

**Costa, Leonor Freire, Pedro Lains, and Susana Munch
Miranda. *História Económica de Portugal (1143-2010)*. Lisboa:
Esfera dos Livros, 2011. ISBN 978-989-626-346 -1.**

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História Económica de Portugal (2011) is a mostly balanced book about Portugal's long-run political and economic development. In addition to the emphasis placed on economic history, there are several aspects that set it apart from more standard histories of Portugal. The book's most innovative feature is its constant emphasis on a comparative perspective. It shares this ambition with the most recently published general history of Portugal (Ramos, Sousa and Monteiro, 2009), but actually achieves it in a more consistent manner. In fact, these books complement each other very well, the first focusing on long-run social, political and institutional development and the second on their economic and financial counterparts. For non-experts interested in Portuguese history, reading both provides a balanced and competent overview of over 800 years of Portuguese history. It goes without saying that such an overview is necessarily incomplete and naturally colored by the authors' own biases and particular expertise, but nevertheless the combination of these two works constitutes the best choice for "everything one needs to know in no more than two volumes."

História Económica de Portugal is filled with updated references both to the international literature on economic history and to the literature on Portuguese topics. A major advantage is the way in which the authors consistently make relevant citations from the most recent research in this area. An English version is being prepared for Cambridge University Press, a move that is to be congratulated, as international scholars who need an English language reference work on the economic aspects of Portuguese history have no other choice than to resort to that of Marques (1972), which, despite its merits, clearly displays the marks of age. The book is a clear improvement over Marques, both due to its references to more recent scholarship and because of its own more idiosyncratic merits, including that of placing the Portuguese case in comparative perspective and interpreting its evolution within the context of the most recent views on the development of the European economy since the early modern period.

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Overall, this is a high-quality work, but naturally this does not mean that there are no weak points. There is a distinct feeling that some sections are better written and more concise than others. My feeling is that the discussion of the early modern period is the strongest. A key feature of the text is its emphasis on the anchoring provided by Reis's (2010) data on wages, rents and productivity for early modern Portugal, which truly has the potential to revolutionize our understanding of Portuguese history since 1500. However, despite providing much useful information, the chapters on the nineteenth and twentieth centuries feel rather unbalanced at times. After a good discussion of the *Belle Époque*, the Great War and the interwar period, the text suddenly jumps to the post-WW2 era; the 1939-1945 period itself gets no coverage at all (380-81). This is hard to justify, and it is difficult to escape the feeling that the authors simply never got round to writing it.

The book presents an idiosyncratic viewpoint on several topics, which is natural enough, given the authors' research interests and points of view. The authors are not afraid to take a stance on several issues, and while this inevitably creates room for disagreement, their interpretive efforts are to be congratulated. At the same time, more standard viewpoints sometimes deserved more credit and discussion. For example, it is a commonplace for many Portuguese (not to mention Brazilians) that the gold windfall of the eighteenth century was a lost opportunity for development—or worse. While the authors duly cite Borges de Macedo, there is little discussion of the Dutch disease or the institutional resource curse. In my own personal view, the authors have an overly benign view of the Brazilian gold episode, but I must insist that my criticism here is limited to the fact that I wish they had provided a little more discussion of the alternative view; overall, the discussion is filled with useful data and presents a legitimate viewpoint.

In chapters 5 and 6, dedicated to the modern and contemporary periods, the analysis of the consequences of openness in terms of both growth and welfare reveals a great deal of thought. Nevertheless, simplifying matters to a certain extent, it is hard to escape the feeling that the authors argue that for the nineteenth and much of the twentieth century, openness was a “bad” thing and protectionism a “good” thing, while from roughly 2000 onwards it has been the other way around. Perhaps what is being argued is that the correct trade policy is conditional on a country's level of development, but if so this could be expressed in a more explicit way. Furthermore, at times, too much attention is paid to this topic: the discussion on nineteenth-century protectionism is given 22 pages (318-340), despite the fact that the authors are well aware that the reasons for Portugal's persistent backwardness are less bound up with the external sector than is commonly perceived. The

causes for the absence of those elements that could serve as the economy's growth engine—including advances in internal productivity, institutional efficiency, and incentives for human capital accumulation—receive less attention (although they do show up at times, 320). To a large extent, this certainly results from a lack of existing research and empirical evidence on these topics, which necessarily constrains the authors' choices.

In another example of an idiosyncratic viewpoint, the authors argue that the Methuen Treaty proved useful during the time of the French invasions (253). But such a claim is questionable: even with a similar secular evolution to that of the Portuguese economy during the eighteenth century in the counterfactual absence of Methuen or a similar treaty, it seems likely that, when faced with the continental blockade, the English would have provided military assistance anyway. Just as countries find it easy to justify defection when it serves their interests, the converse is true. Finally, while I agree with the point of view that the effect of politics on the economy is too often taken for granted (430), it is also difficult to believe that the country's institutions ended up benefiting from every single crisis, as is claimed two pages later; for instance, much of Portugal's labor legislation over the last 30 years, not to mention the constitution, has retained strong elements that still remain from 1975 and may have had a persistently negative effect on the economy ever since.

The analysis generally shows a good understanding of economics. Nevertheless, at times, some rather striking statements are made: for example, that the central bank is able to keep real interest rates low for investment purposes over a long period of time (421). More systematically, there are problems with the way the authors quote nominal prices without reference to an aggregate price index. This is done frequently throughout the text (112, 192, 262-63, 276, 285-86, 341) though at times a relative measure is given, or quantities are explicitly discussed in real terms (180, 243). It is also not true, for instance, as claimed on page 296, that the loss of exclusive control of the Brazilian market meant that only the export-oriented industrial sectors suffered; such a static, partial equilibrium calculation overlooks both the dynamic and the general equilibrium effects resulting from that loss. Furthermore, the existence of such a market easily generates spillover externalities on the internal front, which are not discussed. Finally, there is the question of expectations over future revenues. Certainly, with the benefit of hindsight, it should be clear to anyone today that the loss of Brazil as a privileged market was inevitable over a sufficiently long period of time, so its role as an engine for Portugal's development was in any case necessarily limited.

The book includes a helpful timetable of important events at the end, but because these events are listed yearly, there is a bias towards revolutions and political events, which it is possible to point out in a precise way. I am sure the authors would agree these are not necessarily more important than other events, which by their very nature tend to happen in a more diffuse way. As far as editing is concerned, some of the tables seem to have occasional typos (113, 192), and this has not been remedied by the current (second) edition. The book also lacks an index, and, while this is a fairly common feature in Portuguese publications, it would nonetheless be useful to include one.

Perhaps in this review I have focused too much on the negative aspects—it is easier to criticize than to praise—but despite its minor shortcomings, this work is of a very high quality overall. It presents a valuable contribution which includes well-informed analysis and original conclusions. This book should be of great interest to economists, historians, and even to those members of the general public who have a casual interest in the economic history of Portugal.

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