour; (10) to form a fund of social providence for assisting the workers in the industry and their families when such help cannot be rendered by institutions of providence and to effect social works and services including the technical training of the workers. The Federation and the guilds are controlled, administered and financed as other similar bodies previously examined.

The Federation is yet too young to have shown many results. Because there was overproduction in one of the sections of the industry, the Federation reduced the hours of work therein, giving, however, eight hours' wages to the hands employed. A thorough investigation was being carried out to enable the adoption of long-term policy for balancing supply with demand.

In order to stimulate consumption the Federation has prescribed that woollens must not have more than 40 per cent cotton, and in any case the percentage must be clearly stated on the material itself. If mungo be used, same must also be stated. Though the wholesale and the retail trade

are not yet organized, instructions have been issued, after consultation with the interests concerned, to ensure as far as possible fair prices and practices. Minimum wages had been fixed for all the regions and collective contracts of labour were in preparation.

Cotton Mills

Cotton mills constitute the most important industry of Portugal, and they were in 1935 run by 123 companies, with a capital of about £750,000, producing in a year 108,691,662 metres of piece goods and 5,659,745 kilograms of other goods, worth in all a little under £2,700,000 and employing 33,475 hands.[1]

Like the woollen mills they have made considerable progress during the 1926–35 decennium as the following table will show:

Year.	Imports of Cotton: Tons.	Value in Contos.	Year.	Imports of Cotton Goods: Tons.	Value in Contos.
1926 .	16,471	146,217	1926 .	2,462	137,527
1935 .	23,441	174,520	1935 .	901	42,377
Difference	+ 6,970	+ 28,303	Difference	− 1,561	− 95,150

Due to increased manufacture at home the country had made, as shown by the above table, in 1935 compared with 1926 a saving of £600,000. Owing to the fact that this was due in a large measure to fiscal protection and restriction of factories, problems as regards quality and price to consumers, wages to workers and progressive efficiency have arisen, as in the sister industry. The Government has not as yet stepped in to enforce their solution, but expects that the industry will organize itself voluntarily for that purpose on corporative lines.

In the meantime, in pursuance of the aim of adjusting the trade balance, a pre-corporative body has been set up to tackle the problem of imports of the raw material. As we saw, the imports of cotton in 1935 amounted to over 23,000 tons worth nearly £1,600,000. Most of it was from countries which had little reciprocal trade with Portugal, and only a

[1] Cf. supplement cited in connection with woollens.

small proportion was bought from the African colonies, which had vast possibilities in that respect. The imports from that source had in 1926 been 1,167 tons. In the next five years they fell much, with fluctuating decreases ranging from 20 to 60 per cent. Since 1932, due to preferential treatment given at home, they have been rising rapidly, attaining in 1935 2,984 tons, that is just a little over 12 per cent of the total. In 1936 they jumped to 5,330 tons, registering 26 per cent of the total imports of cotton.[1] Increased purchases from the African possessions help not only the sellers, but also Portugal, which is enabled thereby to develop reciprocal trade in textiles, which found a good market in the colonies due to higher tariffs against foreign products.

The name of the organ of economic co-ordination formed is Commission for Regulating the Commerce of Raw Cotton, and its functions are: (1) To create corporative consciousness and to develop the spirit of solidarity among all the elements of the activities which it disciplines and directs; (2) to regulate the supply of raw cotton to the home industry and to control its imports having in view reciprocal trade and the due protection of colonial production; (3) to promote the grading and standardizing of colonial cotton in accordance with the foreign types mostly used by the industry, and to regulate its commerce in collaboration with the corporative or pre-corporative bodies that may be formed in the colonies; (4) to check the fulfilment of legal dispositions relating to the commerce of raw cotton and to exercise disciplinary action over the interests concerned; (5) to discharge, as Government representative, all the functions that may be conferred on it and to give its opinion on subjects proposed by the Minister of Commerce and Industry.

The Commission is composed of officially appointed president and vice-president, a representative of cotton importers, another of cotton mill owners, a third of colonial producers and a fourth of the Technical Corporative Council of Commerce and Industry. The executive chiefs of the respective

[1] Cf. supplement cited and the December, 1936, number of the Bulletin of the National Institute of Statistics.

corporative bodies, if any, are to be the first three representatives. Otherwise, the Minister of Commerce and Industry appoints the first two and the Minister of Colonies the third. All importers of cotton and all owners of cotton mills must be registered with the Commission and be subject to it. Administration and finance follow the usual lines. The Commission came into being by decree No. 27,702 of 15th May, 1937; it has, therefore, no results to show as yet. Besides its avowed purpose, the Commission will no doubt prepare the ground for the compulsory corporativization of cotton mill owners, if they do not organize themselves voluntarily.

CHAPTER XIII

SERVICES

Insurance

Insurance companies in Portugal were engaged in a fratricidal war. Voluntary associations had not proved a success, as many concerns had kept outside them, and even those within had found means of evading their tariffs and regulations, as it happens in many countries where the team spirit is not sufficiently developed and there are no legal dispositions and machinery to enforce them. The Portuguese companies, with scarcely any ramifications abroad, and, therefore, with little average, were the worst sufferers.

Insurance service occupies an important place in the economic life of any country, and unless it is sound and on scientific lines it may mean a disservice and ruin not only to those investing therein but also to the insuring public. In the plan of economic and social reconstruction traced by Dr. Salazar there was a special rôle reserved for collective fire, transit, accident and life insurance, and the due exercise of that function would not be possible if the companies were not properly organized and did not act as one body. It is for that reason that in the early stages of the corporative organization decree-law No. 24,041 of the 20th June, 1934, since altered by decree-law No. 26,484 of 31st March, 1936, created

The Guild of Assurers

This is a corporative organism to which all companies doing insurance business, whether foreign or national, must necessarily belong. The functions of the guild are: (1) To direct and to check insurance business, maintaining its prestige, ensuring just and fair competition among the

various concerns and enforcing respect for the interests and rights of the assured; (2) to lay down minimum rates for the various branches; (3) to provide information for its associates; (4) to centralize information on the assured, agents, brokers, re-assurers and in a word on all collaborating in the business; (5) to prepare statistics necessary to ensure that premium rates rest on a scientific basis; (6) to represent the associated companies in the negotiation, drawing up and issue of collective contracts of insurance, and to be responsible for their fulfilment within the limits fixed by law and its members; (7) to make by itself or in collaboration with others propaganda on behalf of insurance; (8) to promote an improvement in the conditions of its members' staffs by signing collective contracts of labour with the respective national syndicates and by collaborating in the progressive foundation of syndical institutions of providence meant to protect the employees in sickness, disablement and involuntary unemployment and to provide retirement pensions. The minimum rates referred to above are subject to the approval of the Minister of Finance after the Inspector of Insurance has passed an opinion thereon.

Control and administration are on representative lines, and revenue is raised by registration fees and levies on premiums. The majority of the executive must consist of Portuguese citizens representing Portuguese companies or concerns in which nationals hold a controlling interest. Voting rights are proportionate to net premiums earned in the country. On matters relating to a particular branch of insurance only members transacting business in that branch may vote. There were in the guild 76 companies, of which 33 were Portuguese and 43 foreign. There are permanent committees of fire, transit, marine, motor-car, life, workmen's compensation and agricultural insurance.

The guild has done considerable work. Uniform policy conditions and tariffs of minimum rates have been provided in the fire, agricultural, motor-car, third-party, workmen's compensation, disablement, strike, riot and civil commotion and mixed risks departments. Statistical departments have been set up to gather data on which to base scientifi-

cally any alterations that may be necessary in the conditions and minimum rates.

One of the chief social works of the present régime has been the provision of cheap, but hygienic and comfortable, houses for the humbler classes on the instalment system, there being no rent besides the monthly instalment and no profit.[1] As its contribution to this work the guild assured the Government by means of a collective policy against fire loss and the loss of rent arising therefrom, with the undertaking to replace the building within a year. Similarly, a collective life and disablement policy entitles the assured that acquires one of these houses to have the instalments outstanding at his disablement or death paid by the company, so that he or his heirs receive the house without any further charge.

The guild has signed a collective labour contract with the syndicate of insurance companies' employees, whereby hours of work, categories and minimum salaries for them are laid down, holidays with pay are provided, a Syndical Fund of Providence is established guaranteeing old-age and disablement pensions and death benefit, and an Assistance Fund is created for the benefit of those whose age precludes them from qualifying for a pension. It is estimated that all these benefits have meant a 40 per cent increase on the salaries previously paid. Lectures to improve the technical knowledge of employees are being promoted. The guild is collaborating with the Government in drawing up an Insurance Code.

Motor Transport

Taxis, goods lorries and omnibuses had increased in Portugal during the last few years to such an extent, that the services they were capable of giving exceeded by far their social usefulness; in other words, they were too many. As a consequence there was a cut-throat competition that threatened to destroy all.

[1] To date 2,562 such houses had been completed or were under completion in several centres. Some of those in Lisbon are on the English model, with two families under one roof, each having a half of the ground and upper floors.

Motor dealers were to a large extent responsible for this state of affairs. In their eagerness to sell they allowed payment in small instalments spread over a long period, taking into account little or no interest and satisfying themselves with easily obtainable sureties. Lured by this many went into the business without any notion of interest on capital outlay, recurring expenditure, amortization, wear and tear and unforeseens. All went well for the first few thousand miles; but when repairs and replacements began and the vehicle lost its attractiveness, not only was there nothing left to pay the instalments, but even the current expenditure was not covered by the revenue. And this ruinous gamble went merrily on, not even the dealers getting any the wiser.

That increased motor transport had brought untold economic and social benefits to town and country was incontrovertible; but if this mad race were allowed to continue, the hen that laid the golden egg would soon be killed. It is to save those concerned and to provide an efficient and economic service that the Government by decree No. 25,004 of the 5th February, 1935, created the

Guild of Transport

The guild has three sections, viz. (1) Light conveyances on hire; (2) heavy conveyances on hire; (3) conveyances on regular route service. All owners of such vehicles must belong to the respective section, or if engaged in more than one activity, to the section in which they have the highest interest. The guild has its head office in Lisbon and may have delegations wherever advisable.

The objects of the guild are: (1) To direct and to check the activities of the delegations; (2) to study the technical improvement of motor transport, and to propose to the competent authorities and to Government the measures that it deems advisable; (3) to elucidate any points that may be raised by its associates; (4) to provide for its members either out of its own funds or through banks credit that may be deemed useful or convenient; (5) to promote an improvement in the conditions of its members'

workers by signing collective contracts of labour and by co-operating in the foundation of institutions of providence for assisting in sickness, disablement and involuntary unemployment and for providing old-age pensions; (6) to collaborate with the Director-General of Traffic and other authorities by giving them all the information at its disposal; (7) to nominate delegates to the Superior Council of Traffic; (8) to study the general situation of motor transport and to propose to Government the measures necessary to promote its development in co-operation with other means of transport.

Control is effected by a body called General Council composed of a president elected by all the members and three members elected by each of the three sections. The General Council elects the three members forming the executive and they may not sit on the Council. Members' votes are proportionate to the levies which they pay and of which there are two, one fixed and the other variable based on the industrial and automobile taxes. The levies and a registration fee constitute revenue; there is no capital fund. A percentage, fixed by the General Council, of the revenue goes to the fund of social providence, to which must be allocated also any surplus at the end of the year.

During 1935 the guild was able to attend to little more than its internal organization. It was created in February, but only in November of that year was it able to complete its roll of membership, which, covering as it does the whole country, was a source of great difficulties. In 1936 it was able to develop considerable action, helped by a well-staffed technical department. To check the senseless increase in taxis the guild has been instrumental in stopping new registrations in Lisbon and Oporto and in drafting a decree to control that service throughout the country. Preparatory to this the guild made and published a thorough study of the taxi industry in the country. Likewise the economic conditions of the goods lorry and omnibus services have been fully investigated, and a plan drawn to control the former. During 1936 the guild examined and gave its opinion on 118 applications for omnibus services. A map

showing the regular omnibus routes throughout the country has been drawn up together with a time-table of the services. The latest initiative of the guild, with the object of giving more work to its associates, is a Department of Excursions, which will furnish estimates and conveyances for trips, together with information on routes, places of interest and anything that may be of interest to a tourist.

The guild gives free service to its members in legal advice, drawing up applications, preferring claims, transferring ownership, obtaining licences, cancelling old ones, resisting undue penalties, checking taximeters and the like. The motor vehicle department had ordered that illiterates should no longer drive taxis. The guild had the order kept in abeyance for six months and opened a school to teach drivers to read and write in the meantime. A collective labour contract has been drawn up between the guild and the paid drivers' syndicate of Lisbon. A fortnightly journal distributed free to every member gives instruction and carries on propaganda on behalf of the industry. A staff of inspectors and a statistical department complete the organization of the guild to watch present movements and guide future developments.

Banking

Already in 1931, by decree No. 19,869 of the 9th June the Bank of Portugal, the issue bank (a private bank, as in many other countries), and the whole monetary system had been reorganized. As already stated, the escudo had fluctuated wildly, from 5·66 escudos to £1 in 1914 to 133·95 escudos to £1 in 1924. The first measure of the reorganization was to stabilize the escudo at 110 to the £1 (which was about the level prevailing since 1927) on Gold Exchange Standard. When Great Britain left the Gold Standard in September, 1931, Portugal remained pegged to the pound at the same rate, on Currency Exchange Standard. Chiefly, to meet State requirements to cover budget deficits, the note circulation of the bank had been increasing, without a corresponding increase in reserves. So, secondly, it was decreed

that the note circulation should not exceed £20,000,000, except when the economic needs of the country demanded an increase, and then only after a previous agreement with the Government. There was, however, liberty to exceed the maximum limit when the excess issue was covered 100 per cent by gold bullion or coin reserves.[1] Thirdly, it was laid down that the bank should maintain reserves in gold bullion or coin, easily cashable gold securities and gold foreign exchange equivalent to at least 30 per cent of its entire note circulation and demand liabilities.[2] The bank was charged with the maintenance of the exchange stability by means of its gold assets or loans abroad.[3] A special committee of the bank was to direct permanently the policy of the institution with regard to monetary stabilization, chiefly by regulating the total volume of credit in any form and its price.

Control of commercial banking was prescribed by law No. 1,894, one of the first passed by the National Assembly under the present régime. First of all it laid down that banking should be a business by itself, and not mixed up with any commercial, industrial or agricultural activities, except when the institution had been created especially for those purposes, and even then funds from deposits and rediscounts could not be applied to those ends. If when the law came into effect there were any concerns that combined banking with other activities they could continue to do so provided that they were run as separate businesses. At one with those dispositions was the rule that no sums exceeding reserves should be invested in commercial, industrial or agricultural enterprises that were not guaranteed by the State. Those concerns that at the time of the passing of

[1] The maximum note issue was exceeded at certain periods in 1936 by £500,000, the only previous excess having been in 1935 to the amount of £40,000, in both cases fully covered by gold. The mean circulation was about £18 million. (Cf. *Report of the Bank of Portugal for 1936*, p. 40.)

[2] On the 31st December, 1936, the gold metallic reserves amounted to 28·65 per cent and the metallic and non-metallic reserves to 46·55 per cent of the total note circulation and demand liabilities. (Cf. said report, p. 39.)

[3] Since the stabilization the exchange has kept remarkably steady, the maximum variation having been less than 1 per cent, in 1933, otherwise oscillating within about 1 or 2 per mille.

the law had funds invested otherwise had to come into line gradually within ten years.

Credit institutions had, before being allowed to function, to fulfil various requisites, variable according to their nature, as to their capital, guarantees, management, operations, investment of funds, limits of loans, proportion between deposits and liquid assets, convertibility of assets, reserves, book-keeping methods and manner of preparing monthly and yearly balance sheets. These together with a statement of floating assets, profit and loss accounts and any other data demanded had to be submitted regularly to Government and published as directed by it. The Government had a right to make any examination on the premises subject to the usual safeguards as regards secrecy.

The opening of new banks or new branches was subject to the approval of the Minister of Finance and until the 31st December, 1940, he was not to authorize new banks, except for purposes different from those of the existing ones. Up to that date the Government could allow with exemption from stamp duties the amalgamation of existing banks, and was to promote or to facilitate the fusion of those that had suspended payment by giving privileges to new capital and compelling old creditors to participate in the new concerns at the reduced value of assets.

Agreements and combines among banks to control the credit market and to speculate were forbidden. Similarly the directors, managers, private solicitors, auditors, consultors, inspectors, technicians of any kind, heads of departments, shareholders or partners of one bank were forbidden to form part of the management board of another or to hold similar posts therein. Employees of banks were forbidden to vote in their general assemblies.

The operations of financial and exchange brokers and of firms that buy and sell foreign currencies and securities were also controlled and limited to the activities mentioned.

Banks were allowed to underwrite capital issues of banking, commercial, industrial or agricultural concerns, but only up to twice the amount of their reserves still liquid, and then they had to dispose of those securities within a year.

Clandestine sales of shares in order to influence quotations, publication of false news regarding purchase or sale of securities or of currency and the sale of securities mortgaged in a manner likely to disturb the market and to affect the normal run of quotations were punishable.

Financial news given in bulletins of credit institutions were subject to special rules under the control of the Inspector of Credit. All unofficial agencies of financial news were forbidden. All public issues of capital by any concern were subject to the previous approval of the Minister of Finance.

The supreme co-ordination, supervision and control of banking was vested in the Minister of Finance in all matters except colonial, which were reserved for the Minister of Colonies. It was the special duty of the Minister of Finance to establish equilibrium between : (1) The operations of the State credit institutions and private banks ; (2) the funds absorbed by the State and local administrations and those left free for public use ; (3) the available national savings and the amounts deposited in banks. In other words, the credit available and its distribution, or the whole credit policy, so powerful in influencing economic life, was in the hands of the Minister of Finance. A new body, presided over by the Minister himself and entitled Council of National Credit, replacing the existing Banking Council, was to be the advisory body, while an Inspector of Credit was to be the executive.

The law was to have come into force when the Government decreed regulations under it ; but those regulations have not as yet been issued. Though Portuguese banking does not possess the mass of resources, with rapid circulation, of rich industrial countries, yet it has functioned efficiently, particularly so since the financial reorganization effected by Dr. Salazar introduced confidence and economic revival in the country. From a long-term-policy point of view, however, the banks had to organize themselves corporatively, like all the other important national activities. A Guild of Banks and Banking Houses has, therefore, been recently formed. It is a voluntary corporative organization of employers under decree-law No. 24,715. In the

present more or less satisfactory state of the banking business its aims are rather to safeguard the moral interests of its members and to promote the social welfare of the employees of credit institutions; but it has powers to control technical and economic matters, subject to a favourable vote of a large majority of its members and to the policy laid down by the Minister of Finance.

The statutory objects of the guild are the following: (1) To promote the development and the improvement of the national banking business by maintaining its prestige and by securing, in harmony with the general interests of the country, the agreement and the co-operation of its associates in the defence of their common interests, it having for that purpose power to issue binding rules and regulations subject to the approval in general assembly of at least three-fourths of all the members; (2) to defend before the public authorities the interests and the desires of its associates and to secure their approval for the deliberations taken in accordance with the previous number for the purpose of making them binding on all whether members or non-members; (3) to study matters of technical, economic and financial nature of interest to the banking business, and to prepare statistics relating thereto, placing whatever is not of a confidential nature at the disposal of its associates; (4) to fulfil the political functions conferred (such as sending representatives to the Corporative Chamber); (5) to give to higher corporative bodies or to Government opinion on all matters, technical, economic or social, proposed to it in connection with the banking business; (6) to promote the due fulfilment of collective contracts and such other corporative undertakings and to co-operate in the foundation of institutions of social providence.

The executive is composed of three honorary members elected by the general assembly. Besides the latter organ which is composed of all the members and which meets ordinarily every two years for elections and extraordinarily for any important matters, such as binding rules and appeals, there is a third body called the General Council, which meets monthly and exercises most of the usual functions

of control. It is composed of a president, a vice-president and four members elected by the general assembly in addition to the three members of the executive. Revenue is by means of registration fees and annual levies, which are the same for all, Lisbon and Oporto banks and branches paying, however, on a higher scale than the provincial businesses.

The guild which was approved by the Deputy-Secretary of State of Corporations and Social Providence on the 30th November, 1936, has scarcely begun to function, though the executive and controlling bodies have been elected, and at the time of writing structural alterations were being carried out in a building for its offices.

CHAPTER XIV

LABOUR ORGANIZATION

In accordance with the principle followed throughout the Portuguese corporative organization, that is, the professional or functional principle, labour organization has been designed on a craft basis. In doing so all the advantages of the early *craft unions* have been aimed at: the professional spirit, to maintain a high standard of work; homogeneity, making for better understanding and intelligent interest in the affairs of the union; the development of social service on more intimate and sound lines. For these purposes the smallest territorial area, compatible with efficient working, has been adopted for the primary units of the various types of unions. To give strength to the primary units vertical federations and unions on regional or national basis have been provided. Horizontal federations or unions on class or industry basis, making for class war and leading to the domination of industry by the workers are not allowed. They would be useless under the régime prescribed by the Charter of National Labour, Art. 11 of which says: "Land, capital and labour exercise a social function in a régime of economic co-operation and solidarity."

Art. 9 makes punishable any suspension or disturbance of economic activities, either by the employers or by the workers, for obtaining advantages to themselves. Art. 5 lays down: "Individuals and the corporative organisms formed by them are bound to exercise their activities with the spirit of social justice and subordinating themselves to the principle that the function of justice belongs exclusively to the State."

In other words, if the employers and the workers are not able by free negotiation and agreement to establish social

justice, there is the State, strong and independent, to enforce it. Therefore, *general unions* or *industrial unions* to present a united front to employers and to enforce a national minimum wage and other demands, or to pave the way for the workers' control of industry, have no place in the corporative economy.[1]

National Syndicates

National syndicates, which are governed by decree No. 23,050 of 23rd September, 1933, constitute one type of labour organization. They are formed freely by wage earners, salaried workers, followers of the arts or professionals. Syndicates of advocates, doctors and engineers are called *orders*. We shall not deal with the latter, as their aims are rather intellectual and moral than economic.

Constitution and Membership.—Normally at least one hundred members are required to form a workers' or employees' syndicate; exceptionally it may be allowed with a smaller number. Males or females, Portuguese or foreigners, eighteen years old or over, may belong to the syndicate, but if the females number at least twenty they may form a special section with its own management, subject, however, to the syndicate. Employees' or workers' syndicates are to be formed by districts, and not more than one syndicate for each occupation may be recognized in each district, though within a district sections may be formed wherever there are more than twenty members and in exceptional cases even when there are less than twenty. These sections are managed by a committee of three elected every year and

[1] For a good understanding of corporativism Manoïlesco points out the following differences between corporations and classes: The corporation is a functional integration, based on a community of aims; the class is a social integration, based on a presumed community of interests. The corporation is functionally homogeneous and socially heterogeneous; the class is functionally heterogeneous and socially homogeneous. The corporation is a vertical formation; the class is a horizontal formation. The corporation has its origin in social activity; the class in social demands. The corporation represents duties; the class rights. The corporation represents submission to the common ends of the nation; the class a negation of a common national ideal. The corporation tends to national solidarity; the class to a disintegration of the nation. The corporation is universalist (integralist); the class is individualist. (Cf. *op. cit.*, pp. 106 and 107.)

may have their own regulations, but are subject to the district syndicate. Each liberal profession forms one syndicate only for the whole country, with its head office in Lisbon. The head office of the district syndicate is at the capital of the district or at any other place within it which happens to be more important with regard to the relative occupation. Workers in an occupation who are not sufficient in number to form a syndicate of their own may join the syndicate of the most nearly similar occupation. A syndicate is the sole recognized representative of the respective occupation. The district syndicates form federations and unions as intermediate organisms to the Corporations.

Statutory Provisions.—The statutes of syndicates must be approved by the Under-Secretary of Corporations and Social Providence. The syndicates are subject to the National Institute of Labour and Providence, which is bound to keep a register of all their activities. The syndicates may not without Government approval affiliate themselves with any foreign bodies, or give thereto or receive therefrom any contributions. They must expressly state in the statutes that they are instruments, in collaboration with the State, of active co-operation with all the other factors of the national economy, and must, therefore, repudiate class wars.

Control and Administration.—The guilds are managed by a committee of five. If under a guild there be two or more sections, then the presidents thereof appoint two members of the district managing committee ; if there be only one section, then only one member is appointed by the president of the section. The other members of the district committee are elected every year by the general assembly of the syndicate, as are also the president and the secretary of the latter body. All posts are honorary and they may be held only by Portuguese citizens, subject always to the approval of the said Under-Secretary.

Objects.—The objects of the syndicates are to study and to defend the professional interests of their members in their moral, economic and social aspects by the following means : (1) The creation of syndical institutions of providence, the accounts of which are to be kept entirely separate

from the general accounts; (2) the organization of agencies for finding employment for hands of the respective occupation; (3) the establishment and the maintenance within the syndicate of schools for professional instruction.

Duties.—The syndicates are bound: (1) To exercise the political functions (such as sending representatives to the Corporative Chamber) conferred by the Constitution of the Republic on corporative bodies; (2) to give their opinion on subjects of their speciality proposed to them either by the higher corporative organisms or by the State, chiefly on (*a*) the situation, conditions and needs of the profession concerned and the manner of improving them or of making good the deficiencies; (*b*) the economic and social conditions of the associates; (*c*) the hygiene and the safety of the places of work; (3) to exercise the functions given by the Regulations of the Corporations.

General.—The syndicates constitute a juridical entity, may sue or be sued, own buildings necessary for their offices and with Government approval any other property the revenue from which will go exclusively to the funds of social providence, promote among their members producers' or consumers' co-operative societies, and dispose freely, but in accordance with the statutes, of the members' contributions or of any other revenue. They may produce their own press organ under the collective responsibility of the management committee. They sign collective contracts of labour with employers' associations.

Results.—There are at present over 250 syndicates and sections, with over 100,000 members. In terms of their objects and duties they had developed considerable activities, such as fixing the maximum hours of work and the minimum wages, reduction of working hours to increase employment, minimum age for workers and the regulation of apprenticeship, increase in wages, collective contracts of labour, syndical funds of providence, employment bureaux, sanitary premises, good working conditions and the like. Some syndicates have built schools for their members' children, sanatoriums and crèches, provided medical aid and medicines and obtained good and cheap houses, out

of those built by the State, for their members. Subsidies in sickness and unemployment have been provided. Technical classes, language courses and general educational lectures have been given. Almost all have taken part in anti-communistic and nationalist propaganda. Many public meetings have been held, which have enabled employers and workers to meet in a friendly atmosphere. Most of the syndicates are of recent birth and it will be some time before their most important work—collective contracts of labour and syndical funds of providence—is completed. New and improved contracts, as well as new syndicates, are being constantly reported in the papers.

People's Houses

People's Houses, which are designed to organize the agricultural and the miscellaneous labourers of the countryside, constitute one of the most characteristic types of the labour organization in Portugal. In view of the fact that masters and men meet in them, the " houses " might be likened to the medieval *craft guilds*, though there is the difference that in the former the two categories meet only for social, and not for trade, purposes. In the Middle Ages the family spirit prevailed even in industry. In Portugal it is desired to maintain and to foster that spirit in agriculture, the chief industry of the country, through the People's Houses, which are one of the most cherished creations of the new régime, for the reason that they will enable the preservation of the traditional happy, harmonious, patriarchal character of the Portuguese countryside.

The urban population of Portugal is comparatively small. According to the 1930 census, Lisbon had a population of 594,390 and Oporto, the next city in importance, 232,280 souls. Taking into account smaller cities, like Coimbra and Braga, the total urban population is well under 1·5 million souls. The towns of Portugal are *quasi* rural. One may, therefore, say with confidence that about 80 per cent of the population of the country is rural. Then there is the question of illiteracy. According to the said census, the illiterates in continental Portugal, including the districts of

Lisbon, Oporto and Coimbra, where education is higher, formed 67·53 per cent of the total population, and there was a district in which they rose to 80·3 per cent. Therefore, if only the rural population were considered one would not be wrong in saying that at least about 80 per cent thereof is illiterate.[1] From these facts and figures will be seen the great importance of People's Houses which aim at promoting the welfare of the bulk of the people of Portugal and fostering social peace among them; also the necessity of associating the few literate masters with the many unlettered men, not for the one-sided benefit of the latter, but for the mutual benefit of the two categories, since happier, healthier workers are an asset to employers.

Constitution.—In the very first article of decree-law No. 23,051, of the 23rd September, 1933, which governs them, People's Houses are called organisms of social co-operation and not simply associations for the defence of professional interests, like the syndicates, though these also aim at social co-operation, which in their case owing to the greater ability, compactness and strength of industrial workers, is more easily secured. They may be formed voluntarily by those interested provided they are competent, or by the Parish Boards or by the administrative authority to which the parish is subject. The Under-Secretary of Corporations

[1] Illiteracy in Portugal is one of the bitter legacies of the past, but it is being fought gradually and steadily. In 1926 there were 6,657 primary schools with 8,484 teachers and 316,888 students. In 1935 the relative figures had risen to 7,867, 9,752 and 428,698. Faster progress would have meant mass building of schools and mass training of schoolmasters, with heavy capital and recurring expenditure. The progress made in the decennium has meant an average yearly increase of 121 schools and 126 schoolmasters. There were other departments requiring similar attention and the resources available were not unlimited; hence national building-up had to proceed in a step-by-step, balanced fashion. Dr. Salazar referred to these difficulties in an interview given to António Ferro (cf. Ferro, *Salazar*, 3rd edition, pp. 103–6) and said the solution of the problem might be hastened by establishing teaching posts of primary education located in hired rooms and manned not necessarily by teachers with diplomas but by any competent persons. Such posts are increasing rapidly, and there were 1,002 of them in 1936, against 486 in 1935. In 1934–35 the posts had 18,560 day-scholars and 3,836 night-scholars, taught, respectively, by 740 and 215 teachers. Besides, 431 teachers of the regular primary schools gave night classes to 17,846 students. The classes of the People's Houses are designed to make a good contribution to the fight against illiteracy.

and Social Providence may create a People's House wherever he thinks it necessary and there is no body with similar objects. A rural parish is the normal area of a People's House, and in such a parish there may not be more than one " house " or another body like it.

Membership.—There are two kinds of members: (1) Ordinary; (2) patron. All heads of families and all males over eighteen years old in the full enjoyment of their civil and political rights may be ordinary members. Females who are not heads of families and all minors less than eighteen years old may join institutions created by People's Houses in order to enjoy their benefits. All landowners are *ipso facto* patron members. Those, however, whose property is not enough to give them a standing different from the usual situation of agricultural labourers may refrain from belonging to the patron category, but then they must belong to the ordinary class. No Portuguese residing outside the parish and no foreigners may be ordinary members.

Objects.—The objects of the " houses " are threefold:

(1) *Providence and Assistance.*—Provision for disablement and old age will be made by means of a mutuality among the ordinary members or by some other means justified by local conditions, subject to the approval of the said Under-Secretary. Assistance is to be rendered by means of dispensaries, crèches and asylums. By propaganda and other means the " houses " must fight against tuberculosis and other diseases, as directed by the higher authorities and as far as their means permit.

(2) *Education.*—This must include the moral, intellectual and physical aspects. There must be created small libraries and schools with a professional bias for young and old. Physical culture and sports must be promoted, subject to medical inspection. The " houses " must provide cinema exhibitions and other amusements at moderate prices, but in such a way as to leave a margin for the " house." The number of shows must be such as not to interfere with the normal days of work or to disturb family life.

(3) *Local Improvements.*—The " houses " are, either by monetary contributions or by the labour of their ordinary

members, to collaborate with the landowners, municipalities or the State in making or preserving roads and other ways of communication, water supply, sewerage and such other works of public utility. Contributions from funds for those purposes are to be made especially when there is scarcity of work, and they are to constitute their chief means of fighting unemployment.

Control and Administration.—Only those ordinary members who are heads of families form the general assembly, which elects from among the patron members its president and his substitute. It elects also every year its management committee composed of three ordinary members, who are to be respectively president, secretary and treasurer. All posts, which are subject to the approval of the Under-Secretary of Corporations, are honorary.

Finance.—The funds of the " houses " are derived from : (*a*) About 2*d.* (1 escudo) paid every month by every ordinary member ; (*b*) at least 10*d.*, paid every month by every patron member ; (*c*) any surplus from activities allowed and undertaken ; (*d*) donations ; (*e*) subsidies by the State or any public bodies. As soon as a " house " begins to function and the statutes of its mutuality have been approved, the State donates £45, not more than 20 per cent of which may go towards the expenses of fitting up the " house," the balance going to the permanent fund of the mutuality.

Credit.—Wherever there are no co-operative credit societies the " houses " may make small loans to their ordinary members for agricultural purposes or for small home industries, such as spinning, weaving, silkworms, pottery, furniture, household requisites, toys, poultry farming, carpets, embroideries, laces and such others. Credit activities are subject to previous approval of higher authorities.

Results.—At the time of writing over 200 People's Houses were in existence and over 50 more were being organized. When we remember that there are 3,705 parishes in Portugal those numbers look small, but it must not be forgotten that this beautiful movement is only three years old and there is the difficulty already referred to of finding leaders with the necessary public spirit and education. The activi-

ties so far displayed, as briefly reviewed below, promise well for the uplift of whole countryside when the " houses " become more numerous.

Social Providence and Assistance.—We shall speak of the organization of this presently in the section of this chapter on social insurance. Many such funds had been formed and they had accumulated considerable funds, helped to a large extent by the producers, whose three principal organizations, viz. the Federation of the Vine Growers of the Region of Douro, the Federation of the Vine Growers of the centre and south of Portugal and the Federation of the Wheat Growers had, up to the end of 1936, contributed about £30,000. Besides subsidies in disablement, old age and poverty, the chief form of assistance had so far been medical aid, and most " houses " had opened free consultation-rooms and provided domiciliary visits and medicines at reduced cost. Large sums had been spent on feeding the poor at times of stress and on festive occasions. Some had organized campaigns against tuberculosis and malaria. Holiday camps had been opened for members' children. Clothes for children and the needy had been supplied.

Instruction and Amusements.—Day and night schools and classes had been opened, some in own buildings, for young and old, where, besides general education, training in agriculture, cutting-out and sewing was given. Some had opened agricultural farms for demonstration and experiment. Music was taught by some and choruses and bands had been formed. Theatricals had been given and the net proceeds devoted to building up libraries and to works of beneficence. The movement for libraries was widespread and there was one " house " which had collected 1,500 volumes. Lectures and public meetings of national and anti-communistic propaganda were organized. Dances and socials were promoted and many " houses " had wireless receiving sets. The social amenities provided had led many to abandon taverns. Football and other sports were promoted and many had own fields, provided by municipalities or well-to-do citizens. Excursions were organized.

Local Improvements.—Subsidized by the State, the munici-

palities and landowners, the "houses" had repaired and built many roads, constructed water reservoirs, drinking-places and baths and repaired churches and other public buildings. Unemployment relief, which in Portugal is given usually through work, was provided in the country through the "houses," wherever there was one, and it could be said that in many places no member thereof had had to remain idle. Some collective contracts for works had been undertaken. Collective contracts of labour proper for agricultural labourers are a work of great magnitude and difficulty, and they have not been possible for the time being, but some "houses" have been instrumental in stipulating minimum wages. A fire brigade and several consumers' co-operative societies had been formed.

After we wrote the foregoing the papers reported that a novel kind of labour contract, showing the extraordinary amount of social co-operation that can be promoted by the Corporative State, has been signed, solemnly, with the assistance of the Under-Secretary of Corporations and other high personages, between landowners and agricultural labourers at a place called Mora. The contract now signed differs radically from the usual form of collective labour contracts as prescribed by Arts. 32–4 of the Charter of National Labour, since reinforced by law No. 1,952 of the 10th March, 1937, which we have refrained from reviewing as it is mainly a clarification and amplification of the provisions of the Charter, the substance of which has already been given in Chapter II of this work.

According to the clauses of the Mora contract, whenever in a parish those unemployed attain to 5 per cent of the daily labourers usually residing in the parish and the Administrator of the district declares that they cannot be employed in works of common utility, the landowners of the respective area undertake to employ them. For this purpose the People's House of Mora is to make a register of all daily labourers, and when a crisis manifests itself to take the names of those unemployed. A special committee is then formed composed of the president of the general assembly of the "house" and his substitute (representing

the employers) and the president and the secretary of the managing committee (representing the workers), presided over by the Administrator of the district. This committee makes a list of all landowners of the area paying land revenue of over £3 12*s*. a year, and distributes the unemployed among them in proportion to the land revenue paid. The allocation is made for a week, but can be continued indefinitely as long as the conditions last and there are no reasons to the contrary, either from the part of the masters or of the men. When the crisis has passed the committee makes a declaration to that effect and the compulsory allocations cease.

The committee fixes the minimum wages according to the prevailing conditions. When the weather is bad or in other special circumstances the weekly days of work may be reduced. As an insurance against the reduced income that this will mean to workers, a special fund is created, out of which payments will be made as compensation. The fund is financed by a 10 per cent contribution by employers on the wages paid and an identical contribution by the workers out of the wages received.

Fishermen's Houses

From what has already been said it will be clear that the Portuguese corporativism proposes to organize the whole nation in its natural groups, based on their economic, social and moral functions and their peculiar characteristics. So, as the conditions of work and the needs of fishermen are very different from those of urban and rural workers, it became necessary to provide for them a third kind of organization called Fishermen's House. Apart from that consideration, there was in this case a rich heritage of the past to be respected and made use of. As far back as the first half of the fourteenth century, the fisherfolk had formed admirable confraternities in which religious and moral welfare was combined with economic and social relief, and the influence of which was still visible in the prevailing rules of fishing and generally in the customs of all the fisherfolk. Those confraternities were the accredited repre-

sentatives of all seafarers and were designed to help their widows, the sick and the disabled and even to make good the loss caused by shipwreck or damage. Their revenue was derived from levies on catches or wages, collected and distributed as fairly as possible in a true Christian spirit. The Fishermen's Houses have retained as much as possible of the confraternities and propose to place the work of providence, which, in view of the hard and risky nature of fishermen's work, and the poor return derived therefrom, is the most important function of the organization, on a scientific basis. It will be noticed that Fishermen's Houses are, as well as People's Houses, organisms of social co-operation in as much as both masters and men are associated therein for mutual benefit.

Constitution and Membership.—At every port or maritime station where fishing is practised there may be a Fishermen's House, whose jurisdiction extends only to the area of that port or station, it being forbidden to have more than one " house " in an area. It may be promoted by those interested or by the captain of the port or head of the station. Places not important enough to have a " house " may have a section subject to the nearest " house." All registered as fishermen or as crew of fishing boats and all who can be said to be seafarers are bound to be members of the Fishermen's House of the respective area. Should there be no " house " in their area they may with higher approval join the one nearest. They constitute the ordinary membership. All owners of fishing boats or entrepreneurs of fishing are also bound to be patron members. Any person who is willing to help may be a patron member.

Objects.—The objects of Fishermen's Houses are: (1) To be the official corporative representatives of seafarers within the limits fixed by the Government; (2) to impart elementary education to young and old, including technical subjects, such as the art of fishing, and to provide sports and amusements; (3) to provide subsidies or pensions, to establish funds for giving help in maternity, sickness, disablement, old age, death, and loss of small craft and fishing outfit; (4) to preserve and to cherish all the local customs and

traditions, especially of spiritual nature, connected with the formation of the sentiments and virtues of seafarers. The formation of provident funds is not subject to any uniform rules, but is to be guided by the means of each " house."

Control.—All Fishermen's Houses are controlled by a Central Board, composed of two officials of the National Institute of Labour and Providence and two naval officers, working in close co-operation with the Social Providence section of the said Institute and subject to the Under-Secretary of Corporations. Its functions, besides control and co-ordination, are: (1) To administer the Common Fund of the " houses " and to make allocations out of it; (2) to submit every year to the said Under-Secretary a detailed report on the activities of all the " houses," together with fully documented accounts.

Administration.—Each " house " is administered by a Board composed of the captain or head of the respective port or station, who is president, and two ordinary members, of good moral and professional reputation, acting as secretary and treasurer. These two are to be selected by mutual agreement between the president of the Board and the local representative of the National Institute of Labour. The president may co-opt two patron members, who have not, however, any votes. Here, as in the People's Houses, the co-operation of the masters is secured, but not their control. Official control, through the president, was necessary owing to the illiteracy or the low degree of education of the fisherfolk. Besides, by tradition captains of ports in Portugal have taken a paternal interest in the fisherfolk.

Finance.—The ordinary members pay a levy fixed by the Board of Administration and subject to higher approval. It may be paid in kind with the fish caught. The patron members are also obliged to pay a levy based on the tonnage of the boats owned, after taking into account their present economic value and the local usages and customs. The latter levy is fixed by a Board composed of the captain of the port, the local representative of the National

Institute of Labour and a representative of the members concerned.

There are two funds: (1) Common Fund; (2) Private Fund. The first is financed by (*a*) A subsidy given annually by the Ministry of Marine; (*b*) subsidies payable by the provident funds of the corporative bodies of fishing entrepreneurs; (*c*) any donations. To this fund revert also the funds of an abolished Fund of Providence and Maritime Credit. The object of this fund is to reinforce the work of providence and assistance of the individual "houses." The "house" fund is financed by (*a*) The levies on ordinary and patron members already mentioned; (*b*) the proceeds of any shares of fish sanctioned by tradition and the statutes; (*c*) any surplus resulting from activities undertaken by the "house"; (*d*) a donation of about £190 given by the State, up to 15 per cent of which may be spent for the installation of the house and the balance for the funds of providence and assistance; (*e*) any donations. The State donation is worthy of especial note. The "houses" enjoy extensive fiscal exemptions.

Law No. 1,953 governing Fishermen's Houses was promulgated only on the 11th March, 1937. It is, therefore, too early to enquire of the achievements.

Social Insurance

In Portugal there never was State social insurance, and the present régime in its plan of social reconstruction has not adopted it for several reasons. Institutions of providence in the country had traditionally been based on professions or on social groups with distinct economic functions. It had been found in other countries that State insurance, compulsory and uniform, was inequitable, inefficient and expensive to administer. Voluntary insurance through corporative bodies could be adapted better to the varied needs, conditions and means of the various natural groups. In this way the organization would proceed more slowly no doubt, but more surely and at less or no cost through the existing administrative machinery of those bodies. Besides

being expensive, State insurance weakens private initiative. On the other hand, bureaucratic control is not so close and so efficient as the supervision of those directly interested. Corporative insurance would be workers' own organization, set up, run and checked by themselves. This would raise their public spirit and dignity. Payments under State insurance take the appearance of the dole and have a demoralizing effect. Provident funds of craft associations had been run in a friendly spirit and satisfactorily even without statutes and strict regulations.

For those reasons paragraph 1 of Art. 48 of the Charter of National Labour lays down that " the initiative and the organization of funds and institutions of providence belongs to corporative organisms." But though the Corporative State thinks that it would be economically wasteful and socially harmful for it to organize itself social insurance, it certainly does not ignore its duty of seeing that the corporative insurance is thoroughly sound, practical and efficient. With that end in view law No. 1,884 was promulgated on the 16th March, 1935, classifying all forms of social insurance, whether corporative or non-corporative, and laying down the main rules for their conduct. Here we are concerned only with corporative insurance, which may be effected through the National Syndicates, People's Houses or Fishermen's Houses, with each of which we shall briefly deal.

Syndical Institutes of Providence

This is the name given to the providence funds created by the National Syndicates. They were especially regulated by decree No. 25,935 of the 12th October, 1935. They are based on collective contracts of labour, which bind all masters and men of the respective activity, whether members of corporative bodies or not, and determine the contributions to be paid by them. For that reason and because in this case the participants are known or can be accurately gauged the Syndical Institutes constitute complete and actuarially sound institutions of social providence, enabling the provision of disablement and retirement pensions.

Membership and its Duties.—Paragraph 2 of the said Art. 48 lays down that " the masters and the men must contribute to the formation of the funds necessary for these organisms (institutions of providence) as may be expressly prescribed by the State or sanctioned by it when proceeding from the initiative of those interested." Therefore, both masters and men are members of the institutes, the former being called contributory and the latter beneficiary. The masters are bound to pay the contributions of both, deducting from the pay of men their share. In the event of temporary involuntary unemployment the total contributions relating to a worker are paid by the institute itself out of a special fund, called " Contributions of Unemployed and Sick Workers,"[1] for six months in a year or ten months in two years, provided that the worker had at least twenty-six weeks' contributions to his credit. Sick members are entitled to the same privilege, but only during the time they are drawing sickness benefits. If sickness was due to accident while at work, then the institute pays only the worker's share and the employer his own. Beneficiary members must not have less than fourteen and more than fifty years. It is hoped to reduce in due course this maximum in order to be able to reduce the premiums and increase the benefits.

Benefits.—The usual benefits under a Syndical Institute of Providence are:

(A) *Sickness.*—Two-thirds of the salary or wages in the first period of incapacity and one-half in the second period. This subsidy may not be granted for more than nine, fifteen and eighteen months in one, two and three years respectively. At least twelve months' contributions must have been paid to entitle to this benefit.

[1] In Portugal there is no State unemployment insurance. In 1932 an Unemployment Relief Fund was started, financed by a 1 per cent contribution on wages by the employer and a 2 per cent contribution on the same by the worker. Normally the fund is spent on giving employment in subsidized works of public utility or national interest; only exceptionally is it spent in doles. Out of that 2 per cent contribution of the workers, ½ per cent is allocated to the " Contributions of Unemployed and Sick Workers' Fund." Agricultural labourers and fishermen are excluded from the operations of Unemployment Relief Fund.

(B) *Disablement or Retirement Pension.*—Eighty per cent of the salary or wages, but not more than 20 per cent if soon after the minimum period of contributions, which for this benefit is of five years.

(C) *Death.*—Six months' salary or wages, with a maximum of £45. A minimum of three years' contributions is necessary to earn this benefit.

The above benefits are the maximum and the actual ones are to be proportionate to the contributions. The Under-Secretary of Corporations may exceptionally sanction higher benefits in deserving cases.

Assistance Fund.—This is a special fund within the syndical institute designed to grant benefits beyond the above. It is financed by: (*a*) The revenue from the ordinary reserve fund of the institute; (*b*) donations or special allocations made to it; (*c*) any contributions apart from the ordinary ones mentioned above. The object of this fund is to grant extraordinary subsidies, apart from what is obligatory, to members and their families when in need. To this fund may belong workers over fifty years old, in which case both they and their masters pay only 50 per cent of the normal contributions, entitling the workers to the sickness and death benefits as detailed, but not to pension.

Control and Administration.—Paragraph 3 of Art. 48 of the Charter lays down that "the administration of institutes and funds fed by common contribution pertains by right to the representatives of both the contributing parties." In accordance with this one-half of the members of both the General Council and the Board of administration represents the masters and the other half the men. Both the organs are presided over by an appointee of the respective Corporation, or, when that is not in being, of the Under-Secretary of State of Corporations and Social Providence.

The work of formation of syndical institutes of providence is proceeding apace. In order that the organization may be thoroughly sound the National Institute of Labour and Providence has sent two of its officers abroad for actuarial training.

Social Insurance under People's Houses

No definite and detailed rules have been issued for the organization of social insurance under People's Houses. Owing to the heterogeneous and loose elements composing these organisms no proper collective contracts of labour are possible, and therefore no hard-and-fast form of insurance. For that reason decree No. 23,951 of 2nd June, 1934, laid down that People's Houses could form any kind of funds of providence most suited to local conditions, provided that they were actuarially sound. So far the following two main types have been evolved:

(A) Funds of Providence granting: (*a*) Medical assistance; (*b*) pecuniary help in sickness (90 days in each year); (*c*) subsidy for childbirth; (*d*) subsidy on death. The actual amount of subsidy is variable in proportion to the contributions, which are fixed according to the means of the workers, but it fluctuated between the following limits:

	Minimum.	Maximum.
Male Sex:		
Subsidy in sickness per day in a year, 1st period (30 days)	3*d.*	1*s.* 8*d.*
Subsidy in sickness per day in a year, 2nd period (60 days)	2*d.*	1*s.* 1*d.*
Subsidy on death	£1	£4
Female Sex:		
Subsidy in sickness per day in a year, sole period (90 days)	1·2*d.*	6*d.*
Subsidy for birth of each child	1*s.* 8*d.*	5*s.*
Subsidy on death	£1	£3

Nearly 100 Funds of Providence had so far been formed.

(B) Funds of Assistance.—These are parallel to their namesakes of the Syndical Institutes. Their function is to give extraordinary aid and subsidies in sickness and on death of members. They assist even non-members. People over age may belong to these funds, as also those who for reasons of health are not allowed to join the Funds of Providence. On account of the smallness and uncertainty of contributions it had not been possible to establish disablement and old-age pensions under the funds of the (A) category. To meet that need to some extent the Funds of

Assistance grant pensions occasionally, as circumstances permit. Most of the funds of the first category have attached to them funds of the second.

Social Insurance under Fishermen's Houses

As already stated, the law governing Fishermen's Houses says that the realization of the aims of providence and assistance " is not subject to uniform rules and is regulated by the normal means of each institution." No further legislation has been issued since then, and as the " houses " themselves have not as yet, with one or two exceptions, been formed, it is not possible to say at the moment what form social insurance for fishermen will take. As they form a distinct class, their numbers are known and the Fishermen's Houses will be able to sign collective contracts of labour, the organization will probably be on lines similar to those of the Syndical Institutes of Providence of the National Syndicates. The local institutions will probably be supplemented by a central one financed out of, and run together with, the Common Fund, which has absorbed, as was mentioned previously, the funds of an institute for protecting disabled fishermen, called Fund of Providence and Maritime Credit. Fishermen's occupation is always hard and risky, and, as in most countries, their income in Portugal is very low.[1] Their need of good social insurance is, therefore, very pressing. The Guild of Owners of Boats for Cod-fishing has already provided an insurance of £45 for every fisherman employed by its members who may meet with accidental death while out fishing.

Workmen's Compensation Insurance

Art. 49 of the Charter of Labour lays down:

From the principle of protection to the victims of accidents of a professional nature derives as a rule responsibility for the employers.

[1] According to statistics published in 1933 there were in Portugal 53,000 fishermen, 20,000 out of whom worked for masters and the rest exercised their profession in small and risky boats, bought in partnership and often on credit at usurious rates. The net income of these men has been worked out at £10 a year. Cf. *Diário das Sessões*, Supplement to No. 100 of 11th January, 1937, Imprensa Nacional, Lisbon.

They shall not refrain from contributing monetarily to ensure for the worker or his syndicate the means of covering him against professional risks even in occupations in which employers do not hold direct legal responsibility for the accidents that take place.

Law No. 1,942 of the 27th July, 1936, and Decree No. 27,649 of the 12th April, 1937, regulated on standard lines the liability of employers for accidents to workers and for diseases arising out of the work, and compelled masters employing normally more than five hands to transfer their liability to insurance companies or to give suitable guarantee to the Inspector of Insurance of their ability to fulfil their obligations in the matter.

The said law gave the National Institute of Labour and Providence the power to compel corporative organisms of employers to insure collectively, if it was the most efficient method, against compensation to their members' workers or to the workers in the activity in which they were engaged. Collective insurance could be effected through the National Syndicates or the People's or Fishermen's Houses only in cases where, due to the nature of the work, the men work in groups and render their services indistinctly to various masters. In this case the masters are to pay for the insurance in proportion to the wages paid to such men, freeing themselves thereby of their liability. Institutes of Providence may, with higher approval, take the place of the National Syndicates for the purposes of effecting this insurance. The insurance is to be placed by open competition among insurance companies, subject to the approval of the official Inspector of Insurance. Should he not approve of the terms proposed, he may himself draw up what he thinks just and compel the members of the Guild of Insurance to run the risk for a year on his terms. After that period a fresh competition is to be opened.

National Foundation for Joy in Work

Our study of the labour organization in Portugal would not be complete without a notice of an organization, parallel to the Italian *Dopolavoro*, called the National Foundation

for Joy in Work, which may be said to be a national federation of the National Syndicates, People's Houses and Fishermen's Houses for cultural and spiritual purposes. It is also an organism of social co-operation insomuch as the employer classes are called upon to participate in its activities. In terms of the introduction to decree No. 25,485 which created it, the Foundation proposes in a national plane " to stimulate the atmosphere of pure idealism in which those institutions were created (of the workers), to keep burning the flame of enthusiasm and of confidence which the social concept of the New Corporative State re-kindled in the soul of the working classes " and " to cherish the existence of the humbler classes of the population and directly to fortify, to educate and to amuse the body and the spirit of those that labour." [1]

Constitution.—National Syndicates, People's Houses and Fishermen's Houses are the ordinary members of the Foundation and they are to contribute to its funds by means of monthly payments, proportionate to their membership, fixed by the Central Commission. Employers' Unions, Federations or Guilds are patron members and they also are to contribute as prescribed by the said commission. In both cases membership is voluntary. There is a third category of members called auxiliary and to it may belong any associations or individuals, contributing whatever they like. Those already mentioned and State contributions constitute revenue of the Foundation.

Objects.—The Federation has for its objects " to utilize the leisure of the Portuguese workers in such a way as to ensure for them the greatest physical development and the raising of their intellectual and moral level." Those objects are to be attained:

(A) In the physical field by: (1) Organizing holiday camps; (2) promoting rambles and excursions; (3) promoting, stimulating and organizing matches, athletic displays and sports; (4) setting up physical training classes.

(B) In the intellectual and moral fields by: (1) Organ-

[1] Cf. *Boletim do Instituto Nacional do Trabalho e Previdência* of 31st May, 1935, p. 285, Instituto Nacional do Trabalho e Previdência, Lisbon.

izing lectures, musical hours, theatricals, educational cinema and daily radio talks (ten minutes of the Foundation by the National Broadcasting Station); (2) promoting study visits to museums, monuments and places of historical, intellectual and technical interest; (3) opening libraries; (4) giving courses of general and especialized culture and vocal and instrumental music.

Control and Administration.—The importance attached to the Foundation will be gathered from the fact that General Carmona, the President of the Republic, himself is the honorary president of the Central Commission, which is the controlling organ, and the members of which include Dr. Salazar and his greatest and most enthusiastic collaborator in the corporative organization, Dr. Pedro Teotónio Pereira, Under-Secretary of State of Corporations and Social Providence in the first and the most creative period and at present Minister of Commerce and Industry, controlling most of the producers' corporative organisms. The Central Commission has also administrative functions, which may be and are in fact delegated to a board of five members appointed by it. It will be noticed that control and administration are at present entirely official, but the Foundation will become entirely autonomous when the corporative spirit is fully developed and the organization consolidated.

Activities.—Besides various excursions, pageants including a medieval tournament, popular festivals, sporting championships, and open-air and indoor theatricals, the more permanent activities of the Foundation have consisted in well-fitted restaurants at Lisbon and Oporto for office workers members of National Syndicates and a Course of Popular Culture for the same at Lisbon. The Lisbon restaurant was opened by the President of the Republic, accompanied by the Premier, and inaugurated with a lunch in which most of the Ministers took part. It has sitting accommodation for about 500 and over 10,000 meals are served every month at very cheap rates. An excellent lunch consisting of soup, a meat or fish course, fruits or sweets, three decilitres of wine, bread and coffee costs only 5*d.*, that is about the price of a single fish or meat course in a restaurant of the same

class in England. The Course of Popular Culture, which was also inaugurated with the assistance of the President, Ministers and other high personages, comprised languages, history, national and universal, geography, accountancy, rudiments of commerce and trade, shorthand writing, history of commercial expansion, art, corporations, Portuguese literature and elements of economics. For the 1936–37 year there were 1,335 students.

Other works to be a reality in the near future are a holiday camp and a rest-house on the coast of Caparica, capable of accommodating at a time 144 workers, canteens for labourers and courses of physical culture and music.

CHAPTER XV

CONCLUSION

HAVING reviewed the more salient features of the economic planning in Corporative Portugal, it will in conclusion be well, in view of the bad odour that planning, which implies State control, has in some quarters, especially in democratic countries, to see how the corporative control effected in Portugal stands in the light of economic doctrines.

Speaking from the standpoint of the modern school of Economics, chiefly called the *London School*, which regards Economics as an *impersonal* or *objective* science in which the word *ought* has no place, Mr. A. C. Pigou, the eminent professor of Political Economy in the University of Cambridge, discusses in his book *Economics in Practice* [1] the attitude of economists towards State action and restrictions.[2]

After stating at the outset that, strictly speaking, " there is not, as is popularly supposed, a sharp issue between a *principle* of *laissez-faire* and a *principle* of State action " and that it is universally agreed that the State must act in very important ways, Professor Pigou proceeds to say that " the real question is not whether the State should act or not, but on what principles, in what degree and over what departments of economic life its action should be carried on."

Analysing the circumstances in which the State may intervene, Professor Pigou speaks first of the cases in which private persons pursue incompetently the ends that they set themselves, but he makes the reservation that the justification for State action in such cases " rests, and can only rest, upon the assumption that State officers, or the officials of

[1] Macmillan & Co., Ltd., London, 1935.
[2] Pp. 107–54 of the work cited.

one or another type of Public Board, will do the work more efficiently."

In the second place, he considers the cases where private enterprise is pursuing ends incompatible with the public interest, and says that in such cases " there is no need, in order to justify acts of intervention, to assume that public authorities are more competent than business men." Later he adds that " the doctrine of the invisible hand evolving social benefit out of private selfishness has never been held by economists—certainly it was not held by Adam Smith—in that absolute and rigid form in which popular writers conceive it." " All are agreed," he continues, " that many times the hand falters and fails of its aim."

Turning from production to distribution, Professor Pigou says that " in making distribution more even there is a wide field for State planning," and adds later that " when the workers are not able, by organization, to protect themselves there is a strong *prima facie* case for State intervention in their behalf."

Dealing, finally, with the disharmonies connected with industrial fluctuations, the Cambridge economist says that there is room for State intervention to make the general level of prices more steady than it is, and sums up the teachings as follows: " When private self-interest, acting freely, subject only to the ordinary forms of law, does not lead to the best results from a general social point of view, there is, as I have indicated, a *prima facie* case for State action."

Examining in the light of those teachings, with which no economist of any school will to-day quarrel on the ground that they give too much, we shall see how corporative planning in Portugal stands. At the outset readers should be reminded that the Portuguese planning is not *essentially* by bureaucratic control, but by the auto-direction of the activities concerned, as we have already said and shown. It is true that for the time being, and *accidentally*, the controlling and managing bodies of most corporative organisms are manned by Government appointees or nominees; but this satisfies the very vital reservation which Professor Pigou makes when he says that a

very important factor in decisions about State action is the quality of the body that would be called upon to act, the intellectual competence of the persons who constitute it, the efficacy of the organization through which their decisions are executed, their personal integrity in the face of bribery and blackmail, their freedom from domination by a privileged class, their ability to resist the pressure of powerful interests or of interested opinion.

This accident of direct Government control will pass away when the causative accident of the dearth of suitable men from among those concerned disappears, and Government action will then limit itself, as designed, to superior direction, supervision and co-ordination, in order to ensure that with individual good the maximum amount of social good be obtained.

The rôle of the State might be explained in other words. Professor Charles Gide dealing with the doctrine of the Social Catholics says:

> State intervention might be necessary at first in order to establish the corporative régime, but once founded it would naturally monopolize all the legislative and police power which affects labour in any way, especially in the matter of fixing wages, arranging pensions, etc. The legislature would still find ample material to exercise its powers upon outside these merely professional interests, especially in regulating the rights of property, prohibiting usury, protecting agriculture, etc.[1]

Portuguese corporativism is, like Social Catholicism, anti-étatist, but finds State intervention necessary to establish the corporative régime. Moreover, due to the complexity of the present-day economic life, aggravated by the vicissitudes of international exchanges, State control in the Portuguese system will have to go considerably further than the traditional corporativists of the middle of the nineteenth century deemed it permissible.[2]

[1] Cf. Gide and Rist, *A History of Economic Doctrines*, p. 501, Harrap, London, 1932.

[2] Manoïlesco puts clearly in the following passages the corporative doctrine on State action: "In the individualist doctrine the State minimum is effected by abandoning to private domain all the functions, except the national defence, foreign relations and internal order. In the corporativist doctrine the State minimum is effected by leaving to the corporations all the functions, except those already mentioned. But in the

Admitting that there is at present State control and that a certain amount will have to remain always, we shall now endeavour to see if economic and social conditions in Portugal were not such as to warrant Government intervention.

(1) *The State may intervene when Private Enterprise is Incompetent.*—The Portuguese wheat growers were incompetent to market their produce to their own advantage. They had no credit, no means of storing, were a prey to usurious middlemen and were incapable of organizing themselves for self-defence. The production of wine was excessive and of poor quality and it could not make prices to cover its cost. The same might be said of fruits. Rice and codfish could not hold their own against imported products owing to their complete lack of organization. The sardine industry was inefficient. Motor transport and insurance were engaged in a slow suicide. The State was, therefore, perfectly justified in intervening to help them to put their house in order and to save themselves. The organisms created *have been* more efficient.

(2) *The State may intervene when Private Enterprise is pursuing ends Incompatible with the Public Interest.*—The condition of the flour-milling industry, for instance, was, before the introduction of the plan, similar to that of the British explosive-manufacturing industry at the close of the Great War. Some mills were up to date and efficient, others were old-fashioned and inefficient ; some were well situated, others were in out-of-the-way places. The latter were doomed to ruin. Just as Professor Pigou or any other economist would have it, it was thought better to eliminate them in " a deliberate and orderly way," rather than " as a result of cut-throat struggles and frequent bankruptcies." Those remaining and those eliminated bore equally the

latter case, the State assumes the supervision and the supreme co-ordination of their activity in order to realize national ends, which constitute its *raison d'être*. The State appears, then, as minimum solely in its capacity of *corporation*, that is, in its capacity of an organ concerned directly with the exercise of certain functions. In its quality of *super-corporation*, where it appears as an organ concerned indirectly in the co-ordination of all national life, its rôle is no longer minimum, but, on the contrary, excessively wide. In a few words, the corporativist doctrine reduces the State to a minimum as regards direct functions, pushing its authority to a maximum as regards indirect functions." (Cf. *op. cit.*, p. 101.)

depreciation which they all had caused, and those that were amortized could employ the proceeds to more profitable ends. It was not a monopolistic control of output and prices, but a removal of the causes of surplus and inefficient output, in order to serve the public more economically. The national economy was improved both from the producers' and the consumers' points of view. Without State action the attainment of this desideratum would have been impossible.

Similarly, in the sardine canning and other industries subjected to control the issue has not been

between having a larger output and having a smaller one, but between changing from the larger output appropriate to one set of conditions to the smaller output appropriate to another set, on the one hand by a blind, chaotic and wasteful process, on the other hand by a reasoned plan.

Control has not been solely for the benefit of the activities concerned, but also, and more so, for the purpose of stimulating, with more efficient production, internal consumption and exports. The exports of wine, sardines, cork, resin, pit-props and olive oil were controlled because disorderly activities were damaging the country's reputation, affecting adversely the quantity and the price of exports and increasing the unfavourable trade balance.

(3) *State Planning to secure Fairer Distribution.*—The lot of the Portuguese worker was a poor one ; production not being very prosperous, his share of wealth could not be high. Labour organization that there was, was weak and tainted with the spirit of class war. The discontent of the urban workers was made use of in the frequent revolts and revolutions that preceded the introduction of the present régime in 1926, and whatever party got the uppermost there was mob rule in the streets. The poverty of agricultural labourers provided propitious conditions for socialistic and communistic propaganda. The first condition for securing for workers fairer conditions was their organization. Therefore, side by side with the planning of production, the Government planned the National Syndicates, People's Houses and Fishermen's Houses, with collective contracts

of labour and providence and assistance funds fed by compulsory contributions of employers. Contracts whereby landowners undertake to find work for unemployed agricultural labourers are another result of corporative planning for fairer distribution of wealth. Specific levies on production, such as of wheat and wine, and statutory allocations of percentages of the revenue and the surplus of producers' corporative organizations for assisting workers, as we saw in the foregoing pages, are other means whereby a fairer distribution of wealth is promoted by the plan.

There is planning connected with another form of distribution with which little fault will be found. In the *laissez-faire* conditions previously prevailing, the middlemen manipulated the markets to their own benefit, charging high prices even in the midst of plenty, paying little to producers and taking much from consumers. By controlling the wholesalers and retailers of wine, wheat, rice and codfish, the staple constituents of the diet of the mass of the people, a fairer deal has been secured for the consumers, thereby increasing their real wages or real income.

(4) *State Planning to secure Steady Level of Prices.*—To begin with, the fundamental principle of the Portuguese economic planning, that all production must be socially useful, militates against inequilibrium between supply and demand, and, therefore, against unsteady level of prices. A remunerative price had been guaranteed for all home-produced wheat with a view to self-sufficiency. Beyond all expectations, the production soon largely exceeded the home demand ; but this surplus if it continued from year to year would not be socially useful to Portugal, as it could only be sold abroad at much below cost price. Therefore, it was decreed that in future only the quantity required for home consumption would be paid for at the guaranteed price and that farmers were to regulate their sowings accordingly, turning the surplus lands to more profitable uses. Besides, the various guilds, federations, unions, institutes, boards and commissions are able better than individuals or individual concerns to anticipate consumers' demands and adjust production to consumption, and when through unforeseen

circumstances supply has exceeded demand those organisms have been able, thanks to lavish credit facilities given by the State, to hold over huge surpluses, which would otherwise have depressed prices almost to nothing, or would have to be destroyed. The control of banking, which placed the whole credit policy in the hands of the Minister of Finance, has added to the steadying effect brought about by the corporative control of production and distribution.

In closing his chapter on State Action and *Laissez-Faire* Professor Pigou writes:

> The issue about which popular writers argue—the principle of *laissez-faire* versus the principle of State action—is not an issue at all. There is no principle involved on either side. Each particular case must be considered on its merits in all the detail of its concrete circumstance. High-sounding generalizations on these matters are irrelevant fireworks. They may have a place in political perorations, but they have none in real life. Accumulation of evidence, the balancing of probabilities, judgment of men, by these alone practical problems in this region can be successfully attacked.

The concrete circumstance of the Portuguese case was this. There was an unfavourable trade balance of over £10 million a year. Very necessary military re-equipment with foreign material was likely to make that position worse. The three main items of Portugal's invisible exports had shrunk. Emigration to Brazil and to the United States of America had been greatly restricted, and the earnings of the emigrants had fallen off owing to the prevailing depression. Interest on investments in Brazil had been greatly reduced, and there were difficulties in making remittances from that country. The colonies were undergoing a crisis with the rest of the world, and not much relief could be expected from them before they were reorganized. Portugal, an "essentially agricultural" country, had to import nearly 200 million kilograms of wheat and 35 million kilograms of milled rice every year. Large resources in land remained unused, unemployment was growing, exports were falling, their quality was deteriorating and prices decreasing, industry was deficient and dis-

orderly and labour unorganized. Private enterprise had shown itself incompetent, and only an organization of production and distribution could save the national economy. Those concerned were incapable of spontaneous organization.

Did Dr. Salazar, an eminent ex-professor of Political Economy, study the situation thoroughly, balance the probabilities well, exercise sound judgment in introducing corporative planning ? The work of Portuguese reconstruction is still young, and the Coimbra economist, who has a masterly grasp of realities, in a public utterance made in September, 1935, had unburdened himself thus : " The problems are complex, competent workers few and the collaboration of the public deficient. The disorder was general, and it is very difficult to climb this mountain of our redemption." [1]

Those difficulties, especially the human difficulties, are still present to a considerable extent and constitute the main difficulty to a full success of the plan. It is not only an insufficiency of competent leaders, but also a deficient permeation of the rank and file with the corporative spirit, a grudging " obedience to a detailed system of organization coupled with a feeling of brotherhood—the chastening of the whole complexity of social relations by the spirit of Christianity," [2] a half-hearted practice of those virtues of obedience and brotherliness which made the medieval guilds, the prototypes of our corporations, a success. The disorder of which Dr. Salazar was complaining was no less moral than material, and moral reform is a slow business.

A new economic and social order, in which together with progress there will be perfect equilibrium between supply and demand at fair prices, in which no resources, especially in men, will be left unused, in which there will be bread for everybody,[3] in which there will be just and equitable

[1] Cf. *Diário de Notícias* of 20th September, 1935, p. 7, Lisbon.

[2] Cf. Gide and Rist, *op. cit.*, p. 497.

[3] One of the slogans of the new régime is : As long is there is a single person without work or bread, the revolution continues. Unfortunately there are no definite data to show how the unemployment situation has moved. There are no statistics prior to 1934 to enable a comparison. The figures available for 1934–36 give an average number (the fluctuations having been small) of registered unemployed of a little over 41,000,

remuneration for all the factors of production and in which employers and workers will live in a brotherly and contented spirit, cannot be built up in three or four years' time. But given a continuance of Dr. Salazar's leadership (and peace), a comprehensive realization of the essentials of the plan (the details are being revised in the light of experience) is only a question of time.

Dealing with individual commodities and economic and social activities, we have indicated the heights already attained and the steep paths that still lie ahead. Considering the shortness of the period during which the plan has been in operation and the antecedents of the country, it will be agreed that the results so far obtained have been remarkable. If we pass from the individual to the general situation, there is also much ground for satisfaction. The report of the Bank of Portugal for 1936 gives a mass of statistics enabling a good view of the economic evolution of the country during the 1932–36 quinquennium. A translation of all those data would be out of place here, but we cannot refrain from reproducing figures on some of the more telling points, such points as are generally considered to gauge the economic situation, comparing 1936 with 1932, in which year the planning might be said to have begun. We use the figures of the Bank of Portugal with confidence, as they are accepted even by the League of Nations.

INDEX NUMBER OF PRICES

Year.	Wholesale (Base 1927).	Retail (Base 1929).	Cost of Living. (Base 1914).
1932 . . .	89·6	83·9	1949
1936 . . .	89·6	86·5	2022

which represents only a little over 0·6 per cent of the actual population of the country. What the numbers of the unregistered rural unemployed are, or how they have moved is not known. While on this subject the position as regards emigration might be considered. In the 1926–30 quinquennium the yearly average number of emigrants had been 31,281. In 1931–35 the average fell, due to restrictions in Brazil and the U.S.A., to 6,791 only, retaining in the country every year, in the average, nearly 25,000 more persons. From what can be seen unemployment has not been increased thereby. It is fair, therefore, to conclude that an economic improvement has enabled their absorption. (The figures for unemployment are based on the 1936 report of the Bank of Portugal and those for emigration on the official *Anuário Estatístico* for those years.)

With the exception of 1934, when it rose to 93·8, 89·6 is the highest wholesale number during the quinquennium. The numbers under the two other heads have been gradually rising from 1932 to the 1936 level. Planning and a policy of self-sufficiency are usually associated with high prices. The Monthly Bulletins of Statistics of the League of Nations show that Portugal stands no worse off or compares favourably with many countries, such as Argentine, Denmark, the United States of America, Japan, Norway, New Zealand and the United Kingdom in respect of the small rises that have taken place in the above index numbers.[1]

FOREIGN TRADE
(*in Contos*) [2]

Year.	Special Trade: Exports.	Special Trade: Imports.	Foodstuffs: Exports.	Foodstuffs: Imports.
1932 . .	791,780	1,707,850	489,162	388,070
1936 . .	1,020,288	1,969,370	561,002	341,749

It will be noticed that in the special trade whereas the imports in 1936 compared with those of 1932 rose by 15·3 per cent, the corresponding rise in exports was of 28·9 per cent.[3] In the first three months of 1937, compared with the corresponding period of 1936, whereas the imports fell by a little under 6 per cent (354,909 against 376,327 contos), the exports rose by 47 per cent (243,129 against 165,147 contos).[4] In the foodstuffs trade, whereas the favourable balance in 1932 was of 101,092 contos, in 1936 it more than doubled itself to 219,253 contos, speaking well for the agricultural development, which is one of the chief undertakings of the present régime.

[1] Whilst studying the trend of prices it would be useful to know also the index numbers of wages in the two years under comparison. It happens, however, that the *Anuário Estatístico* for 1935 did not, departing from the practice followed up to 1934, give that information, and the *Anuário* for 1936 is not yet out. Based on 1914 the index numbers of wages in 1932 to 1934 stood at 2,005, 1,995 and 1,954, respectively.

[2] One conto is equal to 1,000 escudos and 110 escudos are equal to £1.

[3] If we consider the exports and imports in the two years by weight, the results are still more favourable. In 1932 and 1936 the exports were respectively, 1,071,000 and 1,663,000 tons, and the imports, also respectively, 1,875,000 and 2,137,000 tons. Therefore, whereas imports rose by 14 per cent, the exports rose by 55 per cent. (Cf. Supplement to *Diário do Governo* of 19th June, 1937.)

[4] Cf. *Boletim Mensal do Instituto Nacional de Estatística* for those months, Imprensa Nacional, Lisbon.

BANKING ACTIVITIES
(*in Contos*)

Year.	Clearings (Total).	Bills Discounted (Monthly Average).	Bills Protested (Monthly Average).	Deposits: To Order.	Deposits: Fixed.
1932	3,494,712	386,720	10,972	2,598,000	867,000
1936	8,814,645	515,633	6,180	3,434,000	978,000[1]

STOCK EXCHANGE ACTIVITIES

Year.	Total Transactions in Lisbon and Oporto (Contos).	Index Numbers of Prices of Securities (Base June, 1928): Fixed Income.	Variable Income.
1932	381,720	129·8	57·1
1936	906,566	165·6	93·2

The said report of the Bank of Portugal shows also that the cumulative index number of economic activity stood in 1936 at 123·5, as against 100 in 1932.

Perhaps there will be some who will say, as one sometimes hears it said in everyday life, that the improved foreign trade situation, the heavy rises in banking and Stock Exchange activities and the considerably better general economic situation shown by the above figures may not be a result of the organization and planning with which we have been dealing, but simply a movement parallel to that which has taken place in many other countries in conjunction with business revival. It might perhaps be asked of such people why, when in such other countries there are sound public finance, the proper equipment of the national defence forces, prosperous industry, scientific and progressive agriculture, good roads, ports and public utility services, there was not a parallel situation in Portugal. For the rest, we saw the plight, the helplessness, the organic incapacity, we might say, of the production, the exports and the whole economy of the country before planning was introduced. In this connection it will not be out of place to quote the closing lines of the Introduction of Mr. A. H. W. King, O.B.E., Commercial Secretary, His Majesty's Em-

[1] The 1936 deposits given above refer to the 30th November. On the 31st December they were, respectively, 3,528,000 and 949,000 contos. (Cf. *Boletim Mensal do Instituto Nacional de Estatística* for January, 1937.) It should be noted that in any case the figures given do not include the deposits in the Bank of Portugal, same being a bankers' bank.

bassy, Lisbon, to his *Report on Economic and Commercial Conditions in Portugal, dated July, 1936*, published last autumn.[1] Writes Mr. King:

> On the whole, there is considerable ground for optimism, and the country has a good deal on which to congratulate itself. The future of both Government and people is brighter than it has been for decades, and unless there is a reversion to old systems and policies it is not too much to say that Portugal has at last seen the dawn of a new era which promises a future attainable in proportion to the extent to which the nation as a whole is prepared to tolerate only honest and sound administration.

Before closing, there is just one further point that perhaps requires elucidation. Some readers who in the foregoing pages noticed that, side by side with efforts to intensify industrial production and to render it more efficient, particular regard was had for, and especial protection was given to, cottage or family industries; that the mechanization of industries was subject to the proviso that great numbers of workers should not be thrown out of employment thereby and in any case not abruptly; that People's Houses were not mere trade unions of agricultural labourers but friendly unions of the whole hierarchy of the agricultural family; that Fishermen's Houses were like confraternities which combined economic aims with spiritual welfare, may have wondered what significance or place these evident signs of medievalism have in the planning of the economic and social life of this twentieth century of ours, this ultra-modern, ultra-progressive, ultra-efficient machine age, where Mammon reigns supreme with all his works and pomps.

A clear answer to these questionings was recently given by the Christian social reformer that lies at the back of, prompts and, perhaps, dominates the expert financier, the eminent economist and the world-famed statesman that rules Portugal to-day. In his reply to the address of the special delegation which the Federation of Portuguese Associations in Brazil had sent on purpose to Portugal to express the solidarity of the Portuguese abroad and their

[1] Cf. p. 5 of the work. His Majesty's Stationery Office, London.

" admiration and gratitude to the master-worker of the gigantic task of the almost miraculous new reconstruction of our Motherland," as one of the delegates put it, Dr. Salazar has two paragraphs, which give an admirable synthesis of the characteristics and the true aims of the Portuguese corporative planning.

We could not close this work better than by quoting the two passages, charming for their poetry and grand for their high spirituality. It is in the light of those passages and not by the standards of colossal production, giddy consumption and materialistic and artificial standards of living, which because of their very artificiality never satisfy, that the Portuguese economic planning, at one stroke scientific and practical, must be looked at and judged. Here are the two paragraphs :

We are not seduced by or satisfied with the acme of technique, or the machinery that lessens the man, or the delirium of the mechanical, or the colossal, the immense, the unique, the brute force, if the wing of the spirit do not touch them and subject them to the service of a life every time more beautiful, more high and more noble. Without losing sight of activities which may provide for all a greater amount of goods and with them greater material comfort, the ideal is to flee from the materialism of to-day : to make the fields more fertile, without silencing therein the merry songs of the girls ; to weave cotton or wool in the most modern looms, without interlacing with the thread class hate and without banishing from the factory or the workshop our old patriarchal spirit.

From a civilization which is returning scientifically to the jungle we are separated, unceasingly, by spiritualism—fount, soul, life of our History. We shun feeding the poor with illusions, but we want at all costs to preserve from the wave that is rising in the world the simplicity of life, the purity of customs, the sweetness of feelings, the equilibrium of social reactions, this familiar air, humble but dignified, of Portuguese life—and through these conquests or re-conquests of our traditions, social peace.[1]

[1] Cf. *Diário de Notícias* of 15th April, 1937, p. 2, Lisbon.

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