

Banks, Economics, and Power during the Second Reign: The Sociedade Bancária Mauá, MacGregor & Cia, 1854-1866

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The creation of the Brazilian Commercial Code and the end of the slave trade were essential events for the development of urban economic activities in Rio de Janeiro during the 1850s. The commercial capital that had been employed in the profitable Atlantic slave trade [Lobo, 1978, pp. 210-13] could now be invested in the domestic market.

The fears of the Brazilian economic elite concerning the new uses of this commercial capital were also those of the consolidated and centralized Brazilian Empire State. Supporting the interests of the dominant classes associated with the slave- and coffee-based economy in the state of Rio de Janeiro [Mello, 1984, p. 53], the federal state raised obstacles to investments in the productive activities of the primary and secondary sectors, in extractive and manufacturing industries. The 1866 Justice Department Report shows that the capital invested and the number of corporations and limited partnerships organized in Rio de Janeiro between 1850 and 1865 that were associated with the tertiary sector of the economy were far greater than in the secondary and primary sectors. Among the companies organized in the tertiary sector, banks, insurance, and transport companies (railroads) stand out, whereas in the secondary and primary sectors, only mining and textile companies were significant [Levy, 1977, pp. 78-80].

One of the most active participants in the process of consolidating the Empire State was businessman Irineu Evangelista de Souza, later Baron (1852) and Viscount (1875) of Mauá [Mauá, 1943, p. 327]. With a group of "national and foreign businessmen," he organized the Sociedade Bancária Mauá, MacGregor & Cia in Rio de Janeiro in 1854. The creation of this enterprise raises the following questions: What were the intentions of Mauá and his group in creating a bank? And what kind of bank was the Sociedade Bancária Mauá, MacGregor & Cia?

Organization

The Sociedade Bancária Mauá, MacGregor & Cia was organized on July 26, 1854. According to its charter, it was a *société en commandit per actions* with a capitalization of 6,000 *contos*. The Baron of Mauá organized the bank along the

lines of the Caisse Générale du Commerce et de Industrie of French banker Jacques Laffite [Kindleberger, 1988, pp. 141-46], because that kind of commercial society was not covered in Brazil's Commercial Code. This form, according to Mauá, was "the way to make the new society operate outside the government rulings that corporations had to submit to, since there was an exorbitant regulation in the code that made it possible for corporations to be administratively dissolved regardless of the intervention of the shareholders' vote, and that seemed to me, concerning the use of the capital, an anomaly" [Mauá, 1943, p. 232].

Table 1: *Partner-Managers of the Sociedade Bancária Mauá, MacGregor, & Cia*

Name	Commercial Address	Activities	Country of Birth
Irineu Evangelista de Souza (Baron of Mauá, 1854, and Viscount of Mauá, 1874)	Rua da Direita, 52	National Businessman* Textile Wholesaler - mat. no. 275, 5/05/1851** Director of Carruthers & Co., mat. no. 279, 5/05/1851** Shareholder and president, Banco do Brasil (1851-53) President of the Imperial Cia de Navegação a Vapor (steamboat company) and Estrada de Ferro Petrópolis (Railroad company) (1852)	Brazil
João Ignácio Tavares	Rua do Sabão, 10	National Businessman* Director of Banco do Brasil (1851-53) Shareholder of the Imperial Cia de Navegação a Vapor and Estrada de Ferro Petrópolis (1852) Director of the English company Edward Johnston & Co. (1848)	Brazil
Alexander Donald MacGregor	Rua de São Pedro, 7	Exchange* and Public Funds Broker, mat. no. 402, 10/6/1851** Textile importer from Liverpool	England
José Henrique Reynell de Castro		Partner of Carruthers, Castro, & Co. (Manchester)	Portugal

Sources: **Almanack Laemmert Administrativo, Mercantil e Industrial da Corte e Provincia do Rio de Janeiro* (Rio de Janeiro, 1851-55); Cartório do 3º Ofício. Livro de Notas nº 213, 27/05/1854 a 26/10/1854, folhas 87-88; Cartório do 3º Ofício. Livro do Registro Geral nº 13, 27/05/1854 a 08/05/1855, folhas 37v e 38; Stanley D. Chapman, *Merchant Enterprise in Britain: From the Industrial Revolution to World War I* (Cambridge, England, 1992), pp. 104-5.

**Registro de Cartas e Matriculas dos Comerciantes, Corretores, Agentes de Leilões, Trapicheiros e Administradores de Armazens e Depositos do Tribunal do Comercio da Capital do Império. IC³57. Livro 1, 1851-1855;

Two aspects of the bank's charter deserve attention: the direction of the company and the creation of a London branch. The bank was directed by a board composed of the four largest shareholders, who were made partner-managers (see Table 1), and a fiscal council, formed by five members chosen from among the twenty-five largest shareholders and silent partners. The silent partner list included most of the prominent national businessmen of the Rio de Janeiro Trading Center such as Militão Máximo de Souza (the Viscount of Andaraí) and José Antônio de Figueiredo, as well as representatives of many foreign firms, most of them English. The presence of these firms is not surprising, since the Baron of Mauá had numerous connections with English commercial capital, primarily that associated with the slave trade. The firm Carruthers & Co., of which he was a partner with Richard Carruthers, along with other firms such as Mackay, Miller and Co., Hogg, Adam, and Co., and Andrew and Edward, financed slave traders in Rio de Janeiro behind the façade of imports and exports [Marchant, 1950; Tavares, 1988, pp. 129-35]. The association of Carruthers & Co. with slave dealer and trader João Rodrigues Pereira de Almeida (Baron of Ubá) clearly illustrated this relationship [Gorestein, 1993, p. 141].

The London branch of the bank was located in the City, the most important commercial and financial center in the world, and its purpose was to attract capital, especially through exchange operations. As a financial center, the City played four essential roles in Mauá's project: 1) it facilitated the payment of any amount, rapidly and safely, without using currency; 2) it financed the production and transportation of raw materials all over the world; 3) it centralized savings and investments; and 4) it centralized exchange and international commercial operations.

The starting date for the operation of the bank was set for September 1, 1854, after the subscription of all its shares, worth 1:000\$000 each, totaling 6,000:\$000 (six thousand *contos*). The opening did not occur, however, because of a controversy over the bank's organization. Even though it had received a guarantee from the State Council, the head of government, that the problem of joint-stock companies would be examined only in the following legislature, due to open in April 1855 [Carvalho, 1996, p. 327], the bank was not permitted to organize as a joint-stock society. The Imperial government, through decree no. 1484 on December 13, 1854, prohibited this kind of property organization, claiming that it was not listed in the Commercial Code [Nabuco, 1949, pp. 262-63].

Unable to organize the bank as he intended, Mauá summoned a shareholders' general assembly on December 23, 1854, where the society was reorganized as a joint-stock company. Even without the approval of the Fiscal Council to open branches in Belém (Pará) and Rio Grande (Rio Grande do Sul) [*Jornal do Comércio*, 1866, p. 2], the bank performed well in its first years of operation. As can be seen in Table 2, the bank distributed dividends to its partners, increasing them from 61\$000 in July 1857 to 70\$000 in January 1859. Table 3 records the bank's balances between 1856 and 1858; in nominal values, the volume of loans rose from 7,798 *contos* in December 1856 to 13,604 *contos* in December 1858, and the cash account rose from 397 to 1,551 *contos*. There was an increase in liabilities from 2,215 *contos* in January 1856 to 13,139 *contos* in December 1858.

Table 2: *Distribution of Dividends*

July 1857	61\$000
January 1858	61\$000
January 1859	70\$000
July 1859	55\$000
1860	45\$000
1861	45\$000
1862	45\$000
1863	45\$000
1864	45\$000

Source: *Jornal do Commercio*, Commercio, 1858-1864.

Table 3: *Balances of Banco Mauá, MacGregor & Cia, 1856-1864 (in contos de réis)*

	1856		1857		1858		1859		1860	
	jun.	dec.	jun.	dec.	jun.	dec.	jun.	dec.	jun.	dec.
1. Assets accounts										
1.1 Loans:										
1.1.1 Discounted bills	3,099	3,390								
1.1.2 Cautionary bills	343	226								
1.1.3 Mortgaged bills										
1.1.4 Current accounts	3,576	3,924								
1.1.5 Bills receivable	172	258			13,604				13,602	13,605
1.3 Cash account	639	397			1,551	271			328	357
2. Liabilities accounts										
2.1 Capital	6,000	6,000			6,000	6,000	6,000	6,000	6,000	6,000
2.2 Reserve fund	71	99			596	622			163	183
2.3 Deposits										
2.3.1 Current accounts					13,139	7,515			8,615	8,414
2.3.2 Interest bonds	2,215	2,190			880	849			1,097	815
2.4 Issues										
	1861		1862		1863		1864			
	jun.	dec.	jun.	dec.	jun.	dec.	jun.	dec.		
1. Assets accounts										
1.1 Loans:										
1.1.1 Discounted bills										
1.1.2 Cautionary bills										
1.1.3 Mortgaged bills										
1.1.4 Current accounts										
1.1.5 Bills receivable	1,046		7,881	6,720	7,964	6,218	6,223	2,328		
1.3 Cash account	332		323	323	506	506	440	653		
2. Liabilities accounts										
2.1 Capital	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000		
2.2 Reserve fund	183		220	225	268	286	239	175		
2.3 Deposits										
2.3.1 Current accounts	5,188		3,542	2,789	4,251	2,491	2,235	353		
2.3.2 Interest bonds	861		804	610	751	815	1,022	722		
2.4 Issues										

Source: *Jornal do Commercio*, Balanço do Banco Mauá, MacGregor & Cia, 1856-1864, and Brasil, *Comissão de Inquérito sobre as causas da crise na Praça do Rio de Janeiro de 1864...* (Rio de Janeiro, 1865), p. 234.

Analysis of these balances reveals several important characteristics about the main operations of the bank. It becomes clear, for example, that the bank did not deal in mortgages, whereas it engaged heavily in discounting bills. The bank

did not issue vouchers, having no entries recorded in the balance. The bank had tried to issue commercial vouchers in 1855, vouchers to bearer and a five-day term, but it was forbidden to do so by the government. The government argued that such vouchers could increase the volume of the circulating medium. In fact, control over note issues was part of the government's monetary policy, established by the Monetary Reform of 1846 and the Banking Reform of 1853. By establishing the parity of the currency at 1\$=27 pence, and by giving an issuing monopoly to Banco do Brasil (the third bank of that name), created by the 1853 reforms, the government maintained control of the currency. The regime saw this as necessary to prevent foreign exchange depreciation, which would hinder the entrance of the foreign capital indispensable to Brazil's rural exporting economy. The Brazilian Imperial government's attempt to follow a gold standard policy is very clear [Pelaez and Suzigan, 1981, pp. 67-85].

The 1857 Crisis and the Banco Mauá, MacGregor & Cia

The growth of commercial and manufacturing activities in Rio de Janeiro, as well as the drain of gold toward the northeast resulting from the pressure of the commercial circuit of Salvador and Recife, especially in relation to the slave trade, from the mills to the coffee plantations in Vale do Paraíba and Minas Gerais, forced the government to allow Banco do Brasil to issue the equivalent of three times its available funds; the bank's issues rose from 15,531 *contos* in 1854 to 40,128 *contos* in 1856 (see Table 4).

Table 4: *Circulating Paper Money and Exchange Rate*

Paper Money Issued (<i>contos de réis</i>)		Exchange Rate (pence per thousand réis)			
Year	Treasury	Banks	Total	Maximum	Minimum
1850	46,884	1,147	48,031	28	26 $\frac{3}{4}$
1851	46,684	1,313	47,997	30 $\frac{1}{2}$	27 $\frac{1}{2}$
1852	46,684	3,631	50,315	28 $\frac{1}{4}$	26 $\frac{1}{2}$
1853	46,693	5,569	52,262	29 $\frac{1}{4}$	27 $\frac{1}{2}$
1854	46,693	15,531	62,224	28 $\frac{5}{8}$	26 $\frac{1}{2}$
1855	46,693	21,063	67,756	28	27
1856	46,693	40,128	85,827	28 $\frac{1}{4}$	27
1857	43,677	51,540	95,217	28	23 $\frac{1}{2}$
1858	41,655	50,905	92,570	27	23 $\frac{3}{4}$
1859	40,701	55,172	95,873	27	23 $\frac{1}{4}$
1860	37,600	50,391	87,991	27 $\frac{1}{4}$	24 $\frac{1}{2}$
1861	35,108	46,904	82,012	27 $\frac{3}{4}$	24 $\frac{1}{2}$
1862	3,324	45,740	79,064	27 $\frac{3}{4}$	24 $\frac{3}{4}$
1863	30,594	51,127	81,721	27 $\frac{1}{8}$	26 $\frac{3}{4}$
1864	29,094	70,449	99,543	27 $\frac{3}{4}$	25 $\frac{1}{2}$

Sources: Amaro Cavalcanti, *O meio circulante nacional* (Rio de Janeiro, 1893), p. 314, and Arilda M. C. Teixeira, "Determinantes e armadilhas da política monetária brasileira no II Império" (Diss. de Mestrado, Niterói, Faculdade de Economia/UFF, 1991), p. 60.

This authorization, which contradicted the regulations governing Banco do Brasil, permitted the continuation of direct investment in production, but at the expense of inflation. During the whole year of 1850, only 15 shares were traded during five days. Of these, twelve belonged to banks and the remaining three were from a steamship company. In 1855, there were 132 transactions on the stock market in Rio de Janeiro, an increase of 880 percent compared to 1850. Sixteen companies were regularly quoted on the Rio de Janeiro stock market, of which four were banks, four were transport companies, three dealt in public services, one in shipbuilding, one in a perfumery, and one in agricultural colonization. The remaining two had lines of business that could not be identified [Levy, 1977, p. 83].

The conservative fear that the issuing of currency and liberal economic practices could generate an economic crisis was already being felt. José de Alencar, a famous novelist and lifelong senator of the Conservative party, published an article in *Correio Mercantil* on January 12, 1855, describing the excitement of the stock market. Calling to his colleagues' attention the dangers that stock speculation could pose for the Imperial order, he proposed greater government intervention.

Political disagreement worsened with the death of Honório Hermeto Carneiro Leão, the Marquis of Paraná, who was president of the Council and Treasury Minister. Aiming to avert a political crisis, the Marquis of Olinda, the new president of the Council, appointed liberal Bernardo de Souza Franco, later Viscount of Souza Franco, to head the Treasury Department, in a position later known as the conciliation office. Associated with Mauá's group and himself an opponent of the Imperial government's economic policy, Souza Franco promoted banking and monetary reforms in 1857 that supported his views: banking plurality and the end of the issuing monopoly of Banco do Brasil. Through these reforms, which recognized the right of various provincial banks to issue currency, Souza Franco proposed a modification in the credit system [Andrade, 1987, pp. 58-59].

The implementation of the new policy led the discount rate to drop from 11 to 8 percent and reinstated the regional issuing regime that had preceded the monopoly given to Banco do Brasil in 1853. Now, however, the new banks "would place in circulation bonds to bearer, at sight and without interest, under the State administration" [Andrade, 1987, p. 59].

Souza Franco's policies only intensified the dispute between adherents of the banking and the currency schools. During his throne speech in June 1857, before the approval of the new banking statutes, Sales Torres Homem, a supporter of the currency school and then president of the Banco do Brasil, criticized the new economic policy of Minister Souza Franco. The Treasury Minister answered this criticism, making public the division in the government over economic policy [Andrada, 1923, pp. 79-84].

By the time the provincial banks were authorized to begin operations, the recovery of Russian cereal exports had caused a spectacular drop in commodities prices, which had a domino effect throughout Western Europe, affecting banks and stock markets. This shock interrupted a general trend of increasing prices that had been caused in part by the discovery of gold in California and in Australia in the early 1850s [Hobsbawm, 1982, p. 52; Kindleberger, 1992, pp. 165-67].

The 1857 crisis represented an interruption in prosperity on a global scale previously unheard of. Worried about the repercussions of the crisis in Brazil, English creditors began to apply pressure: not only did they demand that debts be immediately paid off, but they also refused to extend deadlines, which had in practice allowed a rollover of debt. The gold standard had been adopted, so this pressure led to a net outflow of currency, since the convertibility of paper money operated as a warrant to creditors during moments of crisis. The net outflow of currency represented by the foreign exchange remittances in 1857 was 76 percent greater than in 1856 [Andrade, 1987, p. 66]. Examining Table 5, we can see that the exchange remittances to London in 1857 were far greater than in other years of the 1850s.

Table 5: *Foreign Exchange Remittances Made to London (in pounds)*

Year	Rio de Janeiro	Bahia	Pernambuco	Total ^a
1850	175,000	176,500	118,095	524,695
1851	178,000	166,900	143,153	540,758
1852	201,227	194,566	189,447	601,561
1853	152,000	143,575	180,262	522,588
1854	381,915	74,706	33,100	542,222
1855	460,107	20,500	72,000	568,107
1856	403,241	95,000	40,000	538,241
1857	685,000	145,000	118,650	948,650
1858	417,000	—	—	—
1859	956,651	64,000	46,500	1,067,151

^a Values of the provinces of Maranhão, Pará, and others are residual or incomplete.

Source: Brasil, Comissão de Inquérito sobre o meio circulante; Ana M.R. de Andrade, "1864" conflito entre metalistas e pluralistas" (Diss. de Mestrado, Rio de Janeiro, IFCS/UFRJ, 1987), p. 66.

Pressured by the conservatives, who declared his policy the cause of the exchange depreciation and the economic crisis, and unable to rely on Banco do Brasil, whose president was his opponent, Souza Franco turned to Banco Mauá, MacGregor & Cia. As described in the 1858 Treasury Ministry report, that bank, through a program of withdrawals from its London branch, enabled Brazil to overcome the crisis and to reestablish foreign exchange [Brasil, 1858, p. 9].

The action of Banco Mauá, MacGregor & Cia led the conservatives, who controlled the Legislative Assembly, to accuse the Treasury Minister of favoring the bank and promoting speculation. Although such accusations did not appear in the inquiry begun in 1859, the blame for the crisis nevertheless fell on the speculation and monetary policy of the Treasury Ministry [Brasil, 1859]. In response, Mauá suggested that the speculation had begun with the organization of Banco do Brasil [Mauá, 1943, pp. 236-39].

Examining the course of Banco Mauá, MacGregor & Cia after the 1857-58 crisis, one notices a tendency toward difficulties. Even ignoring the 1857 balance sheets, it can be seen that in the liabilities column there was a decrease of almost 45 percent in deposits in current accounts, falling from 13,139 *contos* in December 1858 to 7,515 *contos* in June 1859. Unfortunately, the available data do not allow

a deeper analysis of the bank's assets; however, one can see that the bank's cash account dropped from 1,551 *contos* in December 1858 to 271 *contos* in June 1859. The dividends distributed to the partners dropped from 70\$000 in January 1859 to 55\$000 in December (see Table 2).

The 1857-58 crisis signified the start of the difficulties of the Brazilian financial system, involving banks, banking houses, discount houses, commissioners, and producers. The famous banking house Alves Souto, one of the greatest of the time, suffered a dangerous run, and others such as Antonio José Domingues Ferreira and Astley Wilson & Co., which had participated in loans with Banco Mauá, MacGregor & Cia, went bankrupt. To give an idea of the magnitude of the crisis, losses were estimated at about 15,000:000\$000 *contos*, and the number of annual bankruptcies increased from forty-nine in 1857 to ninety in 1858 [Brasil, 1865, p. 270].

Politically weakened, Souza Franco was replaced by Sales Torres Homem, who presented a bill, no. 50, to the Assembly on June 30, 1859, that reaffirmed the postulates of the gold standard and insisted on the return of the issuing monopoly to Banco do Brasil.

The 1860 "Law of Restraints" and the Reform of the Banking System

The bank reform bill, law no. 1083, approved on August 22, 1860, and known as the "Law of Restraints," only added to the difficulties faced by Brazilian banking institutions. The main points of the new law included a greater control over the constitution of corporations, which, besides needing government authorization as dictated by the Commercial Code, now also required the approval of the Legislative Assembly (Article 2). As for banks and banking houses, no independent bank could issue notes unless it was capable of redeeming them in gold, which applied in a declaration of bankruptcy (Article 1), and only Banco do Brasil and its branches obtained this authorization. According to Maria Barbara Levy, this law clearly showed that "the Imperial government, unable to eliminate the plurality of issuing, would try to restrict it" [Levy, 1977, p. 85].

As a result of this credit-restraining policy, the banking system retracted to such a degree that in 1862 only one banking house was created, and the number of bankruptcies increased. In the government's opinion, such a policy was salutary, because "those who were aiming solely at speculating with no real basis withdrew from the market." This view does not correspond to reality, however, for the shrinkage had evident ideological causes. Silva Ferraz, then Minister of the Treasury, noted the remarkable decrease in commercial activities, pointing out the depression and the scarcity of investment capital, as well as delays in payments. These factors caused a decrease of approximately 10 percent in the public revenues, without considering inflation, which had not yet abated [Levy, 1977, p. 85].

The situation of the banking houses became even more precarious with the advent of the first British private banking establishments in Brazil. The new legislation, which demanded gold reserves for note issues, worked in favor of the British, who were operating in a market where the convertibility of the currency would protect their interests.

The presence of British banks such as London and Brazilian Bank, Ltd. [Born, 1984, pp. 116-18; Grahan, 1973, pp. 101-6; Joslin, 1963] in the Brazilian market brought an innovation in the banking arena: the check. This “new order of payment which allowed one to write upon it the exact amount to be paid, regardless of the change, and which, once redeemed by the bank, constituted a receipt of acquittal, demanded a level of trust much greater than the bank note,” a level that only the great banks could command [Levy, 1977, p. 89].

From the beginning of the 1860s, several factors converged to precipitate a crisis: the application of a restrictive credit policy by the government, with Banco do Brasil restored to its issuing monopoly; the presence and competition of the British banks; and the international situation, including the U.S. Civil War. Mauá expressed his fears in an 1860 letter to the manager of Banco Mauá & Cia in Rio Grande, Ricardo José Ribeiro:

The scarcity of money here assumes the proportions of a crisis, and Banco do Brasil openly attacks my house in such a way that, even with the best papers in my hands I am not able to raise money; fortunately, the careful path I have been following does not leave us uncovered in the current transactions. I intended to send you today a great sum in bills, having adjusted some withdrawals in ounces against this house, but the demand was such that it was necessary to resort to 120 *contos* out of what had been set aside to send to you. Banco do Brasil absolutely refused to discount any sum for us, even when we had sent them superior bills representing purchases and sales transactions, and above all endorsed by the house! [IHGB, Coleção Mauá, 1860].

In September 1864, a crisis broke out that became known as the “Souto crisis,” after the bankruptcy of the banking house Antônio José Alves do Souto & Cia. The Imperial government resorted to a series of measures, among them decree no. 3306, dated September 13, 1864, which authorized Banco do Brasil to increase its issues to three times its available funds, and decree no. 3307, of September 17, 1864, which in its five articles outlined extraordinary measures, among them the regulation of bankruptcies of bankers and banking houses within sixty days, starting on the 9th of that month.

The September crisis was very hard on Banco Mauá, MacGregor & Cia. An analysis of its balances reveals a worsening of its financial situation. Current account deposits in December 1864 amounted to 354 *contos*, whereas in June of the same year the total had been 2,236 *contos*. As for assets, in the bills receivable account, there was a decrease from 6,223 *contos* in July to 2,328 *contos* in December, a reduction of 73 percent in six months. The cash account was similarly affected, moving from 506 *contos* in December 1863 to 239 *contos* in July and 252 *contos* in December 1864. In order to balance its accounts, Banco Mauá, MacGregor had to resort to the rediscounting of Banco do Brasil, an amount that reached 5,246:440\$136 *contos* in discounts between September 10 and 30, 1864 [Brasil, 1865, p. 204]. The value of dividends since 1860 had been 45\$000 for each 1:000\$ in shares.

Faced with this situation, Mauá and his partners took a series of steps to reduce their losses. They liquidated Carruthers, de Castro & Cia in Manchester and suspended the opening of Banco Mauá, MacGregor & Cia in Paris [IHGB, Coleção Mauá, 1864]. Mauá also attempted to negotiate an association with the London and Brazilian Bank. This association, which included Banco Mauá, MacGregor & Cia in Rio de Janeiro and its branch in London, Banco Mauá & Cia in Montevideo, Uruguay, Rosário (Argentina) e São Pedro do Rio Grande (Rio Grande do Sul-Brasil), and the London and Brazilian Bank, took the name London, Brazilian and Mauá Bank (see Table 6). The merger provided a great influx of capital for Mauá, fundamental to his business, which was not going well. According to Mauá himself, “The capital of the new and powerful credit institution will be 5 million pounds sterling, and the establishment of its branches will function under the name of London Brazilian and Mauá Bank...” [IHGB, Coleção Mauá, 1865].

Table 6: Partner-Managers of the London, Brazilian and Mauá Bank

Name/Country of Birth	Activity/Commercial Address
Irineu Evangelista de Souza (Baron of Mauá)/ Brazil	Banker/Rua de Direita, 42 – Rio de Janeiro
Henri Louis Bischoffsheim/France	Banker and businessman/Angel Court, 10 – London
Philip Charles Cavan/England	Businessman/Lidenhall Street, 16
Paschoal Charles Glyn/England	Banker, Lombard Street, 67 – London
Edward Johnston/England	Businessman, Great St. Helen’s, 6
Edward Moon/England	Businessman/Cook Street, 3 – Liverpool
William Freer Scholfield/England	Esquire/Sussex Square, 22 – London

Source: Arquivo Nacional, Junta Commercial, Book 5; London, Brazilian and Mauá Bank, Memorandum of Association, 1865.

Authorized by the Imperial government through decree no. 3587 of December 20, 1865, the London Brazilian and Mauá Bank did not prosper. Indeed, Mauá pulled out of the merger. In a report presented on December 5, 1866, to the silent partners, he said about the failed merger:

When I was seeking to organize in London a corporation to satisfy these operations, and looking to gather the necessary elements for its success, one of the main brokers of that center suggested to me an interesting merger with the London and Brazilian Bank.

Once I had given my word, nothing made me retreat – not even the great tragedy of last May, which shed the darkest light upon the paths of the companies that function in London under the principle of limited liability; not even the unanimous opposition which, upon

returning from Europe, I noticed in my friends about the merger project, caused by the profound change in circumstances that had taken place since the signing of the contracts; an opposition that I hoped to overcome...

However, upon my return from Rio de Prata, I realized that the resistance of my friends and interested parties had become invincible, and I had to give in, exercising my lawful right to reject an agreement of a conditional nature, made under circumstances that sharply differed from the present ones... [*Jornal do Commercio*, December 9, 1866].

The 1866 crisis had repercussions in the City, the greatest of which was the failure of an important financial house, Overend Gurney & Co. As he was deeply acquainted with the financial life in London, Mauá realized that the London and Brazilian Bank was severely undermined by the crisis and therefore that a merger was no longer appealing.

With the failure of the merger and the end of the bank's period of operation drawing near, in December 1866 Mauá proposed to his silent partners that the bank be liquidated. Mauá decided to organize a new society and to concentrate all his wealth, including his personal property, in a new bank, called Banco Mauá & Cia.

Conclusion

Returning to the initial questions, we may say that Banco Mauá, MacGregor & Cia constituted a commercial bank whose primary function was to attract funds in the form of deposits and to distribute them as commercial loans. Analysis of the bank's balances reveals that its main assets were discounted bills.

Banco Mauá, MacGregor & Cia was one of the enterprises belonging to the Baron of Mauá. An active participant in the political and economic life of his time, the Baron saw in banking a business capable of attracting the commercial capital once connected to the slave trade. The bank's failure to invest this capital in the primary and secondary sectors of the economy can be explained, I believe, by the prevailing economic and political mode – agricultural exports based on slave labor – which favored the accumulation of capital on the peripheries of the economy. The view of this paper therefore disagrees with the historiography that sees in the Baron of Mauá a Schumpeterian entrepreneur, a businessman in the modern sense of the word in the Brazilian Empire [Caldeira, 1995]. Rather, as Jacob Gorender has suggested, the Baron was a transitional figure:

The Mauá phenomenon would have been impossible if there had not already been accumulated capital in Brazil, whose availability increased after the end of the slave trade. But Mauá himself was no more than a sort of transition, still a capitalist immersed in the slave establishment, although he conflicted with the narrowness of its limits for the realization of modern enterprises which, in other aspects, did stress the advent of capitalism [Gorender, 1981, p. 13].

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