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ENTERING THE FIRST WORLD WAR

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Entering the First World War:
the Experiences of Small and Medium Powers

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Organizing a War Economy: the Portuguese Case (1914-1919)

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Introduction

The two world wars had a deep influence in the economic, cultural, and institutional history. They transformed the nature of the institutions and patterns of exchange, affected technologic development but, above all, were great consumers of "wealth" – disturbing the functioning of markets and directly influencing economic growth (Findlay and O'Rourke, 2007, pp. 429-471; Winter and Prost, 2008).

This paper seeks to analyze the organization of the war economy in Portugal, studying some of its main characteristics and specificities, most of them quite demonstrative of the economy's degree of dependence on external trade and served, as happened later, during World War II, to emphasize the set of structural vulnerabilities that characterized the national economic reality in relation to the nature and composition of the productive system (Rollo, 2007).

The importance of the home front as a base of support to armies campaigning was one of the main legacies of World War I. The conclusion that victories or defeats could no longer be built only on the battlefield, but rather as the necessary product of a joint effort, across the whole society, resulted in an unprecedented mobilization, whose impact and consequences were felt too in Portugal. War economies required the design of national strategies whose objectives are comparable to those of military plans, and the state played the role of an economic agent endowed with powers of intervention such as controlling spending and consumption, tax increases, price-fixing or even rationing. The functioning of economic life in situations of conflict implies an adaptation that is almost always associated with the emergence of new methods of social organization. From the theoretical and conceptual point of view, the economies of war can be understood as

alternative power systems, where different political, social or military structures interact. The economic analysis of World War I implies the adoption of a strategy that includes the identification, as clear as possible, of the various actors involved in the political and economic situation in which the war broke out, and requires that we consider, as a starting point, the role of interactions and dependency relations between national realities and global economic networks where countries were involved.

A war economy is always interpreted as an economy which deviates from a "standard" that is only restored by the return to peace.

The analysis of the war economy organization is a theme to which the Portuguese academic community has paid little attention. Recurrently, national researchers draw attention to the fact that until the end of the 1950s, the Portuguese historiography concentrated its attention almost exclusively on the analysis of the political and military motives behind the Portuguese participation in the Great War (Arrifes, 2004, pp. 23-24). In fact, early Portuguese studies on the home front only emerged in mid 1960s by Vasco Pulido Valente (1965, pp. 1201-1215). Pulido Valente was the first Portuguese historian to examine some of the political fractures caused by the beginning of the war and the crisis arising from the Portuguese intervention, but as a whole. The study focused mainly on the year 1918, analyzing the economic changes introduced by the military coup that lead Sidónio Pais (1872-1918) to power, not studying in great detail the economic organization towards the war.

At the end of the 1970s, Manuel Villaverde Cabral (1979, pp. 373-392), in a text on the strategies set out by Prime Minister Afonso Costa and President Sidónio Pais, with the crisis of liberalism as their backdrop, extended the field of analysis to the economic and social domains. However, the first work to specifically study Portugal's war economy would be published only in 2011 (Pires, 2011). One of the explanations suggested to justify this delay is – in addition to the obvious prevalence that political history holds over economic historiography – the difficulty to access the sources, including those of archival nature pertaining to documents that are indispensable for the study of the Portuguese economy during the years of World War I. This shortcoming is suppressed, in part, by the access to foreign sources, including the documentation produced by the British representation in Lisbon, most of which is deposited in London, at the National Archives (Kew). It is worth stressing that the archives of the Ministry of Economy (one of the essential sources for a better understanding of the overall operation of the Portuguese economy before and during the years of the war) remains missing.

Following a trend that was common to most countries in Europe, the Portuguese state was the central player in the war economy organization. One should note that, until then, it had only very shyly intervened in economic affairs, always fearful of any interference with the rights of individual property or of perverting the principles of free competition (Pires, 2011). The strengthening of state's intervention in the economy was an innovative experience that required the political powers to play the role of buyers and suppliers of raw materials and strategic products and to set tables of price control to meet the basic needs of the population. It is worth remembering that

in Portugal, contrary to what happened later during World War II, there was never a body charged with "directing" the war economy. Until 1916, it was the Ministry of Economy which, in conjunction with the Finance Ministry, formally played a "coordination" and steering role.

One of the last initiatives of the President of the "Sacred Union" government, António José de Almeida, was an attempt to counterbalance the weight that the state had been occupying in the economic activity as a whole, creating, as it had happened in all countries in the conflict, in the beginning of 1917, a National Economic Council (Conselho Económico Nacional – CEN) directly dependent of the Presidency of the Government. The establishment of a strong link between the Government and the producing classes to resolve the main economic issues of national life was thus placed at the center of all concerns.

The Council was divided into three committees: supplies, colonies and study of future economic problems, which were entrusted not only with the critical analysis of national issues, but also with the presentation of practical and effective measures to mitigate the effects of the crisis, with a view to preparing the country for peace. Contrary to a trend that had been followed all over Europe, any rapprochement between the unions and political power was once again ruled out – one should recall that the Workers' National Union (União Nacional dos Trabalhadores – UNT) had not been called to join the CEN.

Although António José de Almeida had defined that the functions to be performed by CEN were of a technical consultative nature (Pires, 2011, pp. 4-5), in early March 1917 little more had been added, and the final organization of the National Economic Council and its functions and the latitude of its action were yet to be defined in a clear and accurate manner. It was a reality followed closely by the press, in particular *Jornal do Comércio*, which in a clear statement of the obvious, did not refrain from declaring that without a clear definition of the conditions under which the Council would work, "it cannot produce anything useful" (*Jornal do Comércio e das Colónias*, 1917, p. 1). On April 18th the CEN was transformed into an official entity, endowed with an independent secretariat, funds and access to the official gazette, *Diário do Governo*, for the publication of opinion pieces¹. However, the most indelible mark of the bill was the characterization that it made of the institution, presenting it as a "Council for defense and economic development of the territory of the Portuguese Republic"².

On April 20th, 1917, the suspension of the Decree n°3092 was voted in the Chamber of Deputies, under the proposal of the "Democratic Party" (Partido Republicano Português) deputy António Fonseca. Shortly after, the Government presented its resignation to the President of the Republic³.

1 Ministry of Development (Ministério do Fomento), Decree n°3092, *Diário do Governo* (Government Diary), I Series, n°61, 18th April, 1917.

2 *Idem*.

3 *Diário da Câmara dos Deputados* (Chambers' Diary), "Moção contra o Decreto n°3092" (Motion against Decree n°3092), Session 57, 20th April, 1917, pp. 26-38.

This article starts by synthesizing what were the main objectives of the wartime economic policies implemented by the Portuguese Republic. It then analyzes the factors behind the organization of the war economy and concludes with some considerations on impacts and reflections of this organization on the Portuguese productive system.

An Economy for War

The Portuguese Republic adopted, at the request of Britain, nor a stance of neutrality, neither one of belligerence, in the face of the war in Europe, until March 9th, 1916 (when the central powers declared war), due to limitations of the national production and because of the effects of chronic external dependence regarding essential goods, fuel and transport (which was felt even more direly as the war would progress). But at the end of 1914 Portugal was forced to design the basic features of a war economy, in order to alleviate the effects of the European conflict in the country's economic and financial activity.

It should be noted that the intentions and objectives inscribed in the economic policies of war set out by Republic were almost always guided by three specific goals: (1) ensuring the supply of essential goods to the daily survival of the population; (2) setting out a price control policy; (3) finding the instruments necessary for the intensification and self-sufficiency in agricultural production.

Table 1 – Portugal Imports of Goods for Consumption

Countries	Values in Contos 1913 (a)	Percentage over the total in 1913	Percentage over the total in 1909
Great Britain	23 489	26,40%	26,94%
Germany	15 840	17,80%	17,80%
United States	9 892	11,12%	10,08%
France	7 594	8,53%	8,90%
Spain	3 843	4,52%	6,58%
Colonies	2 850	3,20%	3,29%
Brazil	1 651	1,86%	2,02%

1 *Conto* = 1,000 Escudos

Source: http://encyclopedia.1914-1918-online.net/article/food_and_nutrition_portugal.

It was therefore clear that all republican governments from 1914 to 1918 shared a concern for seeking to minimize the effects of "the issue of supplies", aiming at reducing the levels of social conflict that were inevitably associated with it. These options demonstrated, moreover, the extent of the dependency of the national economy in terms of foreign trade and served also to expose several structural vulnerabilities, which widely characterized the nature and composition of the Portuguese productive system. The action of the state in this area, pointed towards a single direction: fighting speculation through the implementation of the following measures: (1) creating central and local

bodies aiming at solving the problem of supplies; (2) fixing the maximum prices and preparation of inventories of production and consumption in the main regions on behalf of the state; (3) creating warehouses to regulate the prices of essential goods.

Table 2 – Retail Food Prices in Lisbon (Comparison between June and December 1914)

Products (Kilo)	June 1914 (cents)	December 1914 (cents)
Third-tier sugar	\$24	\$27
Third-tier rice	\$11	\$13
Dry cod	\$14	\$17
Wheat	\$14	\$18
Bacon	\$38	\$40
Sausages	\$68	\$72

Source: http://encyclopedia.1914-1918-online.net/article/food_and_nutrition_portugal.

It is thus understandable that, as the food supply difficulties became worse, the need for a rigorous survey of the economic situation of the country grew exceptionally. Only then would be possible to predict the amount of imports needed to halt the degradation of the living conditions of the population. One should note, by the way, the lack of any rigorous statistical survey that could serve as a starting point for the systematic and comprehensive inventory of the domestic economic situation, allowing the republic to count its strategic reserves and to consider the future needs of raw materials.

It also became clear throughout this period that the war alone was not an argument capable of completely justifying the worsening of the national economic situation – this aspect acquires a new centrality when one analyzes the demands addressed to the government by both the workers and the industrial associations for the implementation of measures that condemned speculation over food prices, hence halting its peak. The intensification of the state’s economic intervention showed that in the specific case of supplies it was easy in theory to arrange price lists, but difficulties arose when the government was unable to ensure the regular supply of goods and curb speculation and hoarding. Furthermore, soon it became apparent that the adoption of an economic policy of war aimed at restricting freedom (by adopting price lists) and defending the national supply (export ban) would have few effects on solving the problem of supplies. On the other hand, it was also necessary to find the appropriate tools to promote not only the development of the transportation sector, but also, inevitably, the promotion and encouragement of exports and an increase in agricultural production. Such strategy would have to be managed within a framework where the “state’s hand” was growing increasingly visible.

It should be noted that Portugal lived a scenario of social misery like the one experienced before the conflict, but aggravated by the difficulties around the supply of some basic food products to the poorer classes, such as cereals and cod. In essence, much of

the population continued to draw their means of sustenance from the land, without relying on imports, which would eventually keep, at first, the domestic economy from being so strongly affected by the international situation and the financial position of the country. This reality alone eventually raised some reflection concerning the development of agricultural hydraulics, opening the way to the exploitation of natural resources in large areas of the national territory, particularly in the Alentejo region. However, as a general backdrop, the war was only very shyly viewed by the government as an opportunity for transformation and modernization of the sector. The most interesting idea was the acknowledgement that, after all, the state was obliged to gather the best resources and means necessary to transform an agriculture based on structurally inefficient practices into a sector capable of ensuring the expansion of production and, consequently, the reduction of imports of agricultural goods.

Control and Supplies

The General Warehouses created under the dependency of the Directorate General for Trade and Industry, under Decree n°766 of August 18th, 1914, are a good example of the direct intervention of the government in support of the national trade⁴. The General Industrial Warehouses were set up initially to mitigate the effects of the war in the food industries, particularly the preserved food products, with state's credits functioning as guarantor until return to normal⁵. The goal was to mitigate the effects of war in an industry whose exports were already quite significant, but suffered from the suspension of transactions with the German market and the shortage of raw materials (iron)⁶. It was the General Industrial Warehouses' mission to: (1) "receive as commercial deposits or under the regime of General Warehouse the artifacts produced by the industry intended to assist, or the raw materials necessary for that manufacturing"; (2) "issue goods deposited securities transferable by endorsement over deposits and warrants"⁷.

The *Foreign Office* reacted to the creation of the new body a week later, qualifying the Portuguese government decision as "interesting"⁸. The British diplomacy recognized the positive effects it could have in a closure scenario of European markets, avoiding the layoff of a significant number of workers⁹. The downturn of the markets was starting to

4 The General Industrial Warehouses were first located in Lisbon, later spreading to the rest of the country. See Ministry of Development (Ministério do Fomento), Decree n°766, *Diário do Governo* (Government Diary), I Series, n°145, 18th August, 1914.

5 Ministry of Development (Ministério do Fomento), Decree n°756, *Diário do Governo*, I Series, n°141, 13rd August, 1914.

6 NA UK, FO 368/1383, *Portugal. Report on the Commerce and Finance of Portugal*, London, Foreign Office and Board of Trade, 1915, p. 13.

7 Ministry of Development (Ministério do Fomento), Decree n°766, *Diário do Governo* (Government Diary) I Series, n°145, 18th August, 1914. See also its regulation: Ministry of Development (Ministério do Fomento), Decree n°783, *Diário do Governo* (Government Diary), I Series, n°148, 21st August, 1914.

8 NA UK, FO 368/1063, Official note of 26th August, 1914 sent by Lancelot Carnegie to Edward Grey, pp. 1-2.

9 It worth remembering that in Sesimbra all the factories of canned sardines had already been shut down, leaving about 700 workers unemployed (*Jornal do Comércio e das Colónias*, 1914, 20th August, p. 1).

be felt in all industrial activities more directly connected to export markets, forcing the government to intervene and create new industrial warehouses. Moreover, it was, following a meeting between the Minister and an industrial commission of cork producers, which analyzed the crisis the industry was facing, that the creation of three new industrial warehouses, in the cities of Lisbon, Évora and Faro, was announced, two days later¹⁰. One realizes that in addition to promoting the implementation of measures to facilitate the supply of first necessity goods, the government sought to adjust the Portuguese exports to the situation of war.

On 18th August, 1914, a Committee of Supplies was created, again, under the tutelage of the Ministry of the Economy. This body was put in charge of the study and analysis of the measures necessary to ensure the supply of mainland Portugal and the colonies to "(...) avoid or reduce, as much as possible, disruptions in the industrial works"¹¹. The body was handed over to the President of the Commercial Association of Lisbon, Carlos Gomes. The government would end up, however, giving the Committee no more than consultative and research functions, entrusting it with the mission of directly proposing the appropriate measures to curb the price rises and the lack of first necessity goods. The Committee was remodeled on 16th January, 1915¹². It continued to depend on the General Secretariat of the Ministry of Economy, but the concern of the then Minister Lima Basto was to reduce to the minimum the representation of the Ministry of Development, advocating that the Committee should include a broad representation, including, in addition to some representatives of agriculture and retail trade, the presence of a customs official, the director of Military Supplies and the head of the Public Assistance (it is worth mentioning that the body still had no one from the industrial sector).

Lima Basto eventually introduced certain adjustments to some minor details regarding the contents of the functions of the Committee, though it continued to be a consultative body, emptied of any decision-making power. One must stress that only on 13rd February, 1915, when the body was again subjected to remodeling, it started to include the presence of the cereal milling and baking industry¹³. In relation to what had been envisaged in August 1914, it became more essential to steer the activities of the Committee into the goal of solving the problem with cereals, which the government deemed a priority. The President of the Committee, Câmara Pestana, had already denounced situations of serious hoarding of maize in various regions of the country.

Ministry of Development (Ministério do Fomento), Decree n°808, *Diário do Governo* (Government Diary), I Series, n°154, 28th August, 1914.

10 Ministry of Development (Ministério do Fomento), Decree n° 810, *Diário do Governo* (Government Diary), I Series, n°155, 29th August, 1914. NA UK, FO 368/1383, *Portugal. Report on the Commerce and Finance of Portugal*, London, Foreign Office and Board of Trade, 1915, p. 13.

11 Decree n°767, Supplement to *Diário do Governo* (Government Diary), I Series, n°145, 18th August, 1914.

12 Ministry of Development (Ministério do Fomento), Decree n°1274, *Diário do Governo* (Government Diary), I Series, n°12, 16th January, 1915.

13 Ministry of Development (Ministério do Fomento), Decree n°1329, *Diário do Governo* (Diário do Governo), I Series, n°31, 13rd February, 1915.

Moreover, the guidelines of the body pointed towards greater liberalization of trade, having been proposed to the Development and Finance Ministers, that the export of some foodstuffs (such as eggs) be authorized, as they considered that the government could levy a special and temporary tax upon shipments bound for abroad, whose revenues could help cover the costs of the economic crisis.

Table 3 – Indexes of Living Costs – Portugal, Great Britain, France and Italy (1913-1916)

Years	Portugal - Retail prices of 25 alimentary goods, heating and washing, in Lisbon (a)	Great Britain - Retail prices of 23 items, in London (a)	France - Retail prices of 24 alimentary goods, heating and lighting in Paris (a)	Italy - Retail prices of 7 items (b)
1913	100	100	100	100
1914	110,2	116,8	116	113 (July)
1915	122,9	148,6	135 (b)	135
1916	151,1	181,3	159 (c)	151

(a) Considering the consumption rate; (b) Average of the first and third trimester

(c) Average of the first three trimesters

Source: "O custo da vida em Portugal [The cost of living in Portugal]" in *Boletim da Previdência Social*, Ano I, n.º 3, abril a agosto de 1917, p. 197.

On the other hand, the Association of Retail Food Sellers had also voiced its protest before the government, claiming that the prices of foodstuffs, set by tables, did not accompany the market movements, putting "(...) the small business in less favorable conditions before the consumer public (...)"¹⁴. On 6th April, 1915, the Regulatory Commission of Prices of Foodstuffs (Comissão Reguladora dos Preços dos Géneros Alimentícios – CRPGA) was created at the municipal level, to which the Minister of Development was put in charge of designing a table of prices of essential foodstuffs¹⁵.

In the beginning of January 1916, even before Portugal entered the war in Europe, the Minister of Development, António Maria da Silva, introduced at the Chamber of Deputies a proposal which advocated the need for the government to centralize, through the Ministry, all the arrangements concerning the supply of raw materials and goods of first necessity¹⁶.

14 Ministry of Development (Ministério do Fomento) Decree nº1483, *Diário do Governo* (Government Diary), I Series, nº67, 6th April, 1915.

15 *Idem*.

16 *Diário da Câmara dos Deputados* (Chambers' Diary), "Ministry of Development Bill Proposal", Session nº13, 3rd January, 1916, pp. 8-14.

The proposal was based on four fundamental points: (1) the pursuit of a centralizing policy giving the government broad powers to intervene; (2) the implementation of all the measures which would enable the government, through the Military Supplies, to buy and sell raw materials and goods of first necessity, as well as to prohibit or authorize the importation or exportation thereof; (3) the creation of a Central Committee of Supplies (CCS) to whom the Ministry of Economy would entrust the studying of all issues relating to the country's supply of essential raw materials; and (4) the commitment to act in line with the Military Supplies, who is charged with implementing the arrangements for the supply¹⁷.

The government reduced the problem of supplies to the consequences arising from the outbreak of war in Europe, blaming it for the major changes that had been taking place in Portugal, without advancing any deeper explanation to justify the scarcity of food. On 7th February, 1916, the government proceeded with the creation of the CCS¹⁸. Once more, the intervention of the state was considered essential to ensure the regular supply of the country and alleviate the scarcity of living conditions. The new body also evidenced the need that the problem of supplies had to be viewed in an integrated manner in its multiple aspects: economic, financial and legal. Inevitably the Committee sought, without much success, to get the Civil Governors as providers of elements capable to enable a better assessment of the general situation in the country, in particular the markets and the evolution of the price of essential goods.

A commitment was established in order to ensure the supply of major cities and authorize the transit of essential foodstuffs between municipalities, which implied a great effort of coordination and collection of statistical elements regarding agricultural production levels and national consumption, since the data available were practically non-existent.

At this time comments on the rising price of cattle were also recurring and exacerbated by the Army mobilization. Despite the government efforts the butchers of Lisbon had long ceased to sell meat, and to curb its price he had to intervene through the implementation of meat ban exports to Spain¹⁹. The outcome would be somewhat predictable, especially if we bear in mind the difficulty of importing cattle from Azores islands and the obstacles placed on the acquisition of Argentine meat. In this context, it is important to highlight the creation, in Lisbon, of the Meat Supply Committee, a body established under the Ministry of Labor and Social Assistance, to ensure and manage the supply of meat to the capital²⁰.

17 *Diário da Câmara dos Deputados* (Chambers' Diary), Chambers Bill Proposal Analysis, Session n°23, 18th January, 1916, p. 11.

18 Ministry of Development (Ministério do Fomento), Law n°480, *Diário do Governo* (Government Diary), I Series, n°22, 7th February, 1916.

19 *Diário da Câmara dos Deputados* (Chambers' Diary), Question from Deputy Costa Júnior to the Ministry of Development, Session 5, 7th December, 1916, p. 8.

20 Ministry of labor and Social Security (Ministério do Trabalho e Previdência Social), Decree n°2895, *Diário do Governo* (Chambers' Diary), I Series, n°249, 13th December 1916 and *Diário do Governo* (Chambers' Diary), II Series, n°30730, December, 1916.

The creation of the Meat Supply Committee turned out to reflect and translate the increased bureaucracy, the weight and the increasing complexity of the public administration, as evidenced by the price lists for the retail sale of meat, which was the responsibility of that Committee, although dependent on the Supplies Committee's approval. On the other hand, and acting in accordance with the general orientation of agricultural development and stimulus to domestic production, the government also passed a bill through which it sought to prevent the depopulation of the country in bovine, ovine and caprine breeds and pigs²¹. Significantly, it was not only the government who took measures to mitigate the effects of the lack of supplies; also, the municipalities, on their own initiative, adopted measures aimed at regulating prices and purchasing and selling food-stuffs to the public. This strategy clearly signaled the intention of the government to strengthen and enhance the capabilities of municipalities, giving them the necessary tools to organize food and fuel supply services, as well as the necessary transportation.

Above all, a supply policy hindered by shortages and deficient transport coordination was apparent – a vulnerability that ultimately determined the creation, under the dependence of the Minister of Labor and Social Assistance, of an Administration of Supplies (AA). The AA was charged with, in addition to the study of the coordination of maritime transport, the compilation of statistical elements relating to the movement of goods, prices, stocks, and availabilities²². By the way, we should point out that the AA functioned if the state of war lasted, and up to six months after the signing of the Armistice. Its assignments were based on seven key objectives: (1) studying the issues related to the supply of raw materials and goods of first necessity; (2) compilation of statistical elements relating to the movement of goods, prices, and availability, as well as laws and provisions adopted in various countries; (3) regulation of the implementation of production manifestos; (4) intervention in requisitions; (5) guaranteeing the country's supply of raw materials and goods of first necessity; (6) preservation of goods; and (7) supervision of all services of public supplies.

Indeed, the aim of the government was that the following institutions may work along with the Administration of Supplies: The Supplies Committee, the Committee of Distribution of Cereals and Flours, and the Meat Supply Committee²³. This way, it was made explicit the concern, but above all the defense of the goal in creating a central body, able to concentrate and follow the various supply operations (one should recall that through the AA the Ministry of Labor could buy and sell goods, especially raw materials and essential goods, in order to supply the country and normalize the domestic markets).

The Administration of Supply was extinguished in December 1917, following Sidónio Pais' military coup. By this time, though temporarily, the state ceased to hold an

21 Ministry of Labor and Social Security (Ministro do Trabalho e Previdência Social), Decree nº2921, *Diário do Governo* (Chambers' Diary), I Series, nº25730, December, 1916.

22 Ministry of Labor and Social Security (Ministro do Trabalho e Previdência Social), Decree nº3174, *Diário do Governo* (Chambers' Diary), I Series, nº87, 1st June, 1917.

23 *Idem*.

exclusive right to buy and sell wheat and maize²⁴. Only on 5th December, 1918, would a Directorate of Public Supplies Services (DSSP) be created, under the Ministry of Labor, with two main missions: (1) organizing the services relating to the supply of raw materials and essential foodstuffs; and (2) making all the arrangements essential to the internal market normalization²⁵.

The Ministry of Labor, through the DSSP, could buy or sell any raw materials and foodstuffs. The Civil Governors were in charge of promoting the organization, in each district, of a local Supplies Committee made up by town council members, farmers and industrialists. The Meat Supply Commission was extinguished by the same decree-law²⁶.

The government now sought to act centrally, so that instructions issued by the central organs were carried out throughout the country. This orientation was, as Vasco Pulido Valente mentions, "an effort toward autonomy, centralization and expansion of powers, which prepares the policy of concentrating in the state the exclusive distribution of the main foodstuffs" (Valente, 1968, p. 11). The state now controlled directly the issues relating to cross-border trade.

The DSSP was extinguished before the end of the war and in its place, was created the Ministry of Supplies and Transport²⁷, on 9th March, 1918. The new Ministry, which was granted wider powers and larger means of action than any of its previous counterpart bodies, guaranteed to the state the exclusive distribution of foodstuffs. Similarly, it was the only one issuing import and export licenses and, as such, it held the exclusive power to prohibit the export of certain products. It is needless to underline the impact and the importance of that measure; one should recall that, until the advent of Sidonismo, no Ministry or state department dedicated exclusively to the study of the problem of supplies had ever existed in Portugal. The Ministry should become extinct as soon as the circumstances arising from war allowed, and its services should then be scattered between the Ministries of Commerce, Labor and Agriculture²⁸.

In general, the main objective of Sidónio Pais was to reduce the animosity and generate consensus favoring the representation of producers and consumers interests. This entire complex structure involved heavy bureaucracy that acquired its maximum expression with the organization of the Directorate General of Supplies' services.

The institutional reform under way reflected an effort to centralize and enlarge authoritarian powers, whose aim was to prepare the concentration under the state of the exclusive power to carry out the distribution of main foodstuffs (Valente, 1968, p. 11).

24 Ministry of Labor (Ministério do Trabalho), Decree n°3670, *Diário do Governo* (Chambers' Diary) I Series, n°220, 19th December, 1917.

25 Ministry of Labor (Ministério do Trabalho), Decree n°3810, *Diário do Governo* (Chambers' Diary), I Series, n°24, 7th February, 1918.

26 *Idem*.

27 Presidency of Republic (Presidência da República), Decree n°3902, *Diário do Governo* (Chambers' Diary), I Series, n°46, 9th March, 1918.

28 *Idem*.

Therefore, it is worth stressing that, in this area, the competences of the General Directorate of Supplies (DGS), as defined under Decree n°3936 and compared with the powers of the old Directorate General of Public Supply Services, from which the new Ministry had been structured, suffered a considerable increase, as its powers included: (1) seizing raw materials, first necessity goods or any other goods within the territory of the Republic essential to the national economy; (2) authorizing the sale of foodstuffs to the public; and (3) adopting the measures deemed necessary to prevent or remedy the worsening of any crisis of supplies and of goods of first necessity²⁹.

It was in the same way that the state sought to ensure a more equitable distribution of imported goods. On March 27th, the concession to the Ministry of Supplies and Transport of the exclusive power to issue export licenses was formalized³⁰. It is worth recalling in this context the famous "*varejos*"³¹, but also the evolution occurred on the first days of April 1918, with the staff of the Civic Police being assigned the same fiscal powers of the supervisory body of the Directorate General of Supplies regarding the monitoring of prices and combating hoarding of essential foodstuffs³². Considering this reality it was for the first time published in Portugal an Ordinance forcing industries and their respective associations to state the actual quantities of raw materials necessary to meet their annual needs.

An additional reference should be made also to the municipal barns, instituted by Decree of April 22nd³³, which embodied the essence of the supplies policy under the *Sidonismo* or at least its two main objectives: to control and reduce to a minimum the levels of speculation; and to monitor the distribution of the goods available between city and countryside. In fact, the municipal barns had been created with the objective of purchasing, storing and distributing cereals (wheat, maize and barley) throughout the country. That was how the Minister of Supplies justified the prohibition of direct sale from producer to consumer, and assigned to the state the role of intermediary in agricultural transactions, in line with the will expressed by the Government to operate an increasing transfer of power to local authorities; in practice, the barns would never become more than instruments of the cereal industry, showing no great concern for the fulfillment of the aspirations of consumers (Pires, 2004, pp. 100-101).

29 Ministry of Food and Transportation (Ministério das Subsistências e Transportes), Decree n°3936, *Diário do Governo* (Chambers' Diary), I Series, n°54, 18th March, 1918.

30 Ministry of Food and Transportation (Ministério das Subsistências e Transportes), Decree n°3995, *Diário do Governo* (Chambers' Diary), I Series, n°63, 28th March, 1918.

31 Sale of products in small quantities.

32 Ministry of Food and Transportation (Ministério das Subsistências e Transportes), Administrative regulation n°1279, *Diário do Governo* (Chambers' Diary), I Series, n°67, 3rd April 1918, and Administrative Regulation n°1384.

33 Ministry of Food and Transportation (Ministério das Subsistências e Transportes), see Decree n°4125, *Diário do Governo* (Chambers' Diary), I Series n°84, 22nd April 1918, Administrative regulation n°1345, *Diário do Governo*, (Chambers' Diary), I Series, n°97, 6th May 1918, and, Secretary of State of Food and Transportation (Secretaria de Estado das Subsistências e Transportes), Decree n°4637 *Diário do Governo* (Chambers' Diary), I Series, n°157, 14th July, 1918.

The Ministry of Supplies was extinguished on July 14th, 1918³⁴. Under the same bill that extinguished it, the Government was authorized to rearrange the supply services: the General Directorate of Supplies transitioned to the Secretariat of State of the Interior, which in turn was divided into two services: supplies and exports (O Economista Português, 20th July 1918, p. 503). However, the need to directly centralize and supervise the supplies and maritime transport services eventually dictated the creation, on the last days of August, of a General Commissariat of supplies (CGA) which the Secretary of the Interior, Forbes da Bessa, organized into four Directorates-General: Supplies; External Trade; Land transport and Sea transport (Boletim da Previdência Social, 1918, pp. 217-220)³⁵. The CGA had a small duration. On October 10th, a new Secretariat of State appeared in the governmental organisation, which was a formal recreation of that of the Supplies, now renamed Provisions³⁶. Ten days later, the land transport was reorganized³⁷. In a short period, the number of authorities enforcing economic legislation also increased significantly.

On May 10th, 1919, the Ministry of Provisions and Transport emerged³⁸, to which the Government assigned the power of fixing the price of first necessity goods³⁹. The effects of the war determined that transitional agencies, created during the conflict, could hardly be considered unnecessary, as the economic crisis showed no signs of slowing down. The Ministry of Provisions and Transport was extinguished on September 17th, 1919. Its services were distributed between the Ministry of Commerce and Communications and the Ministry of Agriculture.

Development Promotion and Production

The third Government led by Afonso Costa (25/4/1917 – 10/12/1917) ordered the intensification of national agricultural production, creating at the Ministry of Labor, under the General Directorate of Agriculture, a provisional service named the Service of Agricultural Mobilization⁴⁰. In general terms, the Decree n°3619 envisaged, in addition to easy access to seeds, machinery and engines, the promotion of the use of uncultivated lands and the distribution of prizes to farmers who proved to have made formerly

34 Presidency of the Republic (Presidência da República), Decree n°4639, *Diário do Governo* (Chambers' Diary), I Series, Supplement to n°157, 14th July, 1918.

35 Secretary of State Interior (Secretaria de Estado do Interior), *Diário do Governo* (Chambers' Diary), I Series, n°188, 30th August, 1918.

36 Presidency of the Republic (Presidência da República), Decree n°4879, *Diário do Governo* (Chambers' Diary), I Series, n°221, 10th October, 1918. NA UK, FO 371/3369, official note of 18th October, 1918 sent by Lancelot Carnegie to A.J. Balfour, p. 1.

37 Secretary of State of Supplies (Secretaria de Estado dos Abastecimentos), Decree n°4903, *Diário do Governo* (Chambers' Diary), I Series, n°229, 21st October, 1918.

38 Ministry of Supplies (Ministério dos Abastecimentos), Decree n°5787G, *Diário do Governo* (Chambers' Diary), I Series, 18th Supplement to n°98, 10th May, 1919.

39 Ministry of Supplies (Ministério dos Abastecimentos), Decree n°5565, *Diário do Governo*, (Chambers' Diary), I Series, n°98, 10th May, 1919.

40 Ministry of Labor (Ministério do Trabalho), Decree n°3619, *Diário do Governo*, (Chambers' Diary), I Series, n°208, 27th November, 1917.

unproductive lands produce. In fact, the philosophy behind the bill enabled one to foresee, with some precision, different methods of action not only in relation to agriculture, but also for the State and for the administrative corporations. The bill 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 products⁴¹.

Moreover, an increasing number of people, all over the country, suggested the appointment of a commission to oversee daily monitoring of the eternal national external dependence from supplies, something like the *Association Nationale d'Expansion Economique* (ANEE), created in Paris in the previous year. Therefore, one also should not underestimate the initiatives proposed by the Portuguese Industrial Association, during the general meeting held in July, envisaging to promote the study, the defense and national economic progress: "(...) the divorce between the action of the state and the economic interest of nations should not and must not continue (...) and the state, in order not to become isolated and weak, will not be able to alienate the support of these communities, because it will be based on them, rather than on the current sterile partisanship, that it will establish its prestige (O Trabalho Nacional, 1917, p. 112).

We should also point out the way in which the establishment of a body with similar features to those of *Association Nationale* was presented as a fundamental condition to ensure the defense of the legitimate interests of our country, especially at the international level. It was this reality that Member of Parliament Antonio Macieira exposed in Parliament, drawing attention to the need "not to be taken by surprise, without preparation", when faced with the desires and ambitions of the remaining Allies⁴².

The encouragement of agricultural production was advocated as a fundamental doctrine, assuming as criterion the need to enable the gaining of higher profits for producers, which was expected to contribute to harm the middlemen who had speculated and profited at the expense of the population over the years of war. One should remember that many farmers, faced with the increase in the price of fertilizers, machinery, tools and agricultural wages, had chosen to abandon the fields or to raise cattle, using agricultural land for pastures, an option that, in addition to requiring less industrial products and less manpower, allowed them to obtain higher sales revenues. To this reality one should also add the acknowledgement by some lines of thought that it was up to the Ministry of Labor to promote the expansion in farming of foodstuffs of first necessity, by decreeing it as mandatory, if necessary, whenever private initiative failed to correspond with the conditions and incentives offered: "In the situation that we find ourselves in due to the war, the production of corn, rye, rice, potatoes and even perhaps other supplies is a role that may be imposed on agriculture in the name of public safety" (O Trabalho Nacional, 1918, pp. 17-19).

The Ministry of Labor eventually assumed, directly, the issues related to the intensification of agricultural production, making them depend on the use of dams, reservoirs and canals, streams and waterfalls within rivers, and rain water. Therefore, the most inter-

41 *Idem*.

42 *Diário da Câmara dos Deputados* (Chambers' Diary), Session nº116, of 10th August, 1917, p. 16.

esting thing was the acknowledgement that, despite everything, it was still the state who had the best resources and means necessary to transform an agriculture rooted in structurally inefficient practices into a sector capable of ensuring the expansion of production and, consequently, the reduction in levels of imports of agricultural goods. Ultimately, the effort to be carried out by the private sector was thought to be very slow, and not very intense, in a situation where speed was essential to the planned enlargement and intensification of agricultural production.

On 26th January, 1918, Cunha Coutinho (1885-1949) spoke at a conference at the Geographical Society of Lisbon on the role and functions of the agronomic and agricultural education in intensification of production. It was now that the need for the "national crisis", which had long been affecting the country, to be solved or mitigated by entirely new processes began to be considered more seriously. This task should be based on four fundamental assumptions: (1) the preparation of a plan of agricultural promotion; (2) the completion of a large, deep and thorough survey on the agricultural situation of the country; (3) the establishment of moveable agricultural schools; and (4) the reorganization of credit (O Economista Portuguez, 1918, p. 251).

We must also emphasize the creation of the Ministry of Agriculture⁴³, a body whose direction would be entrusted to the President of the Central Association of Portuguese Agriculture, Fernandes Oliveira. Indeed, right after 1st April, the newly created Ministry of Agriculture legislated with a view to the establishment of agricultural cooperatives and mutual and livestock insurance, as well as on the development of all means of intensification of agricultural production, through access to credit⁴⁴. On 12th June, the Secretariat of State of Supplies and Transport raised to 5 million escudos the special agricultural credit fund⁴⁵. Amidst the authorized funding, the largest part was destined for technological-agricultural development of farms, a very vast domain, as it included such diverse operations as the purchase of fertilizers, plants, seeds, pesticides and fungicides, but also machines, utensils, tools, vaccines and serums for the treatment of cattle⁴⁶.

Conclusions

The war was a turning point in relation to the role of the state, opening the way for a redefinition of its functions at the level of organization and management of economic activities and of the productive system. The state began to intervene more and more, creating new administrative bodies (Ministry of Supplies and Transport), which enabled it to control foreign trade directly to prevent the shortage of raw materials in the market; however, the organization of Portuguese war economy did not translate into an intense

43 Presidency of the Republic (Presidência da República), Decree n°3902, *Diário do Governo* (Chambers' Diary), I Series, n°46, 9th March, 1918.

44 Ministry of the Agriculture (Ministério da Agricultura), Decree n°4022, *Diário do Governo* (Chambers' Diary), I Series, n°65, 1st April, 1918.

45 Secretary of State of the Agriculture (Secretaria de Estado da Agricultura), Decree n°4396, *Diário do Governo*, (Chambers' Diary), I Series, n°128, 12th June, 1918.

46 Ministry of the Agriculture (Ministério da Agricultura), Decree n°4022, *Diário do Governo* (Chambers' Diary), I Series, n°65, 1st April, 1918.

mobilization of resources. On the other hand, it is also clear that any attempt to define a supply policy would necessarily be impaired by the effects of shortages and inadequate coordination of transport.

The situation of war did not allow for agriculture, except for the brief period of *Sidonismo*, to reverse the production downfall for most goods, which corresponded to an old trend. The sector was broadly affected not only by the difficulties of access to certain inputs (seeds, fertilizers), but also by the decrease in the exports of some basic products of agricultural economy, notably Port wine, and by unfavorable climate conditions. On the other hand, some of the measures adopted, price-fixing and the farmers' obligation to state production numbers, also had negative reflexes, generating discontent amongst the agrarians. In fact, the Portuguese industry, where the State intervention was only felt shyly, managed to take advantage of the situation. It is worth remembering that the impossibility of importing goods gave space and arguments for the sector to develop industries that under different conditions would have hardly been profitable. One must therefore highlight the way in which this survival "strategy" was inseparable from the existence of three major factors: (1) high prices; (2) low wages; and (3) almost total absence of competition in the international field. For the most part, renovation or modernization of production structures was absent.

The country's economic reorganization would inevitably go through a concerted development strategy, as the only way to counteract the low levels of production and, consequently, the growing difficulties in terms of supplies and provisions. Actually, as French politician André Tardieu recalled: "the economic organizations of the war will remain as powerful instruments of economic action after the return to times of peace"⁴⁷.

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ENTERING THE FIRST WORLD WAR

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