

A NEW LOOK AT PORTUGAL'S MACROECONOMIC PERFORMANCE: WAGES AND PRICES IN LISBON, 1500-1910

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Abstract

This paper presents a new data base of prices and wages for Portugal's capital city over four centuries, which is used to underpin an innovative perspective on the performance of the Portuguese economy between the 1500s and the early 20th century. It constitutes a departure from the traditional Portuguese historiography, which has stressed the fundamental importance of cycles and crises, the trap of Malthusianism and the predominant influence of institutions and Empire on the course of the economy. Instead, the emphasis here is on the trend that underlies cyclical movements, the possibility of significant long term growth in output and productivity, and the importance of the role of the often ignored non-State and non-imperial sectors of the economy.

In the first place, an estimation of nominal and silver CPIs (consumer prices indices) based on eight main products in Lisbon markets and on a common "European" 18th century consumption basket is carried out. These tools are employed to evaluate, on its own terms, the classical view of the behaviour of the Portuguese economy, as well as to establish the first available comparisons with major contemporary cities throughout Europe. The second part of the study concentrates on wages, both skilled and unskilled, and allows us to get a handle on other thus far neglected macroeconomic dimensions of the problem. Indices for nominal and silver wages and for "welfare ratios" (Allen, 2001) are constructed and allow us not only to measure how the standard of living of the mass of the population evolved in the course of these four centuries, but also to gather new insights regarding the performance of per capita output and labour productivity.

International comparison is taken up again here in an effort to answer perennial concerns over Portugal's relative backwardness within Europe.