

MUNICIPAL FINANCES AND INSTITUTIONS IN PORTUGAL: THE CASE OF COIMBRA CITY COUNCIL (1557-1836)

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ABSTRACT

This article aims to analyse the finances of the Coimbra city council from 1557 to 1836. Our objective is to examine the causes of long-term changes in municipal revenue and expenditure, particularly during the extended period of decline that occurred between the mid-17th century and the late 18th century. This study will focus on the composition of revenue and expenditure, as well as on revenue collection mechanisms. We aim to present the empirical data on the revenue and expenditure components that allow us to understand the changes that took place. Finally, we hope to be able to explain the causes that led to significant variations in revenue and expenditure in a dialogue with existing literature. The primary sources used correspond to municipal revenue and expenditure books, supplemented by other sources such as legislation, correspondence and auction books.

Keywords: Early Modern Age, municipalities, finances, Coimbra, institutions

JEL Code: N23, N93, H83

RESUMEN

Este artículo pretende analizar las finanzas del Ayuntamiento de Coimbra desde 1557 hasta 1836. Se pretende examinar las causas de los cambios a largo plazo en los ingresos y gastos municipales, en particular de la larga decadencia que se produjo entre mediados del siglo XVII y finales del XVIII. Este estudio se centrará en la composición de los ingresos y los

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gastos, así como en los mecanismos de recaudación de ingresos. A continuación, se pretende presentar datos empíricos sobre los componentes de los ingresos y los gastos que permitan comprender los cambios ocurridos. Por último, se intenta comprender las causas que han llevado a las grandes variaciones de los ingresos y los gastos en un diálogo con la literatura existente. Las principales fuentes primarias utilizadas corresponden a los libros de ingresos y gastos municipales, complementadas con otras fuentes como la legislación, la correspondencia y los libros de subastas.

Palabras clave: Edad Moderna, Municipios, Finanzas, Coimbra, Instituciones

1. INTRODUCTION

The history of municipal finance in Europe, in particular regarding the Iberian Peninsula, has received important contributions over the years. The Portuguese historiography has indicated the existence of a crisis at the end of the 18th century and the beginning of the 19th century. Municipal finances became unbalanced because expenditure grew at a faster rate than revenue (Capela 1995; Fonseca 2002; Barbosa 2021). Studies seeking to explain the causes for the variation in income and expenditure do not abound.

A recent study points to a crisis in Coimbra's municipal finances that began in the 17th century and culminated in a decrease in revenue and expenditure. In general terms, it characterises a transition from a regime of expansion to one of contraction that led to a long decline in revenue and, consequently, expenditure from the 17th century to the early 19th century (a 150-year decline in revenue and expenditure, followed by recovery) (Barbosa *et al.* 2022). Although the study associates some revenue and expenditure components with regime changes, the causes of this decadence remain unclear. We believe that these variations in municipal finances should be understood in order to better explain the causes of their crises.

This paper aims to analyse the finances of the Coimbra city council from 1557 to 1836. Our intention is to examine the causes of long-term changes in municipal revenue and expenditure, in particular for the long decadence that occurred between the mid-17th century and the late 18th century. It is important to analyse the causes of the decline in municipal finances in a broader chronology to discern its nature more easily, whether conjunctural or structural (institutional).

This paper is set in the theoretical context of the new institutional economics. Henriques and Palma (2022) have shown that the Early Modern Age was a period of deteriorating institutions in the Iberian Peninsula. In

the 16th century, Portuguese institutions were more inclusive than English ones. However, from the end of the English Civil War, English institutions became more inclusive, having been reinforced by the Glorious Revolution. While in Portugal, from the end of the 17th century, the quality of institutions worsened, with one of the most obvious facets being the end of the meeting of the *cortes* (parliament) (Henriques and Palma 2022).

Portugal's economic growth came to a halt in the mid-18th century. The causes for this decline are related to the «resource curse» and the «Dutch disease». The arrival of precious metals came at a time when the quality of institutions in the Iberian Peninsula was deteriorating. Inflation led to a loss of competitiveness in the export sector. The arrival of precious metals had a positive impact on the Portuguese and Spanish economies in the short and medium term, but negative in the long term (Palma 2020, pp. 363-376). The flow of gold from Brazil raised domestic prices, facilitated imports, deindustrialised the kingdom and lowered grain production. The contraction of industry and agriculture slowed down the accumulation of technical progress, which led to stagnating growth in the following years. The proportion of the population working in the non-agricultural sector fell. The flow of gold, coupled with growing absolutism, provided the Portuguese state with the income it needed, without recourse to negotiation with the courts, thus limiting checks and balances on the state. When the flow of gold subsided, Portugal found itself in a precarious position from which it did not recover in the following century (Kedrosky and Palma 2021). We intend to demonstrate that the evolution of institutions at the municipal level followed the national trend and that its impact on local finances led to a decrease in revenues and expenses.

Another recent study highlights the importance of expenditure by municipalities for the analysis of the capacity of states in the Early Modern era (Costa *et al.* 2022). According to the authors, the fact that most municipalities spent money on officials' salaries, social welfare and popular or religious celebrations shows that local government was central to state cohesion—fostering social order with minimal central interference—and enhancing fiscal capacity. Expenditure on officials' salaries allowed the regular functioning of local institutions, and thus political stability. On the other hand, the provision of non-military public goods occurred at the local level leading to an increase in state capacity (Costa *et al.* 2022). This paper aims to demonstrate that the increase in the fiscal capacity of the state was not followed by an increase in the capacity of the municipality of Coimbra to increase its revenues throughout most of the Early Modern period. We show that the decrease in revenue led to a concentration of expenditure in the most important categories, salaries and administration.

Within this theoretical framework, this article aims to fill a gap in the study of municipal institutions and their evolution, seeking to answer

the following questions: what were the reasons for such a prolonged decrease in revenues and expenses in the municipality of Coimbra? What was their nature (cyclical or structural)? What was the organisation's response to these challenges? Greater emphasis is placed on revenue because it seems to be more determinant than expenditure for the general development of finances. The sources state that expenditure was only made if there was money in the vault (i.e. it depended on the amount of money flowing in¹). A focus is also placed on the post-1640 period, since there is more evidence of the causes of the decadence, thanks to Sérgio Cunha Soares' work on municipal administration (Soares 2004a, 2004b, 2004c).

The municipality of Coimbra was chosen because of the amount of empirical evidence and historiography that already exists for this municipality. The choice also considered the quality of the sources in the custody of the Coimbra Municipal Historical Archive, particularly the revenue and expenditure books. They constitute a well-constructed series, although not complete. The sources cover about 60 per cent of the chronology. The data used in this article result from archival sources research, in particular the books of revenue and expenditure. The books of auctions and leases were also used and allowed the examination of the revenue-farming contracts.

This article is structured in three sections. The first aims to contextualise the Portuguese municipality, with a particular focus on its finances. The second section presents the empirical data on revenue collection mechanisms, the evolution of revenue and some of its components, the evolution of expenditure and also of some of its components, balances and debt. The third section aims to discuss the causes for the variations in municipal finances, in a dialogue between the empirical data presented and the literature, in particular the work of Sérgio Cunha Soares.

We conclude that the institutional causes were important for the decline in Coimbra's municipal finances. The monopoly regime that existed in municipal revenue contracts led to stagnating or declining contract prices in some periods, as well as greater control over the activities of the contractors. Changes in the social make-up of the municipality were instrumental in creating a less conducive environment for the municipal-contracting business.

Revenue indirect collection lost its primacy, being replaced by the direct collection with municipal officers. The change of model had a positive impact on finances in the short term, but a negative impact in the medium and long terms as it was less efficient. The crown's reforms in the second half of the 18th century did not have the impact on the municipality of Coimbra that they had in other municipalities.

¹ Barbosa 2019a, 2019b, pp. 22-26.

The deterioration of the finances led to a decrease in all expenditure, a centralisation of expenditure around salaries, even though real salaries were falling, and the number of officers was decreasing. The deterioration also led to a difficult management situation, with half of the consolidated balances being positive and another negative, but which still managed to prevent the municipality from getting into debt.

The recovery that took place in the early 19th century benefited from institutional changes. The most important of these changes was the return to fixed amount contracts, which are more efficient than the other types of sharing contracts or direct collection. Additionally, new sources of income were created.

2. MUNICIPALITIES AND MUNICIPAL FINANCES

Portuguese municipalities played a fundamental role in governing and administering the realm during the Early Modern Age. The autonomy that municipalities acquired derived from their evolutionary process throughout the Middle Ages. Delegated autonomy came through the transmission of responsibilities from the crown to the municipalities. The limitations in the exercise of power encountered by the central power throughout the Early Modern period justify this circumstance: difficulties in moving and communicating throughout the territory caused by the deficiency of communication and transport networks; political obstacles caused by the plurality of jurisdictions and territorial boundaries leading to a miniaturisation of the political space and an insufficient bureaucratic structure of peripheral extension of the crown's administration (Hespanha 1982, 1992, 1994; Magalhães 1994, 2011; Monteiro 1996; Oliveira 2015).

The delegation of responsibilities reflected the functions assigned to municipalities during the Early Modern Age, as highlighted by historiography. Firstly, the collection of taxes. Municipalities had to appoint the local officials necessary to collect the royal taxes. They were also to send the crown 1/3 of their total income.

Secondly, the election of military officers. Municipalities had to elect a set of military officers (captain, sergeant, etc.) who were to carry out the military organisation in the municipality (by drawing up lists of soldiers, carrying out recruitment, etc.).

Another important function was to implement sanitary measures to protect against epidemics. The towns had to appoint a «health» guard who had powers to act in terms of closing the town, restricting population movements, etc.

Equally important was the application of first instance justice. This was in the hands of local judges or those appointed by the king. Only the most powerful people could be judged in higher courts.

There was both economic and commercial regulation. Municipalities had to set the wages of workers and the prices of foodstuffs to regulate competition. They were also obliged to guarantee the supply of foodstuffs, especially bread. The bread-producing municipalities had to keep 1/3 of all cereal production in the city's granaries. Those who needed cereals did everything they could to import supplies. Supply contracts were drawn up with local men, called *obrigados* (obliges), who undertook to supply the town with certain products. The municipalities would also have to create *posturas* (local laws) to regulate the quality of products, places of sale, weights and measures, etc. and determine the amount of fines in case of infractions (Magalhães 1994, 2011; Monteiro 1996; Ribeiro 2005; Oliveira 2015; Barbosa 2019a).

The municipalities were also important in creating state cohesion through expenditure on festivities and celebrations, both religious and royal (weddings, funerals, etc.). The importance of municipalities was also visible in terms of increasing the capacity of the state, through the provision of non-military public goods, such as works and justice (Costa *et al.* 2022).

Finally, municipalities were instrumental in establishing a connection between the central power and the people, as they served as a mechanism for publicising events related to the state, such as the dissemination of news about diplomacy, about the royal family, but also the dissemination of legislation (Barbosa 2019a).

Despite some similarities, the revenue of Portuguese municipalities varied from case to case. These consisted of income from the auctioning of pastureland, rural and urban properties, fines (on the three economic sectors), assessment of weights and measures, contributions paid by the localities that made up the municipality, income from the supply of meat and bread, direct taxes (very rare), indirect taxes, tolls, auction of sales places and income related to maritime activity, such as anchorage and customs duties (Soares 1984, p. 96; Mota 1990, pp. 114-120; Capela 1995; Fonseca 2002, pp. 353-375; Barbosa 2017, pp. 196-202). The case of Lisbon shows greater diversity, because of the greater volume of income and expenditure that this municipality had in relation to the others (Fernandes 1999, pp. 63-64).

Although it was also very fragmented, expenditure experienced a reduced variation across different municipalities. The most common expenses were salaries, payment of royal contributions and taxes, celebrations, administration, works and constructions, charity, debt, justice, communications and transportation, public health, city supply and military spending (Soares 1984, p. 103; Silva 1985a; Mota 1990, p. 125; Capela 1995, pp. 193, 222, 1999, p. 143; Fernandes 1999, p. 78; Fonseca 2002, p. 376; Barbosa 2017, pp. 202-205).

As in other Portuguese municipalities, Coimbra's revenue was rather fragmented. The income essentially consisted of fines, fees, licences, taxes and emphyteutic rights (*foros* and *laudémios*) (Table 1).

TABLE 1
COIMBRA CITY COUNCIL REVENUES, 1557-1836

Revenues	%
Fines	66.31
Fees on inspection of weights and measures	9.56
Other	7.18
<i>Foros</i>	5.10
Licences	4.92
Taxes on consumption	3.53
<i>Laudémios</i>	3.41
Total	100

Source: Arquivo Histórico Municipal de Coimbra [AHMC] (Coimbra Municipal Historical Archive—CMHA), *Livros de Receita e Despesa* (Revenue and expenditure books), 1557-1836.

The council's most important revenue was from fines on commercial activities, agriculture and livestock grazing. Most of the fines were collected by private individuals through farming contracts, while a small portion was collected directly by municipal officials.

Fines on commerce consisted essentially of *almotaçaria*. Cities held the administrative rights to regulate urban markets, sanitary conditions and urban construction (Pereira 2001, p. 148). In the case of the Coimbra city council, income from the *almotaçaria* consisted mostly of fines resulting from commercial transgressions, such as failure to have measurements verified by city officials, not adhering to the prices set by the municipality and maintaining unclean sales areas (Loureiro 1942, pp. 50-63). Another type of infraction was the absence of licenses and letters of examination for craftsmen's trades (Soares 2004a, p. I:107).

Other forms of fines related to agriculture and livestock grazing were also of notable importance. They were known as *renda do verde* and *renda da guarda do campo* and consisted of collecting fines resulting from transgressions in cattle pastures and other conflicts between farmers and herders. Contract farmers were responsible for collecting the fines. To make the task easier, half of the amount would be remitted to the farmer and the other half to the accuser (Oliveira 2016, pp. 91-93).

The city council also collected fees on inspection of weights and measures. Contract farmers were responsible for verifying that the town's vendors kept to the measures calibrated by the council. There were specific measures for olive oil, flour and generic measures for other liquid and solid products (Barbosa 2019a, pp. 94-99).

The category of «other revenue» encompasses income from sources registered less frequently, or even rarely, including profits from the rental

of properties, gifts and donations to the city, sales of materials used in works and expenses lacking the information required for identification.

Foros were derived from the municipality's urban and rural assets, serving as another form of income. A typical model at the time was the *aforamento*. This consisted of dividing the domain of a property into two: the direct domain, which remained in possession of the entity that owned the property; and the user domain, which remained in control of whoever used it. The usufructuary would thus pay an annual amount, the *foro*, which could be paid either in kind or cash. The contract could be established as lasting perpetually (therefore being passed down from heir to heir) or be in force for three lifetimes (the husband's, wife's and heir's). The model used in Coimbra consisted of payments in cash and contracts with durations of three lifetimes (Serrão and Rodrigues 2017, pp. 13-16; Neto 2018, pp. 56-59).

Licenses correspond to permission to open sales establishments. These include licenses for opening lime ovens², olive oil presses³ and sales premises for market vendors⁴.

There was a tax on the consumption of meat and fish. This tax was channelled towards specific expenses: caring for abandoned children and paying the royal officers' salaries (Brito 1943, pp. 21-22). This revenue appears in the revenue and expenditure books occasionally during the 16th century and the second half of the 17th century, because it had a specific accounting system.

Finally, *laudémios* corresponded to payments due whenever someone sold the user domain (of the *foro*) to another person. Authorisation to do so was required from the entity to which the property belonged—in this case, the city council. This payment generally corresponded to 10 per cent of the total sale (Barbosa 2019a, pp. 123-128) (Table 2).

Coimbra city council's expenditure model was also very fragmented. The most significant expense was salaries. Beyond wages, this category includes payments made to the city council aldermen for attending religious processions (as the municipality did not pay them wages) and pensions granted to royal officials who travelled or lived in Coimbra, known as *aposentadorias* (Capela 1995, pp. 69-77).

During the Early Modern Age it was also considered highly important to publicise notable events to the population, which would mostly have been religious celebrations. In a period marked by a feeling of religious fervour, processions held on holy days (Corpus Christi, St Sebastian, St John) took on particular importance. The council made preparations for and oversaw the pageants and ensuing festivities, such as booking musicians

² AHMC, *Receita e Despesa* 1748, fl. 4v

³ AHMC, *Receita e Despesa* 1749, fl. 14v.

⁴ AHMC, *Receita e Despesa* 1778, fl. 139v.

TABLE 2
COIMBRA CITY COUNCIL EXPENDITURE, 1557-1836

Expenditure	%
Wages	55.05
Celebrations	8.41
Charity	7.00
Not stated/specified	5.36
Debt	5.14
Communications	4.63
Administration	4.41
Construction	3.91
Other	2.47
Justice	2.33
City supply	0.96
Military	0.33
Total	100

Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

and bullfights⁵. Other events deemed important to publicise were those related to the royal family, including weddings and the births of princes and princesses (Capela 1995, pp. 78-85).

One of the most critical roles held by Coimbra's municipal council in the Early Modern era was to assist the needy. This label encompassed the poor, who received alms paid by the city council, but mainly applied to abandoned children, known as *expostos* or *enjeitados* (more than 90 per cent). These children were entrusted to caregivers, who would be responsible for their care throughout childhood. The subsidies granted to caregivers functioned as extra income provided to their families (Lopes 2000, p. 174).

Expenses with debt essentially consisted of returned money borrowed by the city council. Municipalities could borrow money from other city entities, such as wealthy merchants or religious congregations, or from the municipal treasurer. The latter was a fairly common practice. If the town council did not have the funds necessary to meet all its expenses at the end of the year, the treasurer would have to lend it money. Any sum lent would then be repaid to the treasurer at the beginning of the following year. This approach proved beneficial as it prevented getting into debt with

⁵ AHMC, *Receita e Despesa* 1567, fl. 74-75.

external agents and entities. On the other hand, the treasurer's loans, being of short duration, included neither the payment of interest nor the presentation of collateral (Barbosa 2019a, pp. 176-179).

Expenditure on communications and transport was very significant. At the time, Portugal's national post office structure did not work effectively enough to allow the municipality of Coimbra to stop hiring men to carry correspondence and handle municipal business in Porto and, most notably, Lisbon (Neto 2018). Royal tax farming prompted the city council to send several solicitors to Lisbon to solve problems with collection⁶.

Administration expenses related to all writing work, including holding elections, conducting surveys, purchasing consumables and other office expenses (Barbosa 2019a, pp. 179-184). When mention is made of constructions, these concerned works on council buildings, the jail, public butcheries, roads and bridges and the water supply system. The category «Others» includes minor expenses, such as cleaning the town hall and jail, lighting in the castle tower and other unidentified expenses. Expenditure with «justice» refers to court costs and charges. It also includes the expenses of applying sentencing, specifically executing flogging sentences⁷.

The supply expenses corresponded to the transport of live animals to Coimbra, where they were slaughtered (bovine and ovine animals). The municipality could loan money to a contractor tasked with purchasing the animals in the north of the country, transporting them alive to Coimbra for slaughter, and subsequently selling the meat (Oliveira 2016; Barbosa 2019b). Also included was expenditure on lamprey fishing, in the form of aid to fishermen, such as fishing nets or boat rentals⁸.

Military expenditure relates to spending on transporting soldiers⁹, paper and books for recruitment¹⁰, and materials for lighting and cleaning the barracks¹¹.

During the Early Modern Age, the methods of municipal revenue collection were either direct or indirect. Direct collection was carried out by city officials, which placed a great responsibility on the governing bodies. It employed municipal human resources and for this reason resulted in the enjoyment of most of the revenues and greater protection from collusion on the part of the contract farmers (García García 1986, p. 96; Ladero Quesada 1999, pp. 185-186; Sousa 2001, pp. 85-107; Fonseca

⁶ AHMC, *Receita e Despesa* 1565, fl. 64.

⁷ AHMC, *Receita e Despesa* 1568, fl. 83v.

⁸ AHMC, *Receita e Despesa* 1777, fl. 138v.

⁹ AHMC, *Receita e Despesa* 1591, fl. 36.

¹⁰ AHMC, *Receita e Despesa* 1635, fl. 21v.

¹¹ AHMC, *Receita e Despesa* 1834, fl. 11.

2002, pp. 450-452; Neto 2018, pp. 110-121; Alfani and Di Tullio 2019, p. 34).

The indirect method made use of private contractors. The selection process involved a public auction, with the contract being offered to the highest bidder who took on the responsibility of collection. The municipal organisation delegated collection responsibilities and authority to the contractor(s) of its revenues. The advantages of this model, which made it attractive, were that it guaranteed a fixed payment, with the contractors being responsible for the risks associated with collection. The municipality received the contracted amount, regardless of whether the enterprise made a profit or loss for the contractors. Furthermore, it placed the taxpayers' attention on the figure of the contractor(s), associating the «blame» for tax collection with them and not with the local government institutions, which mitigated the political damage (García García 1986, p. 96; Ladero Quesada 1999, pp. 185-186; Sousa 2001, pp. 85-107; Fonseca 2002, pp. 450-452; Neto 2018, pp. 110-121; Alfani and Di Tullio 2019, p. 34).

Indirect collection was also more advantageous due to lower transaction costs. Contract enforcement costs were high because of communication and transport challenges and the lack of a proper bureaucratic structure. This collection mechanism could reconcile the objectives of both parties to the agreement. Organisations wanted a collection mechanism that would yield fair revenues, but with minimal risk and investment. Contractors aimed for substantial profits, so a contract that allowed for increased earnings with higher collections deemed advantageous (Kiser 1994; Kiser and Levi 2015; Monson and Scheidel 2015, p. 17).

The indirect collection system had three modalities. The first corresponded to fixed-income contracts, awarded through auction or direct negotiation. Another less common modality was share contracts, in which the principal and the agent shared a percentage of the total collected (e.g. the agent took 25 per cent of the proceeds of the collection) (Monson and Scheidel 2015, p. 17). In the case of Coimbra, there was also a form of indirect collection that consisted of the nomination of private salaried individual to administer the collection of the revenue, submitting accounts to the municipality at the end of the year.

Indirect collection is designated in Coimbra's municipal sources as «rents». Private individuals signed a contract with the municipality, which could last for 1 or 2 years. This contract stipulated the amount of money to be paid, the dates of payment and the guarantors and collateral (at least in theory, because often these were not presented or remained in the oral domain) (Barbosa 2019a, pp. 106-115). As we can see in Table 3, most municipalities studied in Portugal preferred the indirect collection method.

TABLE 3
INDIRECT COLLECTION SHARE IN PORTUGUESE MUNICIPALITIES

Municipality	Period	Indirect collection share (%)
Viseu	1770-1778	98.22
Alter do Chão	1775-1797	96.16
Gouveia	1780-1799	86
Penafiel	1782-1820	84.77
Viana do Castelo	1740-1770	89.18
Évora	1750-1820	81
Vila Nova de Cerveira	1786-1831	74.6
Coimbra	1557-1836	62.3
Lisbon	1779-1831	42.5

Sources: Soares 1984, p. 96; Mota 1990, p. 117; Capela 1995, pp. 202-203, 217; Ribeiro 1998, p. 212; Fernandes 1999, pp. 65-66; Fonseca 2002, p. 359; Barbosa 2017, pp. 196-200.

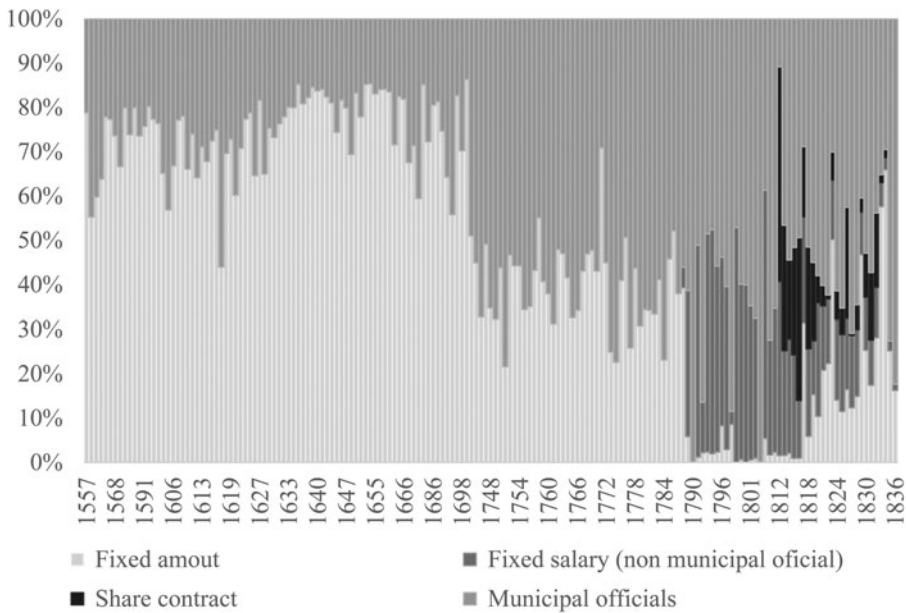
3. DATA: COLLECTION, REVENUE, EXPENDITURE AND BALANCES

In this section, we aim to present the empirical data on revenues, expenditures and some of their components, as well as on balances and debt. This information allows us to understand the composition and evolution of municipal finances for further reflection on the causes of its decay.

Figure 1 shows that, until 1739, collection by fixed amount was the most popular form of collection by the city council of Coimbra, but this method then fell sharply (the reasons for these changes will be analysed in the next section). Between 1790 and 1815 this modality practically disappeared, being replaced by direct administration and fixed wage contracts paid to private individuals hired by the city council. From 1816 onwards there was a greater variety of models, in which shared contracts appeared. Overall, we can summarise the evolution of collection methods in three periods: until 1739, marked by the prevalence of indirect collection with fixed amount contracts; between 1740 and 1811, marked by the prevalence of direct administration by municipal officers and between 1812 and 1836, there was a period of greater variety in the type of contracts, with a small increase in fixed amount collection¹² and with the emergence of share contracts (Table 4).

¹² It is important to emphasise that the short-lived variations relate to changes in the amounts collected by the contract farmers and capital flows.

FIGURE 1
COIMBRA CITY COUNCIL COLLECTION METHODS, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

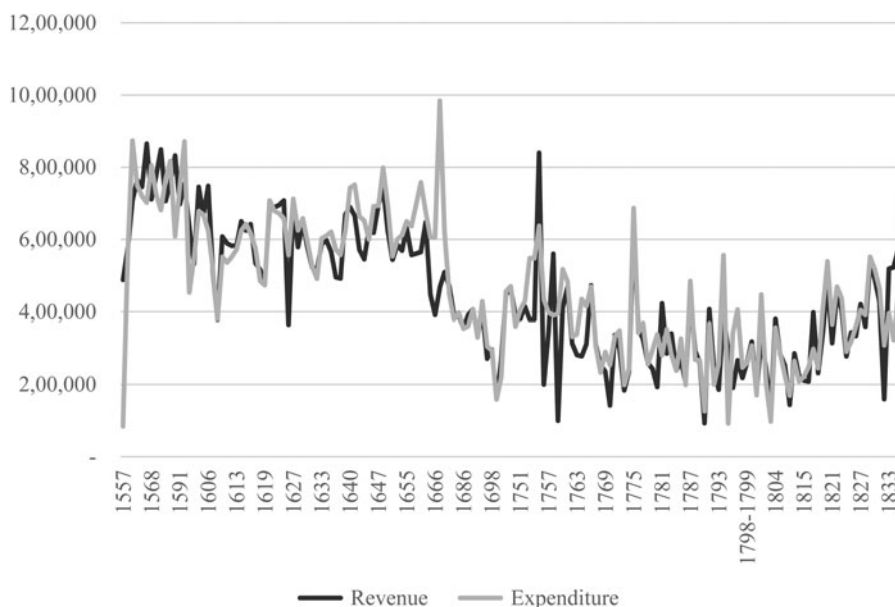
TABLE 4
COIMBRA CITY COUNCIL LEASING CONTRACTS, 1557-1836

Revenue	%
Fines on commerce	49.25
Fines on livestock grazing	25.78
Fees on inspection of weights and measures	15.58
Taxes on consumption	5.75
Other	3.65
Total	100

Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

Revenues collected indirectly consisted of fines on commerce, fines on livestock grazing, fees on inspection of weights and measures, taxes on consumption and other minor revenues. This is not to say that in other

FIGURE 2
 REAL REVENUE AND EXPENDITURE, 1557-1836 (IN PORTUGUESE RÉIS DEFLATED INDEX 1600 = 100). For deflation purposes we used the consumer price index in monetary units of (Palma and Reis 2019).



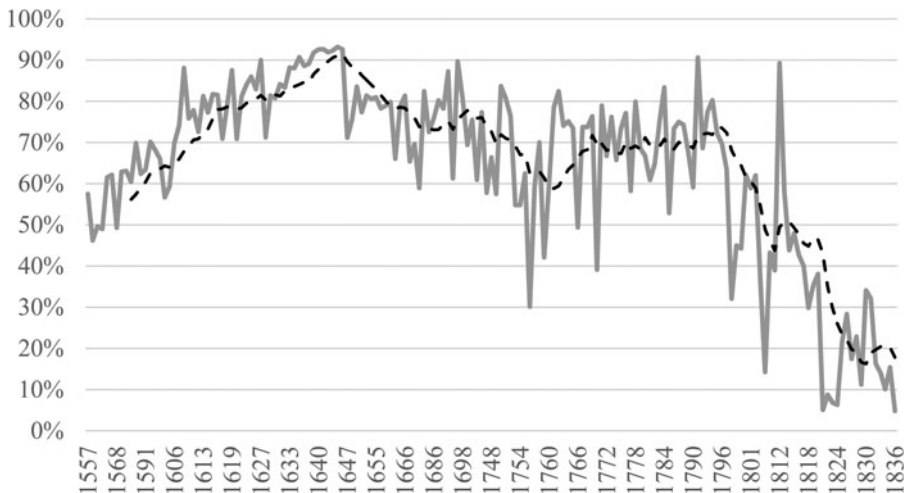
Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

circumstances these same revenues could not be collected through the direct mechanism. The *Ordenações Manuelinas*, cf. 1513 and the *Ordenações Filipinas*, 1603 (Manueline and Philippine Ordinances, general legislation) stipulated that when the municipal revenues were not leased, the treasurer should collect them under penalty of having to compensate the municipality if he failed to do so (Silva 1985b, pp. 460, 577-578, 583-584; Rodrigues 1992, p. 50; Fonseca 2002, pp. 81-83).

From Figure 2, we can see that deflated revenue had strong growth at the beginning of the chronology, then decreased until the beginning of the 19th century, a period in which it experienced further growth until 1836. There was a period of stagnation which lasted from the 1620s until the 1660s. The strong short-term fluctuation is justified by delays in revenue registration as well as some capital inflows. For this reason, it is preferable to use the moving average.

Overall, revenue and expenditure have a correlation of 0.860 and a regression of 0.740, which shows a strong link between the two variables. The evolution of expenditure, in the long run, is similar to that of revenue.

FIGURE 3
SHARE OF FINES IN TOTAL REVENUE, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

The same figure shows the long decline in revenue and expenditure from the middle of the 17th century until the beginning of the 19th century (a 150-year decline). A recuperation followed, but it never returned to the figures of the 16th century (Figure 3).

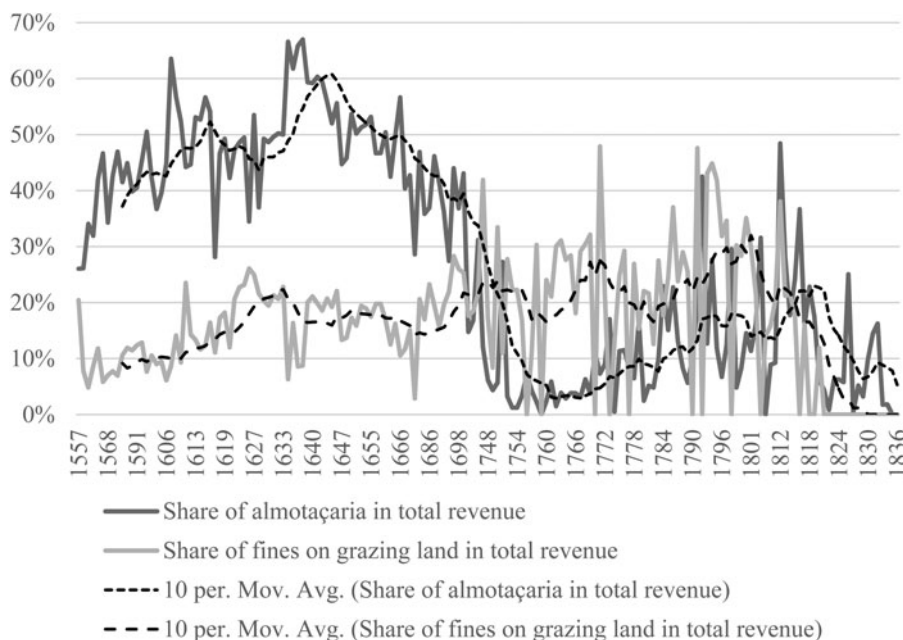
Fines were the most important source of revenue until the end of the 18th century and then began a decline until 1836. The peak was reached in 1645 (93 per cent of total revenue). The long decline in revenues coincides with the fall in fines until 1756 but extended beyond this year (Figure 4).

As stated, the most common type of fine was the *almotaçaria*. At its peak (1637), it accounted for 67 per cent of total revenue. This was followed by a decline until 1759. It recovered between 1760 and 1815 (approximately), falling again until the end of the chronology. In turn, fines resulting from animal grazing grew slowly until 1800, then decreased until the end of the chronology (Figure 5).

The rights to gauge weights and measures remained unrepresentative throughout most of the chronology. Until 1817, only once did it exceed 20 per cent of the total. However, with the fall in fines, it became one of the main sources of revenue. Its growth cannot be justified only by the fall in fines, as it occurred during a period of general revenue growth.

Licences first appeared in the municipal accounts in 1739, albeit in a very modest form. In 1814 they accounted for half of the revenues. The

FIGURE 4
 SHARE OF *ALMOTAÇARIA* AND FINES ON GRAZING IN TOTAL REVENUE,
 1557-1836.

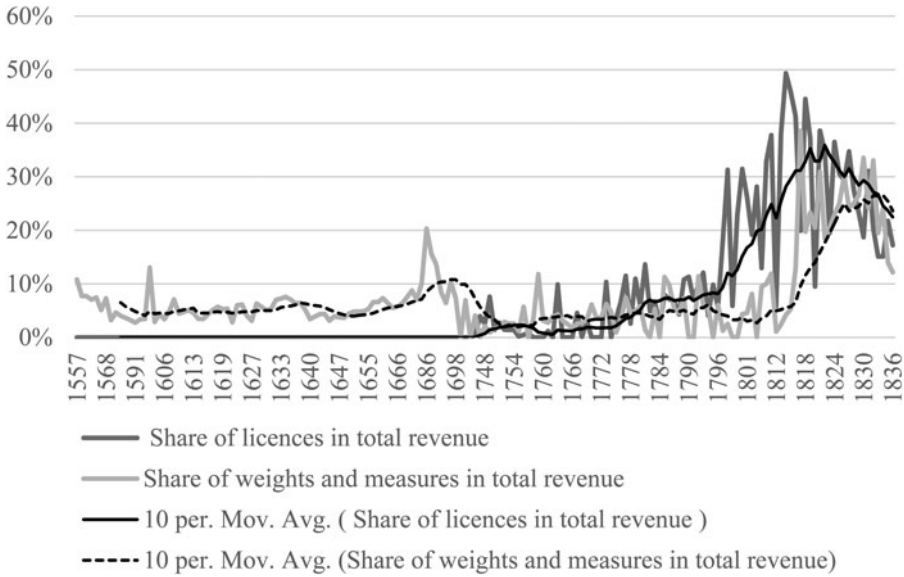


Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

creation of this revenue was the municipality’s most successful attempt to diversify municipal revenues by introducing a new income capable of having an impact on municipal accounts. It emerged as a response to the unfavourable circumstances of the 18th century that led to decreasing revenues. Its growth goes hand in hand with the fall in fines. At the end of the period, its representativeness decreased slightly, but it almost always remained above 20 per cent (Figure 6).

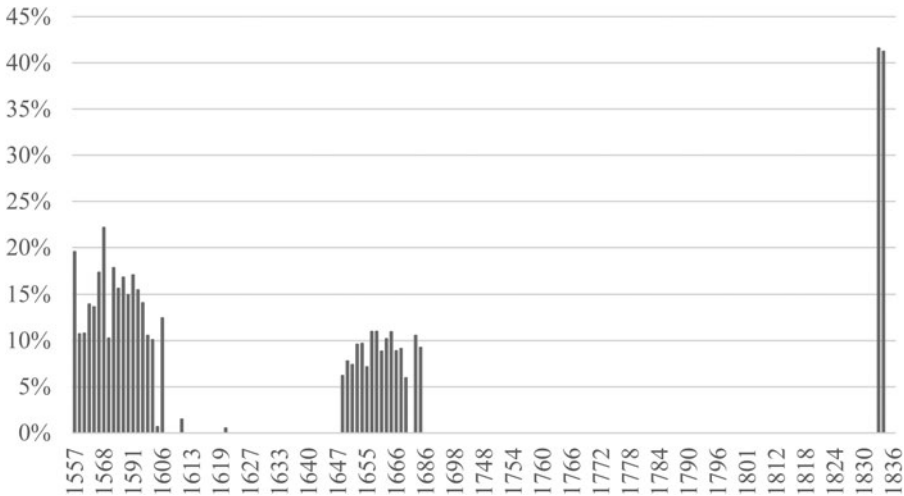
Indirect taxes were not particularly significant in the municipality of Coimbra. During the 16th and 17th centuries, the municipality imposed a tax on the consumption of meat and fish to support the expenses of caring for abandoned children. This tax had its own accounting system (no longer available in the archives), which justifies its absence in several years of municipal records. For this reason, the percentage of indirect taxes (4 per cent of the total) is underestimated. From the beginning of the 18th century the municipality lost this revenue, because the responsibility for the care of abandoned children passed to other institutions in the city (Lopes 2000; Barbosa 2021). At the end of the timeline, indirect taxes

FIGURE 5
SHARE OF LICENCES AND RIGHTS ON WEIGHTS AND MEASURES IN TOTAL REVENUE, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 6
SHARE OF INDIRECT TAXES IN TOTAL REVENUE, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

came back into force, accounting for more than 40 per cent of total revenues. There was a new tax on wine which marked the prelude to a new era after 1836, with the great prevalence of indirect taxes, as a result of the liberal reforms being carried out (Manique 1989).

Turning to expenditure, in the beginning, salaries represented little in the total expenditure. However, with the creation of a municipal bureaucracy, these expenses increased, becoming most significant throughout the Early Modern era. From 1672 onwards, this expenditure grew even more, at the same time as real income and expenditure fell. This shows that with the fall in revenue, expenditure was more concentrated on the most important expense of all, wages, which was the expense the municipality was least willing to delay. The decline in wages at the turn of the 18th to the 19th century is justified by methodological issues and the nature of the sources. The municipal scribe registered many expenses together in a single register, and it was not possible to separate them. Thus, the expenses were grouped in the «other expenses» component, which led to a «decrease» in the representativity of the wages component (Figure 7).

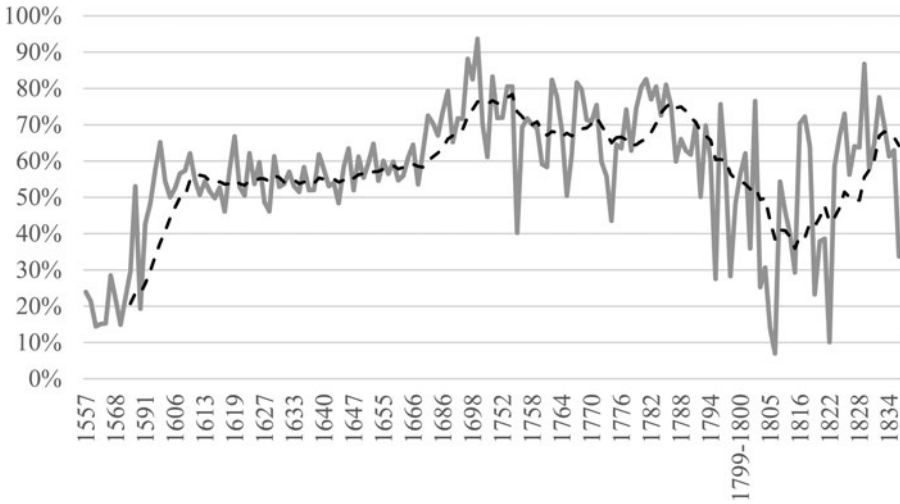
Real wages decreased, particularly throughout the 18th century, recovering somewhat in the 19th century. From Figure 8, we can see that the amounts spent on wages fell from 1672 onwards, although their representativity increased, which means that the fall in other expenses was even greater.

The evolution of wages is linked to the number of municipal officers, royal officers and other individuals who performed services for the municipality and received a salary for doing so. When we group the total number of references to salaries by 25-year periods, we find that, in the 100 years between 1576 and 1675, at least sixty different individuals were paid by the city council. The period between 1736 and 1836 saw fewer references. This shows that there were more remunerated offices and more private individuals providing services to the city council in the 16th and 17th centuries. The decline might be associated with the evolution of its revenue. The decrease in real revenue may have prevented the council from maintaining a very diverse set of officers (there are no sources for the period between 1701 and 1725) (Figure 9).

The period between 1625 and 1668 saw the creation and expansion of several taxes, that led to the establishment of new municipal or royal offices, which operated in Coimbra and were linked to tax collection. It was also necessary to create some offices to help recruit soldiers to fight in the Portuguese Restoration War (1640-1668). The need to create a structure to proceed with royal tax collection and recruitment explains the greater urgency in spending money on new offices in the 17th century, in comparison with other periods (Figure 10).

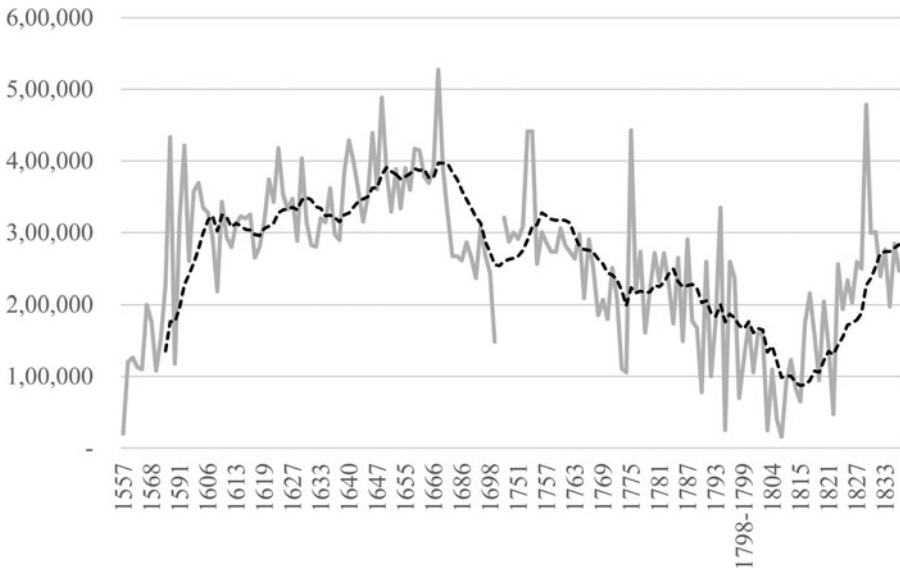
If we isolate the officers connected to the administrative and revenue offices and the collection of taxes, we see that the period with the most

FIGURE 7
SHARE OF WAGES IN TOTAL EXPENDITURE, 1557-1836.



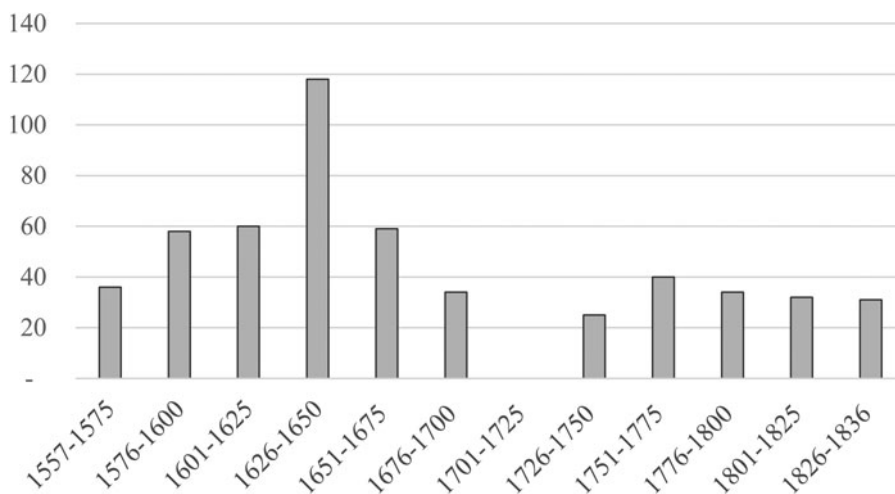
Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 8
TOTAL REAL WAGES, 1557-1836 (IN PORTUGUESE RÉIS DEFLATED INDEX 1600 = 100).



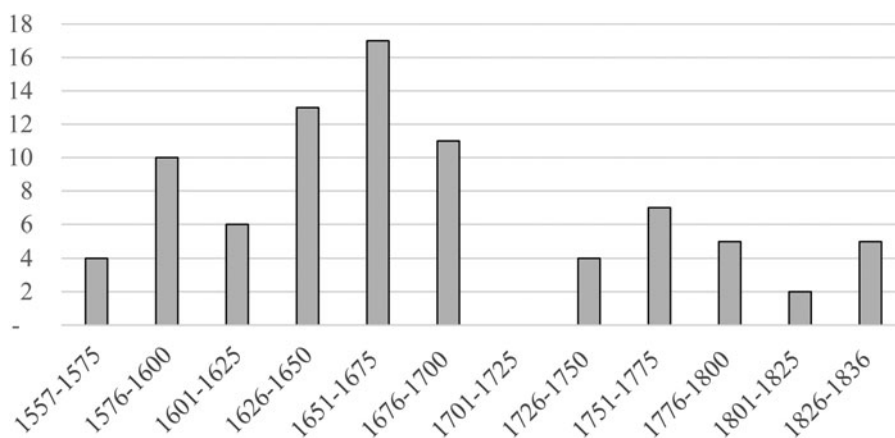
Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 9
 PEOPLE (CITY COUNCIL OFFICERS AND OTHERS) EARNING WAGES FROM THE
 CITY COUNCIL OF COIMBRA, 1557-1836.



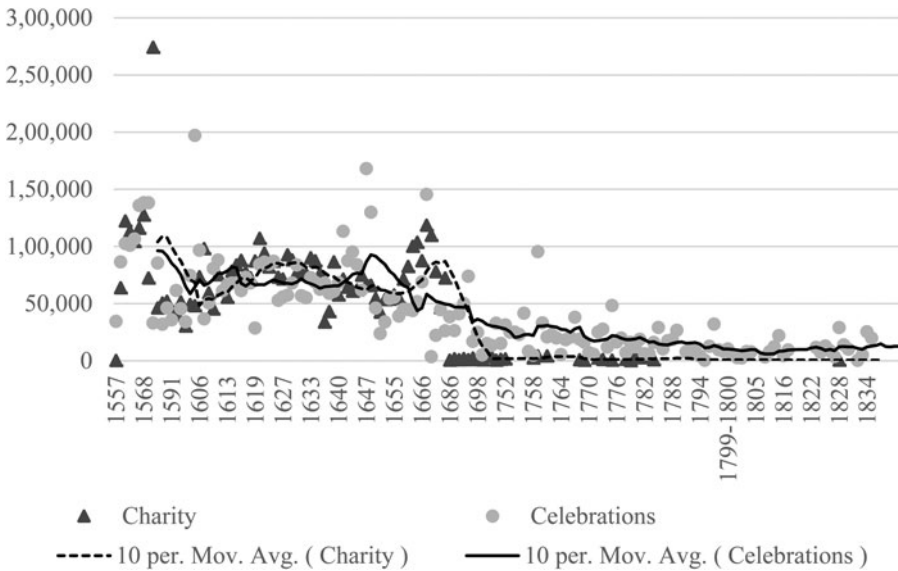
Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 10
 TOTAL OFFICES ASSOCIATED WITH THE CROWN'S PERIPHERAL STRUCTURE
 AND TAX COLLECTION, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 11
EXPENSES WITH CHARITY AND CELEBRATIONS, 1557-1836 (IN PORTUGUESE
RÉIS DEFLATED INDEX 1600 = 100).



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

references is precisely between 1626 and 1675, probably due to the need to create the aforementioned structure (Figure 11).

The decline in spending can also be seen in celebrations and charity, which greatly decreased from the end of the 17th century. From being two fundamental components, they became almost irrelevant. In charity, one of the causes was the transfer of these responsibilities to the *Misericórdia*¹³ of Coimbra (Lopes 2000). This transfer meant the loss of one source of municipal revenue, the meat and fish tax, referred to earlier as the only indirect tax the council collected in the 16th and 17th centuries. Although quantitatively it represented a very small percentage of total revenues (less than 6 per cent between 1557 and 1700), this transfer was another factor in the decrease in municipal revenues and expenses.

Regarding celebrations, from the beginning of the 18th century, there was a decrease in the popularity of traditional religious performances (processions) by the city council. The local aristocracy preferred to watch from a distance rather than participate. From the 17th century

¹³ A charity institution.

onwards, many excuses were given for not participating in religious processions. The celebrations related to the royal family became more important, within a process of affirmation of the national dimension of the state (Soares 2004b, pp. 188-192).

Although in some years debt expenditure was very high (54.63 per cent in 1795, corresponding to the highest spending in that year), the figure was very low on average (5.14 per cent)¹⁴. This means that the fall in revenue did not lead to a major debt in the municipality, as expenditure also adapted to this circumstance and decreased (Figures 12 and 13).

Of the 166 samples available, 39 per cent were show positive balances, 60 per cent were negative and 1 per cent was neither positive nor negative. However, if consolidated balances (which include the profits carried over from previous years and used to pay off expenses) are taken into account, the picture is quite different: 49 per cent positive balances, 49 per cent negative balances and 2 per cent zero balances. This demonstrates tight and difficult management, but one that prevented high levels of indebtedness for the municipality. There were periods with more positive balances, such as between 1557 and 1625, and others with more negative balances, such as between 1627 and 1663. However, as indicated in Figures 12 on debt, even in this most difficult period, debt repayment was always below 20 per cent of total expenditure.

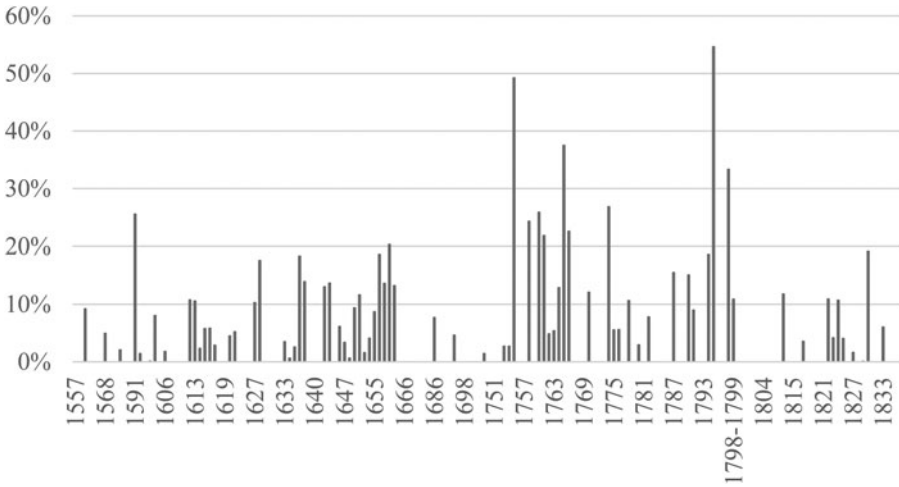
4. CAUSES OF FINANCIAL DETERIORATION

During the early 18th century, the local noble elite had a perception of the city's financial decay. In their view, one of the reasons for this was the result of corruption facilitated by connections between municipal government officials and contract farmers, resulting in a decrease in the value of contracts. During the second half of the 17th century and the first two decades of the 18th century, many aldermen used municipal power to obtain private benefits, in a more evident way than ever before (Soares 2004b, pp. 269-275). During this period, the governing elite was a somewhat heterogeneous social group, with people from various social strata (including merchants and liberal arts professionals). According to the local aristocracy, it was necessary to prevent people from other social backgrounds from obtaining power, so that the municipal council could recover economically (Soares 2004b, pp. 269-275).

The local aristocracy also complained about the social devaluation of the aldermen's office. These were to be held by the local nobility, as determined by the *Ordenações Filipinas* (Philippine Ordinances, general legislation). The local nobility was in decadence between 1641 and 1690 because

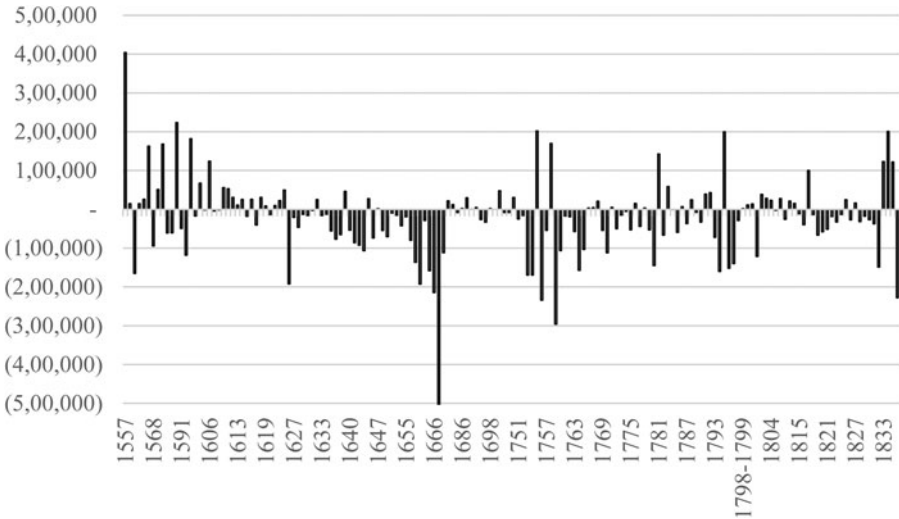
¹⁴ Debt analysis is a complex issue and should be examined in a separate study.

FIGURE 12
EXPENDITURE WITH DEBT, 1557-1836.



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

FIGURE 13
CITY COUNCIL BALANCES, 1557-1836 (IN PORTUGUESE RÉIS DEFLATED INDEX 1600 = 100).



Source: AHMC, *Livros de Receita e Despesa*, 1557-1836.

this social group had economic difficulties, allowing other social groups to obtain municipal power (Soares 2004b, pp. 278-280).

This led to an institutional crisis between 1725 and 1739 which resulted in the «noble pact» (*Pacto Fidalgo*). The local elite, taking advantage of the existing legislation, was able to stay in power and veto access to other social groups (Soares 2004a, II: p. 248). The twenty-three noblemen of the pact, signed in 1739, occupied fifty six consecutive years of municipal power in Coimbra as aldermen of the city until 1795 (Soares 2004b, p. 277; Ribeiro 2012).

The hostility of the noble elite was directed mainly against the municipal contract farmers, merchants, artisans and shopkeepers (Soares 2004b, p. 232). This accounts for the shift in collection mechanisms, which moved sharply from indirect collection to direct administration, because indirect collection was being conducted by these professionals.

The new municipal council aldermen targeted the links that existed between some elements of governance and the contract farmers, a practice that was in force for long periods in the 17th century, particularly in the collection of royal taxes and the main city council contracts (Soares 2004b, pp. 233-234).

The connections between municipal officials and the contractors constitute a major point of criticism according to the *Pacto Fidalgo*. Even the nobility, which on some occasions participated in municipal power with other social groups between 1640 and 1737, refrained from involving itself directly in municipal contracts to avoid dishonor; instead, they participated as guarantors (Soares 2004b, p. 243). In the late 17th century and early 18th century, some aldermen were relatives of contract farmers. Some contract farmers even became municipal officers in the future (Soares 2004b, pp. 259-262).

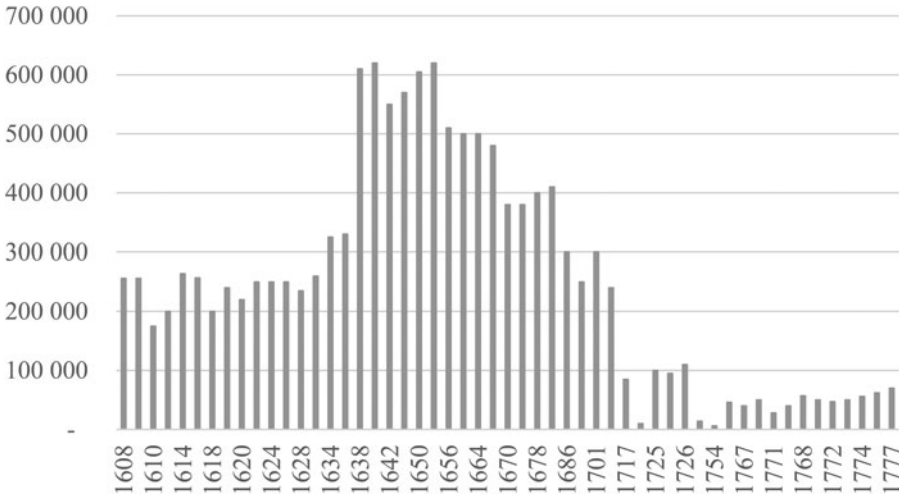
According to Soares, in the second half of the 17th century, the collusion between contract farmers and city council officials prevented contract values from rising. The price of contracts did not reflect the economic conjuncture nor price indicators, even showing some stagnation in the (nominal) values of the bids (the real values decrease). This rigidity can be justified by the low alternation of bidders (Soares 2004c, p. 246).

To validate these arguments, we collected the available data on the contracts signed between farmers and contractors (Figure 14).

For the *almoçaria* fine, between 1668 and 1672, the contract was always signed with Manuel Pinheiro. During this period the contract depreciated by 100,000 *réis*, from 480,000 to 380,000. Except for this case, there is little evidence of the low alternation of the bidder and that this seriously affected the value of the rent (Figure 15)¹⁵.

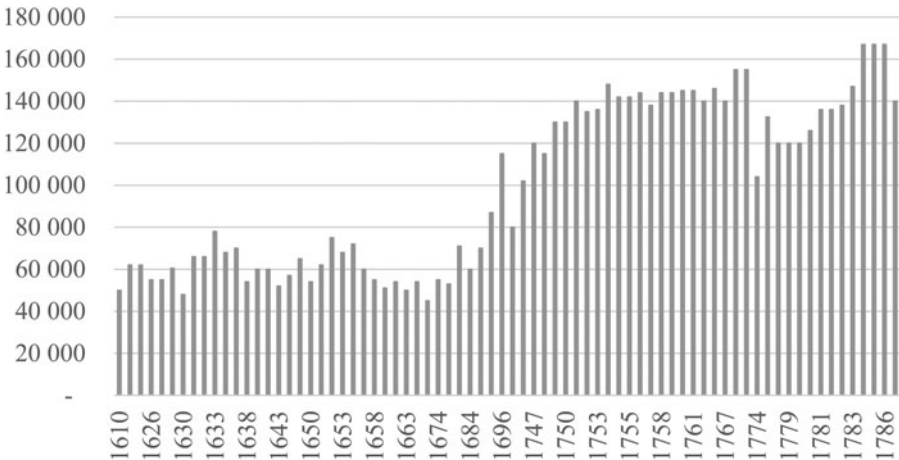
¹⁵ There is also the problem of the duration of contracts. According to Kiser (1994, p. 291), short-term contracts drive contractors away from contract farming.

FIGURE 14
ALMOTAÇARIA CONTRACT PRICES, 1608-1777 (NOMINAL, IN PORTUGUESE RÉIS).



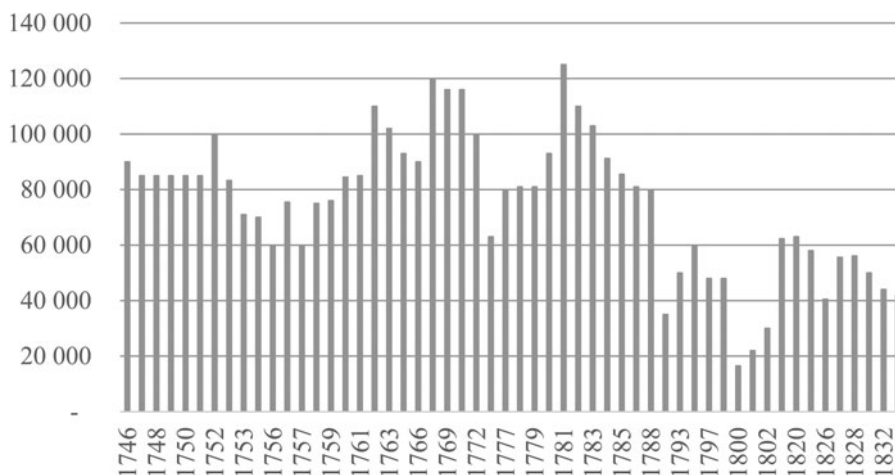
Source: AHMC, *Livros de arrematações* (Auction books) (1557-1836).

FIGURE 15
GUARDA DO CAMPO CONTRACT PRICES, 1610-1786 (NOMINAL, IN PORTUGUESE RÉIS).



Source: AHMC, *Livros de arrematações* (Auction books) (1557-1836).

FIGURE 16
MEASURES OF CONDEIXA CONTRACT PRICES, 1746-1832 (NOMINAL, IN PORTUGUESE RÉIS).



Source: AHMC, *Livros de arrematações* (1557-1836).

In the *guarda do campo* (fines on animal grazing) contract, the permanence of the farmers led to the stagnation of the contract (but only in a few contracts in 1624 and 1625, 1631 and 1632, 1747 and 1748 and 1755 and 1756). Hence it does not seem to be the main reason for the decay of the contract price (Figure 16).

For the *Measures of Condeixa* (tax on the circulation of animals and wagons) contract, between 1747 and 1757, Luís da Costa Henriques monopolised the contracts. During this period, the contract fell from 90,000 to 60,000 réis (33 per cent).

Attention should be drawn to the fact that most contract farmers only signed a contract once and for that reason, individual monopolies were rare. In the *almotaçaria* (fines) contract, 70.3 per cent of the farmers only participated in one contract; in the *condeixa* (circulation tax) contract they represented 60 per cent and in the *guarda do campo* (fines) they accounted for 78.9 per cent. To conclude, it seems that there were periods when individual monopolies led to stagnation or declines in the value of contracts, particularly in the second half of the 17th century, but this alone does not explain the decline in revenues.

Concerning the links between contractors and municipal officers, it was possible to identify only a few of these associations in the contracts. This phenomenon was more pronounced in the signing of contracts for the collection of royal taxes and less so in municipal revenue contracts. Only the

almotaçaria contract shows these links, but they do not allow us to associate them with a decrease in the value of the contracts. In fact, in the five contracts with municipal officers as guarantors, there were increases in the values of prices of 10, 5, 2.5, 20 and 25 per cent. Therefore, from the evidence gathered, we do not reach the same conclusion as Sérgio Cunha Soares. This does not mean that these connections did not exist and were not harmful. The series of contracts is incomplete and does not contain all the information, such as who the guarantors were. We admit, however, that the actions of the contractors and officials could have affected the price of the contracts, but only marginally.

We believe that other reasons were as important and justified the fall in revenue. Let us start with important institutional matters related to the contract for the *almotaçaria* fines, the municipality's most important source of revenue in the 17th century.

In the collection of *almotaçaria*, there were abuses on the part of the contractors and *almotacés* (*almotaçaria* judges). Municipal laws should not legislate against the general law, so the actions of these judges should not be harmful to the people and the common good. In some situations, however, the *almotacés* and the contractors would agree with the scribes and the perpetrators, not registering the fines and then obtaining a smaller amount for themselves (Soares 2004c, 133). In the mid-17th century, it was also common for *almotacés* and contractors to use their power and influence and extort the merchants. The city council warned merchants not to pay. This was an irregular market for obtaining foodstuffs and other resources, which the municipality fought against (Soares 2004b, pp. 303-304).

In some situations, municipal officials and contractors charged more *almotaçaria* fines than were due. The fines were then divided between the contractors and the *almotaçaria* judges and scribes. They also had to supervise the distribution of meat in the butcher shops, being attentive to the distribution by the different privileged groups, but also to the frauds that the butchers committed in the weight of the meat. However, they charged many more emoluments than these and split the profits among themselves (Soares 2004c p. 31). Over time, the municipality's opposition to such practices increased, particularly with the *Fidalgo Pact*.

From the perspective of the contractors, the progressive interventionism of the city council in this matter lowered the profitability of its municipal contract schemes. With the decrease in contracts, the measures adopted between 1680 and 1715 resulted in the creation of a municipal economic court which went out into the streets and summarily condemned the *almotaçaria* judges and contractors. There were fewer and fewer men wanting to be contractors under this pressure (Soares 2004c, p. 102).

Another very important aspect is related to the collection area of the *almoçaria*. In 1739, with the *Fidalgo Pact*, the fight against irregularities in the collection of the contract led to changes in the collection area. Changes were introduced so that collection was carried out in the city and its surroundings only. Collection in the hinterland became the responsibility of the city council in a so-called *correição*. The *correição* was an instrument of control of the city over rural areas. The convictions paid during the *correição* were based on the Regiment of 1740: this established which actions were considered infractions and the corresponding punishment (payment in money).

In articulation with the regiment of the *correição*, an *arrolamento* (enrolment) was created, extracted from a book of denunciations and accusations drawn up by the local courts, which ceased to judge. This responsibility passed to the municipal senate, in this hearing, and the totality of the convictions went to the municipal coffers. For the collection to be effective, the scribes of the *juradias* (small localities that composed Coimbra's hinterland) needed to make the lists as accurately and faithfully as possible. The municipal council summoned the local courts of the hinterland and the accused inhabitants to appear for the *correição*, in Coimbra, for which a calendar was published. The increase in the amount of the fines collected in the *correição* would lead to a further deterioration in the collection of the *almoçaria* by the contract farmers (Soares 2004b, I: p. 109). In other words, the *correição* was a new form of direct administration of the *almoçaria* fines.

The transfer of collection competencies to municipal bodies (with the appointment of *zeladores*, or administrators) caused a shift from the prevalence of indirect collection mechanisms to direct administration. However, this change did not have the expected results because, as the revenue figure shows (Figure 2), despite initial growth, revenue continued its long decline. This is justified by the fact that the indirect model is considered to be a more effective model than direct collection. As stated, this was because the indirect model relied on the motivation and incentive of the contractors who made more profit, the more they collected; indirect collection mitigated the political damage of the organisation; reduced transaction and information costs and saved the expense of creating a very costly collection structure on the part of the organisation (Williamson 1981, p. 572; Libecap 1986, p. 228; Kiser 1994; White 2004; Furubotn and Richter 2005, p. 36; Kiser and Levi 2015; Monson and Scheidel 2015; Alfani and Di Tullio 2019).

The evidence presented earlier regarding the number of municipal officers shows that their numbers fell in the 18th century. This shows that the municipality replaced indirect collection with direct collection but did not strengthen the municipal bureaucracy. Moreover, real wages were falling after 1750, while inflation rose throughout most of the 18th century to a

peak in 1811 (Palma and Reis 2019), diminishing the purchasing power of the officers. As if this were not enough, the incentives awarded to administrators were also reduced. Until around the 1740s, administrators (responsible for direct collection) were paid 25 per cent of the amount collected. After 1777, this was reduced to 10 per cent (Soares 2004c, p. 104). The transfer from a more efficient model to a less efficient one and the lack of incentives for administrators also justifies the decline in municipal revenues, particularly for the *almotaçaria*.

The changes introduced at the turn of the 18th to the 19th century were important in transforming the panorama. There was a greater diversity of contracts and sharing contracts became more common. In the early 19th century, share contract administrators were paid 33 per cent of the total collected from the *almotaçaria*¹⁶. This allowed the importance of these fines to recover, although they never returned to past levels. More important was the recovery, albeit limited, of fixed amount contracts, which were more efficient than the other types of sharing contracts or direct collection.

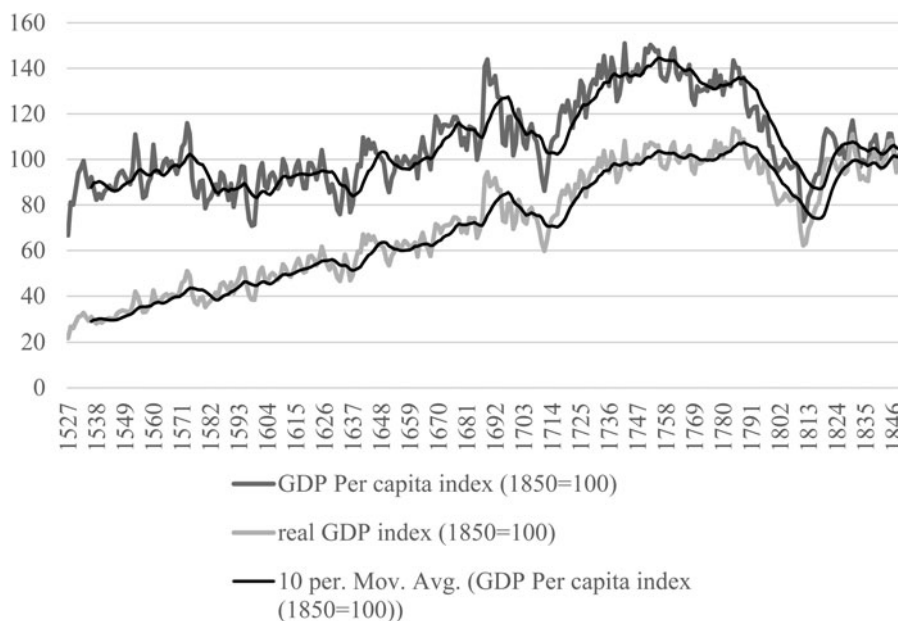
The increase in the fiscal capacity of the state (Costa *et al.* 2022) was not followed by an increase in the capacity of the municipality of Coimbra to increase its revenues throughout practically the entire Early Modern period. The impact of the decrease in revenues was, as shown, the decrease in the number of municipal officers and a reduction in expenditure on festivities and celebrations and on charity, which led to the latter being taken away from the council. There was no development of public constructions, this expenditure was essentially borne by the royal tax, *real de água*, on the consumption of wine and meat, that was used to fund works at a local level (Soares 2004a). This is in line with what Costa *et al.* (2022) observed; much public investment was made at the local level, but in the case of Coimbra the royal tax, *real de água*, must also be considered, because the municipality was not able to carry out most of the works (Figure 17).

It is also imperative to analyse the economic and financial environment in which the major variations in revenues and expenses took place. In general, the decline in revenue that took place in the 17th and 18th centuries occurred during a long period of economic growth in Portugal. There were still, however, severe crises, such as those between 1670 and 1685 and between 1689 and 1711 (Palma and Reis 2019). Sérgio Cunha Soares stated that various sources refer to a long depression beginning in the early 1680s and lasting until around 1715 (Soares 2004c, p. 116).

The worsening of institutions at local/municipal level went hand in hand with the worsening of institutions at the general level of the Portuguese kingdom. According to Henriques and Palma (2022), the weakening of institutions, in a perspective that allows a sustainable increase in

¹⁶ AHMC, *Receita e despesa*, 1815-1834, fl. 9v.

FIGURE 17
 GDP AND GDP PER CAPITA INDEX IN PORTUGAL AND MOVING AVERAGE (10 YEARS), 1527-1850.



Source: Palma and Reis (2019).

economic growth and GDP per capita, took place from the end of the 17th century. This decline in the quality of institutions was measured in three factors: the regularity of parliaments and their strength relative to the power of the monarchs; the frequency with which the currency was devalued, which could be a weapon at the disposal of the crown; and the credibility of the institutions that regulated the public debt, which was materialised in the stability of the interest paid on this debt. The major consequence was felt at the level of checks on royal power, which fell considerably over time in the Iberian Peninsula. At the end of the 17th century, parliaments practically ceased to exist and in the 18th century absolutism became the dominant rule (Henriques and Palma 2022).

From another perspective, Henriques and Palma’s (2022) study raises a larger problem for the municipalities, because the *cortes* (parliaments) were a privileged platform for municipalities to discuss their problems with the crown. The preponderance of Portuguese municipalities in the courts was very high. In the 18th century there was no such possibility because there were no *cortes* in Portugal. The discontinuation of this

platform made it difficult for municipalities to communicate directly with the crown and the resolution of their problems became more difficult. This is another factor that may have led to the decay of municipal finances.

Two types of local crises can be added to the national panorama. Climatic crises often resulted from long periods of heavy rainfall and led to the very frequent flooding of the river Mondego (which passes through the city of Coimbra). The 1660s were a good example of this situation (Soares 2004b, p. 164). The War of Restoration (1640-1668) brought with it an increase in taxes and the conscription of soldiers, which severely affected the population and increased poverty. The city council collected extraordinary revenues to help with the expenses of recruiting and transporting soldiers (Soares 2004c, pp. 7-9).

The *real de água* tax (on the consumption of wine and meat) and the *décima* (royal tithe, on income and assets) were created and the *sisá* (tax on transactions) was doubled at certain times. Local taxes were also created; between 1680 and 1699 there was a tax called *usual*, which was also levied on the consumption of various products, such as wine, meat, fish and salt (Soares 2004c, pp. 248-249).

Tax increases were not peacefully received by the population of Coimbra, who put obstacles in the way of the contractors. There were also difficulties in collecting some royal taxes. During the War of Restoration, the *real de água* was not collected for several years due to fear of popular uprisings. Complaints against the tyranny of the contractors multiplied (Soares 2004c, p. 27). At the end of the 17th century there was also a lot of indebtedness and recourse to credit, bankruptcies and arrests were common and there was little money in the city, which hampered the credit market (Soares 2004b, pp. 241-242).

Municipal officials, as well as the depositaries of the royal tax money, became more controlled in the 17th and 18th centuries as a consequence of the need for money. Accountability for the use of money and legal proceedings against those who did not follow the rules (e.g. municipal officials who spent money improperly, even leading to arrests and confiscation of property) became more frequent. This drove many people away from holding treasury positions in the municipality and the royal taxes, as well as from municipal contract collection, because more and more collateral assets were required, to be seized in case of default. Pressure also increased, particularly on councillors, to be the first to answer regarding municipal financial mismanagement (Soares 2004c, p. 18).

The reforms of the Marquis of Pombal in 1766 (law of 23 July) were aimed at improving revenue collection and control of the local financial administration. One of the main aspects of the law was the application of a new bookkeeping method. The objective of this method was to provide a more organised and efficient (easier to control) financial administration. It was similar but somehow less complex than the double-entry method.

The law was implemented in Portuguese municipalities with varying degrees of success. In Coimbra, the double-entry accounting method was partially implemented for the first time in 1755, before the law was passed, but it was not a success. There were several later attempts by royal officials to force the application of the new method, also without success. Coimbra, thus, did not benefit from a new accounting system which could have led to improved organisation in its accounting (Costa 2018).

The legislation of 1766 on communal property and the laws of 1790/92 which extinguished the manorial jurisdictions led to an increase in the rustic and urban patrimony available to the municipalities. This increase was very visible in the north of the country, for example, leading to an increment in municipal revenues. In the case of Coimbra, the property registers of 1767-1771 and 1807 declared roughly the same number of properties (around 220 houses, shops, farms and other land), which more specifically justifies the stagnation of this revenue. This increase in property ownership was not possible because the municipality of Coimbra was highly disputed by manorial entities, some of which, such as the University of Coimbra and the Monastery of Santa Cruz, were very powerful. This made the acquisition of property an extremely difficult task (Capela 1995, pp. 35-40; Barbosa 2020, pp. 137-139).

From 1755 to 1756, the municipal senate decided to increase its «economic authoritarianism», centralising all power to resolve economic disputes in the municipal council. In the 1760s and 1770s, there were highly repressive measures against economic agents (merchants, artisans, etc.), such as arrests, appropriation of assets and removal of contracts. The municipal treasurer came under intense scrutiny, as he was responsible for municipal revenues (Soares 2004c, III: p. 117). The *Fidalgo Pact* had a hostile policy towards the development of manufacturers, particularly when operating under a monopoly regime. It had a systematic interference by imposing local taxes and conditions of production, and inspected the quality of products (Soares 2004c, III: p. 64).

The changes introduced by the *Fidalgo Pact* were intended to bring about the financial recovery of the municipality; this was not achieved until the early 19th century. By then, the municipal governing elite already had a different, diverse composition, with individuals of lower and varied social status, such as merchants and literate professionals (Ribeiro 2012). Despite all these difficulties, the municipality of Coimbra did not change its financial structure which remained relatively stable, unlike other Portuguese municipalities (Costa *et al.* 2022).

5. CONCLUSION

The objective of this paper was to analyse the causes of the decay of municipal finances in Coimbra and the answers to this problem, with a

focus on the post-1640 period. The causes for the decline in Coimbra's municipal finances are structural and conjunctural in nature. Some institutional causes were presented by the local nobility at the time and highlighted in the historiography. Our analysis revealed that the monopoly regime that existed in municipal contracts led to stagnating or declining contracts in some periods. This explanation alone, however, is short-lived. The links between contractors and municipal officials were not possible to determine through the contracts.

We believe that other institutional factors were also important. Greater control over the activities of the contractors put an end to some informal practices that, although illegal, enticed the contractors. For example, demanding payments in kind from merchants or charging more fines than were due. This was particularly visible in the *almotaçaria*, the most important source of income until the early 18th century. Increased supervision of the contractors was joined by the curtailment of the collection area, which now consisted only of the city and its surroundings, leaving the entire hinterland under the responsibility of municipal officers.

With the *Fidalgo Pact*, hostility towards contractors, merchants, craftsmen, etc., created a less favourable climate for contract farming, but also for the performance of economic activities. One of the consequences of the Pact was the transfer of a predominantly indirect collection model to direct administration. Despite a brief recovery, revenue decline continued until the turn of the century. This is because the direct administration model was considered less efficient. Coupled with this factor, the municipal officials who carried out direct collection also saw their incentives to collect significantly reduced.

Although we consider expenditure to be dependent on revenue, this does not mean that it did not have its own dynamics that influenced the finances as a whole. On the one hand, the loss of municipal responsibility for the care of abandoned children led to a decrease in expenditure, but also to the loss of revenue that had been assigned to it. On the other, the decline in the social importance of religious festivities also led to a decrease in expenditure. The reforms that took place in the second half of the 18th century, involving municipal accounting and wasteland, did not have the impact on the municipality of Coimbra that they had elsewhere.

It also seems safe to state that the national, but particularly local, economic and financial environment had a significant impact on the decrease in revenues; in particular, the tax increases of the 17th century. Besides the creation of the direct tax of the *décima* and the indirect tax, *real de água*, in Coimbra there was also another very damaging indirect tax, the *usual*. We can add to this the climatic crises, agricultural crises and the lack of bread, besides the lack of currency and difficulties in access to credit in the second half of the 17th century.

The increase in the fiscal capacity of the state was not followed by an increase in the capacity of the municipality of Coimbra to increase its revenues throughout practically the entire Early Modern period. The impact of the fall in revenues was, as shown, the decrease in the number of municipal officers and a reduction in expenditure on festivities and celebrations and on charity, which led to the latter being taken away from the council and there was no development of the public constructions sector.

In short, until 1739 it seems that the causes are more varied, while from that date onwards institutional causes were the most relevant. The consequences of this deterioration were felt in several aspects. Firstly, in the decrease in all expenditure. Secondly, a centralisation of expenditure around salaries, even though real salaries were falling, and the number of officers was decreasing. Thirdly, difficult management, with half of the consolidated balances being positive and half negative, but which still managed to prevent the municipality from getting into debt. The municipality was able to create new revenues, such as licences and, at the end of the chronology, indirect taxes, but the municipal financing model did not change considerably.

The worsening of municipal institutions followed the decline trend of the Portuguese institutions. The financial situation negatively impacted one of the most important functions of municipalities, the provision of non-military public goods.

The recovery that took place in the early 19th century benefited from institutional changes. Firstly, there was greater variation in the types of contracts, which presented more incentives for contract farmers, such as sharing contracts with 33 per cent of the proceeds going to contractors. Secondly, the recovery of fixed amount contracts, which are more efficient than the other types of sharing contracts or direct collection. Thirdly, there was greater variation in the types of revenue, to the detriment of fines, the most important revenue until then (despite the variation in revenue, the licences and increased revenue on weights and measures rights focused on the same group most oppressed by fines, the traders—and ultimately the consumer).

We hope that this article can draw the attention of historians to institutional problems and that it also leads to a reflection on the chronologies, causes and consequences of municipal crises.

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