

# Organization of War Economies (Portugal)

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**This article seeks to analyze the organization of Portugal's wartime economy. It presents some of the main characteristics of the Portuguese productive system between 1914 and 1918, demonstrating the country's dependence on external trade and its attendant structural vulnerabilities.**

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## Introduction

The expanded role of the home front as a critical base of support for campaigning armies was one of the main legacies of the First World War. Victories and defeats could no longer be built only on the battlefield, but rather were the product of a joint effort by the whole society. This shift resulted in an unprecedented mobilization, the consequences of which were felt across [Portugal](#).

The Portuguese academic community has devoted little attention to analyzing the organization of the war economy. Researchers highlight the fact that, until the end of the 1950s, Portuguese [historiography](#) concentrated almost exclusively on the analysis of political and military motives behind the Portuguese participation in the Great War.<sup>[1]</sup> In fact, early Portuguese studies of the home front only emerged in the mid-1960s.<sup>[2]</sup> [Pulido Valente \(1941-2020\)](#) was the first Portuguese historian to examine some of the political fractures caused by the beginning of the war and the subsequent crisis arising from the Portuguese intervention, but, as a whole, the study ended up focusing mainly on the economic changes introduced by the military [coup](#) that brought [Sidónio Pais \(1872-1918\)](#) to power in 1918.<sup>[3]</sup>

At the end of the 1970s, the historian Manuel Villaverde Cabral extended the field of historiographical analysis into the economic and social domains with the publication of an article on the strategies set out by Prime Minister [Afonso Costa \(1871-1937\)](#) and President Sidónio Pais.<sup>[4]</sup> The first work to specifically study the Portuguese war economy was published in 2011 and was followed by two contributions that, despite focusing on the economy of the Portuguese Republic as a whole, dealt extensively with the economic impacts of the First World War.<sup>[5]</sup> One explanation for this delay is the ongoing barriers to accessing archival sources and other documents indispensable to the study of the Portuguese economy during the war. This obstacle is circumvented, in part, by the availability of foreign sources, including documents produced by British representatives in Lisbon, most of which are held at the National Archives in London. The location of the archives of the Portuguese Ministry of Economy,

essential to a complete understanding of the overall operation of the Portuguese economy before and during the years of the war, is not currently known to scholars.

This article starts by synthesizing the main objectives of wartime economic policies implemented by the Portuguese Republic, followed by an analysis of the factors behind the economy's organization and concluding with a consideration of the impacts of these changes on the Portuguese productive system.

## An Economy for War

At the request of the British [government](#), the Portuguese Republic adopted neither a stance of [neutrality](#) nor one of belligerence in the face of the war in Europe until 9 March 1916 when the central powers declared war. This delay allowed the [United Kingdom](#) access to Portuguese facilities in the Atlantic, as well as in the country's colonial harbors in [Angola and Mozambique](#). The French, who were in favor of a Portuguese intervention in the autumn of 1914, opposed this tactic, hoping, perhaps, to co-opt the influential role played by Britain in Portuguese international affairs.

Due to limited national production and chronic dependence on external sources for essential goods, fuel and [transport](#), Portugal was forced to implement the basic features of a war economy early on, to alleviate the effects of the European conflict on the economic and financial activity in the country. This initiative was overseen by the Portuguese state which, until then, had only very tentatively intervened in economic affairs.<sup>[6]</sup>

The [aims](#) inscribed in the economic policies of war set out by the Republic were almost always guided by three specific objectives:

1. Ensuring the supply of goods essential to the daily survival of the population;
2. Establishing a price control policy;
3. Implementing necessary instruments to promote the self-sufficiency and expansion of agricultural production.

It was clear that the republican [governments](#) in power from 1914 to 1918 sought to minimize the effects of supply scarcity and reduce the [social conflict](#) inevitably associated with rationing. The war alone was not the only factor contributing to the worsening economic situation: demands, by both workers and industrial associations, for the implementation of measures banning speculation over [food](#) prices reveal the extent of market manipulation by private entities. To manage supply and keep prices low, the state curbed speculation through the creation of central and local bodies responsible for addressing the problem of supplies, fixing maximum prices, and preparing inventories for production and consumption in the main regions of the country. The state also created and managed supply warehouses to regulate the prices of necessary goods.

These strategies reveal the structural vulnerabilities which widely characterized the Portuguese productive system. It became quickly apparent that the adoption of an economic policy of war aimed at restricting freedom by adopting price lists and defending national supply of necessary goods through an export ban would have little effect on solving the problem of shortages and inflationary prices. Portugal experienced a high level of social misery which predated but was exacerbated by the war, exemplified by inconsistencies in the supply of basic food products essential to the poorer classes, such as cereals and cod.

These shortcomings were due to deficiencies which had characterized Portugal's economy since the mid-19<sup>th</sup> century, at which time the economy had expanded very slowly, diverging from the European core. Due to the deficient employment of natural and [animal](#) force, Portugal's income per capita lagged behind other Western European countries, new processes and [technologies](#) in agriculture, the country's main economic sector, were slow to be introduced.

## Control and Supplies

Decree No. 766, passed on August 18, 1914, offers an example of the direct intervention by the Portuguese government into national trade.<sup>[7]</sup> The decree established supply stockpiles, known as General Industrial Warehouses, intended to protect the food industries – in particular in the area of preserved food products – with the state functioning as guarantor until the end of the crisis.<sup>[8]</sup> The goal was to mitigate the impact of the war on an industry whose illegal exports were already quite significant due to the suspension of official transactions with the German market and the shortage of [raw materials](#) (iron), necessary to the canning process.<sup>[9]</sup>

On 7 February 1916, the government proceeded with the creation of a Central Committee of Supplies.<sup>[10]</sup> This unit was put in charge of the research and development of production measures aimed to "avoid or reduce, as much as possible, disruptions in the industrial works" and ensure sufficient supply of necessary goods to mainland Portugal and the colonies.<sup>[11]</sup> The President of the Commercial Association of Lisbon oversaw the committee, which held a consultative function within the government, proposing legislative interventions to curb the price rises and shortages of essential goods.

In its approach to economic regulation, the Republic reduced the problem of supplies to a consequence of war in Europe, blaming the conflict for major changes taking place in Portugal without advancing any further explanation for the structural failures of national production. State intervention was considered essential to ensure the regular supply of the country and to alleviate difficult living conditions, however there were limits to what the state could do. Producers continued to stockpile goods and smuggle foodstuffs to [Spain](#), where prices were higher. The impotency of the government in stemming the illegal export of goods reveals not only the challenges of policing the border and the countryside, but also highlights the weaknesses of the state police.

The rising price of beef cattle was also exacerbated by military mobilization. Despite government efforts to maintain the food supply, the butchers of Lisbon had long ceased to sell meat due to rampant speculation.<sup>[12]</sup> As a result, the Meat Supply Committee, a body controlled by the Ministry of Labor and Social Assistance, was established in Lisbon to ensure and manage the supply of meat to the capital.<sup>[13]</sup> The creation of the Meat Supply Committee reflected an expanding bureaucracy and an increasingly complex architecture of public administration.

It was not only the national government which took measures to mitigate the effects of the lack of supplies; also, the municipalities, on their own initiative, adopted measures of their own, regulating prices and purchasing and selling foodstuffs to the public.<sup>[14]</sup> This clearly signaled the enhanced legislative capabilities of municipalities, as the Republic endowed them with the faculties necessary to organize food and fuel supply services and the internal transportation of goods.

Above all, the enactment of supply policy was hindered by shortages and deficient transport coordination. This vulnerability ultimately led to the creation, under the purview of the Minister of Labor and Social Assistance, of an Administration of Supplies (AA). The AA formed a central administrative body tasked with the compilation of statistics relating to the availability and movement of goods, as well as the study of the coordination of [maritime transport](#).<sup>[15]</sup> In collaboration with the Supplies Committee, the Committee of Distribution of Cereals and Flours, and the Meat Supply Committee, the AA worked to establish a national supply administration.<sup>[16]</sup> Through the AA the Ministry of Labor could buy and sell goods, especially raw materials and essential goods, to supply the country and normalize the domestic markets.

## Regime Change

In December 1917 military leader Sidónio Pais initiated a coup and established a [fascist](#) corporative dictatorship in Portugal. The authoritarian tendency of his government was immediately reflected in the organization of the war economy, the adoption of more centralized policies and the destruction of a significant part of the economic apparatus created by liberal democrats led by Afonso Costa. The Administration of Supply was dissolved in December 1917, followed by the Meat Supply Commission.<sup>[17]</sup> The state subsequently ceased to hold an exclusive right to buy and sell wheat and maize.<sup>[18]</sup>

It was not until 5 December 1918 that the Directorate of Public Supplies Services (DSSP) was created under the auspices of the Ministry of Labor. This new organ was responsible for ensuring the supply of raw materials and essential foodstuffs and normalizing the internal market.<sup>[19]</sup> As before the coup, the Ministry of Labor, through the DSSP, could buy or sell any raw materials and foodstuffs. In addition, the Civil Governors oversaw the organization, in each district, of a local Supplies Committee made up by town council members, farmers and industrialists. The Meat Supply Commission was liquidated at the same time.

The government sought to act centrally, such that instructions issued by the central organs were carried out throughout the country. The DSSP was disbanded before the end of the war, and in its place the Ministry of Supplies and Transport was established on 9 March 1918.<sup>[20]</sup> The new ministry, which was granted wider powers and more means of action than any of its previous counterpart bodies, guaranteed to the state the exclusive distribution of foodstuffs. On March 27, the Ministry of

Supplies and Transport gained the exclusive power to issue export licenses and, as such, held the exclusive power to prohibit the export of certain products.<sup>[21]</sup> This allowed the regime to ascertain which supplies were needed, as well as the amounts of raw materials necessary for the operation of all productive industries.

Municipal warehouses, created with the objective of purchasing, storing, and distributing cereals (wheat, maize, and barley) throughout the country, were instituted by the decree of April 22.<sup>[22]</sup> These embodied the intentions of the Sidónio Pais (Sidonismo) regime to control and mitigate speculation and to monitor the distribution of goods between city and countryside. While the state decentralized the stockpiling of food to municipalities, it maintained the discretionary power of intervention and regulation more broadly and was concerned with the fixation of prices and the creation of new ministries.

The Ministry of Supplies was dissolved on 14 July 1918.<sup>[23]</sup> The same bill authorized the government to rearrange the supply services, transitioning the General Directorate of Supplies to the Secretariat of State of the Interior, which in turn was divided into two services: Supplies and Exports. However, the need to directly centralize and supervise supplies and maritime transport services eventually dictated the creation, in the last days of August, of a General Commissariat of Supplies (CGA) which the secretary of the interior organized into four directorates-general: supplies; external trade; land transport and sea transport.<sup>[24]</sup> The CGA did not last long, however. On October 10, a new Secretariat of State for Provisions appeared in the governmental organization.<sup>[25]</sup>

## Promotion of Development and Production

The third republican government, led by Afonso Costa, which lasted from April 1917 until Sidónio Pais seized power in December 1917, had ordered the intensification of national agricultural production, creating a provisional service at the Ministry of Labor named the Service of Agricultural Mobilization.<sup>[26]</sup> In addition to easy access to seeds, machinery and engines, the decree was intended to promote the use of uncultivated land and the distribution of prizes to farmers who were proven to have grown crops on formerly unproductive land. It established the lease or requisition of properties necessary for the installation of the Service of Agricultural Mobilization and for the storage of agricultural or forestry products.<sup>[27]</sup>

The encouragement of agricultural production was a fundamental doctrine, with national representatives taking as a given the need to enable higher profits for producers, undermining the middlemen who had speculated and profited at the expense of the population over the wartime years. This initiative was extended under Pais, whose government, in March 1918, established the Ministry of Agriculture.<sup>[28]</sup> Within the first month of its existence, the agency began to produce policy aimed at the establishment of agricultural cooperatives and mutual and livestock insurance, promoting agricultural production through access to credit.<sup>[29]</sup> Agriculture would remain Portugal's largest economic sector during the post-war period, however the production policies introduced during the conflict did not successfully improve the country's production capacities, and structural transformations were slower to take hold in Portugal than in comparable nations such as Spain and Italy.

## Conclusions

The war opened the way for a redefinition of state functions at the level of organization and management of economic activities and of the productive system. Following the outbreak of war, the Portuguese government began to intervene more and more, creating new administrative bodies (such as the Ministry of Supplies and Transport), which enabled it to directly control foreign trade in an attempt to prevent the shortage of raw materials in the market. This expansion of power, however, did not translate to an intense mobilization of resources. From an economic and financial perspective, the end of the war represented a 60 percent depreciation of the escudo against the pound, a fall of the country's GDP and a war debt of 23 million pounds (approximately one-fifth of Portugal's GDP).<sup>[30]</sup> Portugal had some of the strongest inflation in Europe (excluding hyperinflationary countries), with prices in 1920 nine times higher than in 1913, representing a huge decline in living standards for workers. The organizational models implemented to manage the war economy were, therefore, unsuccessful in dealing with the difficulties created by the conflict.

Except for the brief period of *Sidonismo*, the war only accelerated the established downward trend in production for most goods. The sector was broadly affected not only by difficulties accessing certain inputs (seeds, fertilizers), but also by the decrease in

foreign demand for some export-oriented products, notably port wine, and by unfavorable climate conditions. On the other hand, some of the measures adopted, in particular price-fixing and the enforcement of farmers' obligations to state production numbers, also had negative effects, generating discontent amongst the agrarians. Heavy industry, where state intervention was minimal, managed to take advantage of the situation, as the impossibility of importing goods gave space for the sector to develop sectors, such as metalworks, which, under different conditions, would have hardly been profitable. The Portuguese survival "strategy", in other words, was inseparable from the existence of three major factors: (i) high prices; (ii) low wages; and (iii) an almost total absence of international competition. For the most part, more durable renovations or the modernization of production infrastructure was absent.

The country's economic reorganization would inevitably go through a concerted development in the post-war period, as the only way to counteract the low levels of production and, consequently, the growing difficulties in terms of supplies and provisions.

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## Notes

1. ↑ Arrifes, Marco Fortunato: *A Primeira Grande Guerra na África Portuguesa. Angola e Moçambique (1914-1918)* [The First World War in Portuguese Africa. Angola and Mozambique (1914-1918)], Lisbon 2004, pp. 23-24.
2. ↑ Valente, Vasco Pulido: *Portugal e a Guerra de 1914-1918* [Portugal and the War of 1914-1918], in: *O Tempo e o Modo* 33 (1965), pp. 1201-1215.
3. ↑ Ibid.
4. ↑ Cabral, Manuel Villaverde: *A Grande Guerra e o Sidonismo* [The Great War and Sidonism], in: *Análise Social* 58 (1979), pp. 373-392.
5. ↑ Ana Paula Pires: *Portugal e a I Guerra Mundial. A República e a Economia de Guerra* [Portugal and the First World War. The Republic and War Economy], Casal de Cambra 2011; Costa, Leonor Freire / Lains, Pedro / Miranda, Susana (eds.): *História Económica de Portugal 1143-2010* [Economic History of Portugal 1143-2010], Lisbon 2011 and Silva, Álvaro Ferreira da / Amaral, Luciano: *A Economia Portuguesa na Primeira República* [Portuguese Economy in the First Republic], in: Amaral, Luciano (ed.): *Outubro. A Revolução Republicana em Portugal (1910-1926)* [October. The Republican Revolution in Portugal (1910-1926)], Lisbon 2011, pp. 257-298.
6. ↑ Ibid.
7. ↑ The General Industrial Warehouses were first located in Lisbon, later spreading to the rest of the country. See Decree no. 766, in: *Diário do Governo* [Government Gazette], I Series, no. 145, 18 August 1914.
8. ↑ Decree no. 756, in: *Diário*, I Series, no. 141, 13 August 1914.
9. ↑ National Archives of the United Kingdom (henceforth NAUK), FO 368/1383, in: *Foreign Office and Board of Trade: Portugal. Report on the Commerce and Finance of Portugal*, London 1915, p. 13.
10. ↑ Law no. 480, in: *Diário*, I Series, no. 22, 7 February 1916.
11. ↑ Decree no. 767, in: *Supplement to Diário*, I Series, no. 145, 18 August 1914.
12. ↑ *Diário da Câmara dos Deputados* [Diary of the House of Representatives], Session 5, 7 December 1916, p. 8.
13. ↑ Decree no. 2 895, in: *Diário*, I Series, no. 249, 13 December 1916 and *Diário do Governo* [Government Gazette], II Series, no. 307 30 December 1916.
14. ↑ On this subject, also see *Breve Notícia da Acção da Câmara Municipal do Porto na Crise Alimentícia de 1916-1917 apresentada pelo Presidente da sua Comissão de Subsistências* [Brief News of the Action of the Municipality of Oporto in the Food Crisis of 1916-1917], Porto 1917.
15. ↑ Decree no. 3 174, in: *Diário*, I Series, no. 87, 1 June 1917.
16. ↑ Ibid.
17. ↑ Ibid.
18. ↑ Decree no. 3670, in: *Diário*, I Series, no. 220, 19 December 1917.
19. ↑ See the Decree no. 3810, in: *Diário*, I Series, no. 24, 7 February 1918.
20. ↑ Decree no. 3902, in: *Diário*, I Series, no. 46, 9 March 1918.
21. ↑ Decree no. 3995, in: *Diário*, I Series, no. 63, 28 March 1918.

22. ↑ See Decree no. 4125, in: Diário, I Series, no. 84, 22 April 1918, Administrative regulation no. 1345, in: Diário, I Series, no. 97, 6 May 1918, and Decree no. 4637, in: Diário, I Series, no. 157, 14 July 1918.
23. ↑ Decree no. 4639, in: Diário, I Series, Supplement to no. 157, 14 July 1918.
24. ↑ Diário, I Series, no. 188, 30 August 1918.
25. ↑ Decree no. 4879, in: Diário, I Series, no. 221, 10 October 1918. NAUK, FO 371/3369. Official note of 18 October 1918 sent by Lancelot Carnegie to A. J. Balfour, in: Foreign Office and Board of Trade, Portugal, 1915, p. 1.
26. ↑ Decree no. 3 619, in: Diário, I Series, no. 208, 27 November 1917.
27. ↑ Ibid.
28. ↑ Decree no. 3902, in: Diário, I Series, no. 46, 9 March 1918.
29. ↑ Decree no. 4022, in: Diário, I Series, no. 65 1 April 1918.
30. ↑ Valério, Nuno: The Portuguese Economy in the Inter-War Period, in: Estudos de Economia 2 (1985), pp. 143-148.

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