

SHORT HISTORY OF PAPER MONEY IN PORTUGAL

The **first money paper** appeared in **China**, in the **7th century**, in the **Tang** dynasty to make it possible for traders to carry large amounts of metal coins, with low value.

The **Museum of Paper Money** displays a specimen of a **Chinese bill of the Ming dynasty 1368-1699**. That bill was worth 100 bronze coins used daily, that weighed 3,5 Kg.



Chinese Bill from the Ming Dynasty

In Europe, the first bank is the Bank of Stockholm that was created in Sweden in 1656. Next is the Bank of England in 1694 and the Bank of France in 1700.

The first Portuguese Bank does not appear in the continent, but in Brazil, in 1808, in the realm of D. João VI. This strange fact has to do with the departure of the court to Brazil, due to the invasions by Napoleon.

Paper money appears in Portugal in **1796**, during the kingdom of **D. Maria I**. The decadence of the exploitation of the golden mines in Brazil and the increase of the State expenses were the origin of the appearance of **paper money**.



D. Maria I

Portugal, coming out from the war of **Roussillon**, was facing a strong **economic crisis**. To solve this problem, Queen D. Maria signs a decree in **1796**, authorising a loan of 10 million cruzados. The Royal Treasury issued the "**Apólices do Real Erário**" (**Bonds of the Royal Treasury**), which paid interests of 5% to 6% per year.

Thus, appear the **Apólices do Real Erário**, documents that are very interesting due to the richness of their drawings that usually refer to agriculture activities. Some people consider them real **bills** because at a certain time they were compulsory. They were worth between **1.200 reis and 20.000 reis**.



Apólice do Real Erário

The **first bill in the continent** appears with the creation of the “**Bank of Lisbon**”. The Bank of Lisbon was created in **1821** with commercial and issuing functions.



19\$200 Reals, Bank of Lisbon

This monopoly of issuing notes was broken in **1834** by the **Commercial Bank of Oporto** that was authorised to issue banking bills. Later appeared other Issuing Banks in the North, such as the **Aliança Bank**, the **Commercial Bank of Braga**, the **União do Porto Bank** and the **Bank of Minho**.



Bill of the Commercial Bank of Braga

In fact, the **plurality of bill issuers** represented some difficulties related with the total control of the bill issuing and even some complexity. The **Bank of Portugal** will appear, in **1846**, from the merge of the Bank of Lisbon with the Confiança Nacional Company.

The Bank of Portugal started by being another bank, without the monopoly to issue bills. From the beginning of its activity it became one of the main creditors of the State and in 1887 it was even authorised the establishment of an agreement that grant it the functions of State Banker and treasury savings bank. From that time on the Bank of Portugal could issue bills, with legal course, payable in cash and to the holder and representing golden coins. The plurality of issuing banks ended and the Bank of Portugal started to be the only bank that could issue paper money in 1989.

D. Maria II was the Queen which was responsible for the creation of Banco de Portugal and also for the decimal system.



Fig. 6 - D. Maria II

The Bank of Portugal, in the last decade of the 19th century, it has issued bills of 200, 500, 1.000, 2.500, 5.000, 10.000 reis.



5.000 reis

In 1910 there was a Revolution which put an end to the Monarchy. The standard currency was the escudo. The Bank of Portugal went on issuing bills, usually with historic pictures. The last issue evoke the Portuguese Discoveries and was printed in 1996.

The Portuguese banknote with higher face value was the 10.000 escudos bill. It represented the Infante D. Henrique which is known as the "father" of the Discoveries.



10.000\$00

With the participation on the European Union, we have a single currency, the Euro. The Portuguese escudos have disappeared. Now it is time for the Euro.

There is a kind of return to the roman times when there was a single currency all over the empire.

All this happened in Portugal, in the European Continent. What happened in the Colonies?

Banco Nacional Ultramarino was created in **1864**. It was responsible for the standardisation of the monetary system in the Portuguese colonies. After the first bills issued by the local Treasury branches, the B.N.U. obtained the status of issuing bank for the colonies.



Symbol of the Banco Nacional Ultramarino

The first bills issued for the overseas Portuguese territories were **hand-written** (except for Guinea and Timor). In **March 1909** the issuing for the five colonies in Africa is standardised, with the image of the navigator Vasco da Gama. From that date on the bills started to have the same values, only being different in colour and with the indication of the provinces.



B.N.U. bill with the image of Vasco da Gama

Stamped Paper is one of the most ancient documents existing in the Museum. It was officially created by decree of the **24th December 1660** and promulgated by **D. Afonso VI**. Stamped paper has always been a precious source of income, both for the Monarchy and for the Republic and existed for over 300 years. The Ministry of Finance extinguished it with a decree-law in **1986**.



Stamped Paper

One of the strategies adopted to develop economy in the **18th century**, was the creation of **Companies** that would hold the largest part of the trade with the Portuguese colonies. IT was because of the creation of such companies that **Shares** appeared in Portugal. They are certificates representing the share that the partners have in the capital of a company.



Share issued by a company created by Marquis of Pombal

The **lottery** started being used for the first time in **Italy**, in **1448**, in the trade market as way to sell products in cities such as Venice, Florence and Genoa. The income of it is alleged to have been used in building the S. Pedro Basilica, in the Vatican. In **1539**, lottery is introduced in **France**, in **1470** in **Germany**, in **1568** in **England** and in **1763** in **Spain**.

In **Portugal**, only with the **Infante D. Pedro** after his royal order dated from **May 1688**, the **lottery** was created with the objective of obtaining income for financial operations.



Lottery, 1830

In 1783, in face of the economic recession of the Santa Casa da Misericórdia, Queen D. Maria I granted permission to Santa Casa da Misericórdia to organise the lottery, a decree that rules until our days.

The first lotteries held in Portugal were called Royal lotteries and only after 1805 they started to be called National.

In 1798 a lottery draw would take 34 days and four hours per day. It was made with small pieces of folded paper that would come out from two rolling spheres, kept during the night by guards. In the first ordinary lottery of 1925 the prize was 400 thousand escudos, while in 1918 the largest prize was 20 thousand escudos and the second two thousand escudos. In 1936, the net profits distributed by the National Lottery were over 29 million escudos.

In the Museum of Paper Money there is also some emergency paper money. Emergency paper money is the name given to the paper document representing small value money considered as “pocket money” usually convertible into poor metals such as bronze or copper. To this type of paper money it is also given the name of “emergency money” since it has only been used in situations of temporary crisis and lack of metals. In Portugal, we may say that there were two distinct large periods when emergency paper money has been issued: the period before the 1st World War (1891); and the other at the end of that same war (1917-1922).

The emergency paper money issued by the Mint House in 1891 (was worth 10 cents - bronze), have come up due to the severe economic crisis and the consequent lack of golden coins and, mainly, silver coins, that had low values, between 50 and 1.000 reis.

On the second period, after the First World War, due to the lack of metals, mainly copper and bronze caused by the war, those coins were forestalled or used in industrial activities. For that reason, the Mint emergency paper money of 5 and 10 cents appear and, even though formally forbidden, several emergency paper money issued by the Municipalities, by private entities and companies and even by some Government bodies appear, with values between 1 and 10 cents.



Emergency paper money of the Oporto Municipality