Project title (in english)

Prices, Wages and Rents in Portugal: 14th-20th centuries

Project reference

PTDC/HIS-HIS/123046/2010

Executive Summary (in English)

This project extends significantly its predecessor – PWR Portugal 1500-1910 (PTDC/HAH/70938/2006) – and will be carried out by the same team. This enlargement has two justifications. One is the failure to fully implement the preceding project owing to a budget constraint relative to planned expenditure. The other relates to unforeseen practical difficulties encountered in this implementation, caused in the main by problems of access to historical sources, some of which were completely closed to researchers during the period of research. As a result, although satisfactory results have been reached after nearly three years of work, in terms both of the data generated and of the historical inferences which could be drawn, many time series are still incomplete and the geographical scope of the enquiry had to be narrowed. Évora, Algarve and Viseu had to be left out altogether.

The new project we are proposing is conceived in the same way, and adopts the same methodology, procedures and motivation as the first. On the other hand, it offers three important improvements. To begin with, it will make good the gaps in the existing time series due to the earlier problems with sources, in particular those caused by the closure to researchers of the historical archive of the city of Lisbon and those associated with the lack of user guides for the Évora archives, which seriously affected our results for the 16th, 17th and 18th centuries. Secondly, our effort will focus on the significant geographical extension from three to the planned six regions of its predecessor, thanks to the possibility of employing additional resources for the research effort to the resolution of the earlier institutional obstacles. Lastly, attention will now be directed to an important earlier period, namely the 14th and 15th centuries, at least as regards the city of Lisbon, thanks to the reopening of this city's historical archives to historians. This will have a dramatic impact on current interpretations of the long term economic development of Portugal, in particular of the critical period which anteceded the imperial expansion of the 16th century. At present, in one other country only have macroeconomic series gone back so far, i.e. Italy (Malanima, 2011), although work on this is currently taking place in Spain and the UK.

The Project will comprise the same three parts as its predecessor. The first aims at improving and extending the data base for wages, rents and prices to the 1300-1910 time spans and to cover three as yet un-researched regions. As before, the various time series will be homogeneous, consistent and comparable with similar work in other

countries, which will entail reducing them to appropriate metric units, and values in silver and grain equivalents. The second and third components are essentially analytical and will make use of the information generated by the first. The second part will concern the essentially “domestic” aspects of the agenda. It will cover the very long term evolution of the Portuguese economy using, for the 1st time, objective indicators of welfare, such as silver wages and ”welfare ratios”. This will permit a revision of several major historiographic problems, the most controversial of which is probably the impact of the 16th century overseas expansion on macroeconomic performance and the distribution of its gains. As shown in the graphs and papers in the annex, our earlier research has produced surprising results, such as a decline of GDP per capita in the 16th century and a dynamic situation in the first half of the 18th, in contrast with its second half. The third part of the project concerns its integration in the newly expanding international network of comparative research in wages and prices history. This involves developing ties with the Global Prices and Income History Group, at UC Davis and adding a Portuguese dimension to this worldwide effort of comparative analysis from which it has been absent thus far. International comparisons have normally used Spain and Italy as a “Southern Europe” paradigm. Now, Turkey has come into the picture too (Pamuk, 2002 and 2009) but the Portuguese counterbalance is still very necessary because there are important differences here.
This case study will enrich debates on the decline of the real wage Europe after 1500; the onset of the “Great Divergence” between the dynamic North-West and the lagging South and Central European nations; and the trends in income inequality between nations and within nations.

Literature Review

This project builds on 2 quite distinct historiographical currents, which it seeks to bring together with a case study on Portugal between 1300 and 1900.
The first arises from the study of economic growth during the last 2 centuries, a period of unparalleled expansion of population, output and productivity on a global scale. The prevailing view today is that the Industrial Revolution was a decisive break, but not as sudden and dramatic as claimed earlier. It occurred in Northwest Europe, which had experienced growth already for more than a century, along with urbanization, agricultural improvement and growth in traditional manufacturing. In the rest of Europe, from 1500 to 1750 income per capita declined or stagnated, and conditions for economic acceleration were therefore absent. This was the Great Divergence (Allen, 2001), one of the great debates in long term comparative economic history (van Zanden, 1999). Following a suggestion by J. G. Williamson (1995), it involves estimating income per capita from real

over long intervals, using a purchasing power parity methodology based on extensive price information and a common basket of consumption goods. The goal is to map the intensity and timing of the divergence in order to understand which factors were its main determinants. At present, the literature is still concentrating on this “map”, and Portugal, a missing country until now, is an important “counterweight” to recent findings on the Eastern Mediterranean (Pamuk, 2005; Prados, 2007). A second strand in this historiography has to do with income distribution (Hoffman et al, 2005). The Great Divergence has implied an increase in the inequality of this distribution among nations, but it was also accompanied by a similar movement within nations. The main reasons were the rise of population, a concentrated system of landownership, the Law of Engel and technical progress. This approach raises a crucial point: can we infer income per capita from real wages? Biases come from missing the more urban, service and manufacturing-oriented economic activities, which were expanding and pushing up income per capita, especially in the more advanced Northwest. Price and wage research dates back to the 1930s. In this new version, data is scarce, particularly on Asia. There is a need to “regionalize” the analysis and cover individual countries better. The use of real wages as a proxy for national product per capita must be reconciled with the distributional issue. A consistent economic interpretation of the long run data in terms of convergence, divergence, stagnation and development is needed. A third strand of this historiography broadens the discussion to ask whether there was a Great Divergence between Europe and India and China. According to Pomerantz (2000) and others, between the 16th and the 18th centuries, the latter regions’ real wages were on a par with Western Europe. Intercontinental per capita income divergence only happened upon industrialization. Before the 18th century, real wages in Europe could not have risen much therefore and this casts doubts on the idea of a Great Divergence there. This view has been criticised by Maddison (2001), who contrasts a stagnant Asia with a slowly growing Europe. Portugal, with its long presence in Asia, is a valuable addition to this debate. It can help answer the question, asked by Broadberry and Gupta (2006): was early modern Asia more like the backward parts of Europe (ii.e. Portugal?)

Our 2nd historiographical current arises from Portuguese price history and the interpretations of economic performance it has stimulated. The former has a solid tradition (Godinho, 1955; Magalhães, 1993; Santos, 2003). It covers the country patchily and is weak on wages and rents. Not much effort has been made to gather these data into a single homogenous and consistent data base or produce weighted indices, except for the 19th century (Justino, 1990). Instead, prices have been used to study cycles but ignoring the trend line, in a static and Malthusian perspective (Oliveira, 2002). These cycles are not treated as part of a long run process and have not been linked to each other to obtain a fuller picture. The possibility of changes in the productivity of the economy or of technology-induced shifts has hardly been considered. Given the strong emphasis on the prices of agricultural goods, the part of the urban sector in the movements of the national economy has not been given much importance either. Despite the prevalence of the idea of “decadence”, the notion of systematic decline over centuries is unexplainably absent from the discipline’s worries. For most authors, the colonies, the excessive weight of the state and the submission of Portugal to foreign interests have a central role in accounting for the behaviour of the Portuguese economy (Godinho, 1971). They mattered more than anything else, not only in the 16th century, but also in the crisis of the 17th century, during the reversals of the 18th century (Azevedo, 1929). Their impact in the 19th century has served to underscore this importance (Pedreira, 1994). Yet price indicators have hardly been used as empirical proof for any of these relationships. The only macroeconomic model by Portuguese price historians is that which Godinho (1955) devised to explain the ebb and flow of industrialization over the centuries. The hypothesis is that manufacturing would only develop with official support and this was forthcoming only when falling or stagnant prices announced a recession in trade and agriculture or the colonies. Although this model would have difficulty today in meeting the exacting standards of the Cliometric school, it has provoked considerable and useful debate, and revealed that such approaches, based on solid evidence, may stir anew interest in the long term evolution of the Portuguese economy, which is the object of this project.

Plan and Methods

Not surprisingly, the Project follows the guidelines that were laid down for its predecessor (PWR Portugal, 1500-1910). Its plan involves the several aspects which are indispensable in a project which is heavily weighted towards data mining and database organization. The first of these consists in identifying the sources which are most likely to yield an abundant harvest, i.e. archives of institutions which were strongly rooted in the working of the economy and related to market activity. As an example, the historical archive of the city of Lisbon, which was a major economic actor throughout these centuries, is amongst the most important at present. The second step is to sample the often very considerable mass of raw data. This is to be done on a yearly basis by selecting data at regular intervals which reflect the seasonality of the production and consumption cycles, for example, the months of January, April, July and October. The observations will be sufficient to enable significant averages to be taken in each instance, but in the case of wage information, preference is given to a modal approach. The following stage of the process is to estimate the means, modes and other indicators based on the raw data, as well as to carry out the metrological conversion that will homogenize these results and enable their easy use by all those who access the data base. This operation will take place in a back office at the ICS by one of the scholarship holders. The storage of this processed information in the data base after appropriate verification by a senior researcher follows and leads to the construction of the time series which in turn will constitute the final data base of the project. The description above represents the best part of the effort involved by this project during its first two years. The third should be devoted, to a much greater extent, to the analysis of the results being obtained in the meantime. Nevertheless, participants in the project will be engaged in this analytic effort since its beginning in order to ensure that strong links are established at once with the predecessor project and also to obtain maximum benefits from the experience already gained. This means that the production of papers can start earlier than before and that the organization of workshops can be spread out more evenly over the three years of this activity. These workshops are of central importance in the planning of this research, as they will bring together all the members of the team and occasionally also the external adviser. Given the solitary nature of this kind of research, such moments are of great import and enable an exchange of experiences and a sharing of criteria, at all levels of the research team, without which the final results would not be as satisfactory as is hoped. The international meeting to be held towards the end of the project will serve to bring together the leaders of the several projects which are being currently carried out throughout Europe along similar lines to ours and will be the continuation of other such events which have already taken place or are about to occur in the near future. The value of such gathering for our results need hardly be stressed and includes the opportunity for promoting the diffusion of the output of the Project and its conclusions.