

# RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

Including a Symposium on Economists and  
Authoritarian Regimes in the 20th Century

Symposium guest edited by Federico D'Onofrio and  
Gerardo Serra

**Edited by** Luca Fiorito, Scott Scheall  
and Carlos Eduardo Suprinyak

RESEARCH IN THE HISTORY  
OF ECONOMIC THOUGHT  
AND METHODOLOGY

**VOLUME 38B**

RESEARCH IN THE HISTORY  
OF ECONOMIC THOUGHT  
AND METHODOLOGY

# RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

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RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT  
AND METHODOLOGY VOLUME 38B

**RESEARCH IN THE HISTORY  
OF ECONOMIC THOUGHT  
AND METHODOLOGY:  
INCLUDING A SYMPOSIUM  
ON ECONOMISTS AND  
AUTHORITARIAN REGIMES  
IN THE 20TH CENTURY**

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# VOLUME INTRODUCTION

Volume 38B of *Research in the History of Economic Thought and Methodology* features a symposium on the variety of experiences of professional economists who lived and worked in different authoritarian regimes in the twentieth century. The symposium is guest-edited by Federico D'Onofrio and Gerardo Serra, two authorities on the subject, and features contributions from several experts on the history of economics as practiced in particular regimes. José Luís Cardoso writes about economists under the Salazar regime in Portugal; Nicolas Brisset and Raphaël Fèvre consider Francois Perroux's work in Vichy France; Till Düppe and Sarah Joly-Simard discuss Stalin's surprising pluralism about economic thought and how it served as cover for his dictatorial tyranny; and Doriana Matraku Dervishi and Marianne Johnson write about the concept of isolation in the economics of Enver Hoxha's Albania. Tinashe Nyamunda considers the African context in his paper on the work of economist Jan L. Sadie in Southern Rhodesia in the 1960s. Turning to South America, Elisa Grandi discusses the World Bank's role in Gustavo Rojas Pinilla's post-coup government in Colombia, while Alexandre Andrada and Mauro Boianovsky address the income distribution controversy that arose during Brazil's military dictatorship in the 1970s.

The volume also features a new general-research essay by Reinhard Schumacher and our own Scott Scheall that discusses Karl Menger's partial and incomplete biography of his father, and provides new, previously unknown, details concerning Carl Menger's life.

Luca Fiorito  
Scott Scheall  
Carlos Eduardo Suprinyak  
The Editors of *Research in the History of Economic  
Thought and Methodology*

## CHAPTER 2

# ECONOMISTS AND AUTHORITARIANISM IN PORTUGAL (1926–1974): FROM ADHERENCE TO DISSENT

José Luís Cardoso

### ABSTRACT

*This chapter seeks to describe the successive stages in the training and recruitment of economists at the service of the political regime that ruled over Portugal between 1926 and 1974. This chapter presents the main institutional settings for the education and practices of those who served the government in economic functions throughout this period. Its main aim is to show the changes that occurred in the understanding of the problems related with the development of the Portuguese economy, seeking to elucidate the processes of legitimization of an authoritarian regime, but also to show the signs of a critical break with a model of economic and social organization and a political regime that had reached the point of exhaustion.*

**Keywords:** Authoritarian regimes; fascism; Portugal; Salazar; political economists; corporatism; Keynesianism

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## 1. INTRODUCTION

The political regime in force in Portugal between 1926 and 1974, normally referred to as the *Estado Novo* (New State), had a markedly authoritarian and dictatorial character. Was it a fascist regime?

In the historiography of dictatorships in the interwar period, the term “fascism” usually serves to designate a type of political regime that suspends the practice of democracy, represses individual freedom, and promotes the glorification of nationalist and racist ideals. Mussolini’s Italy and Hitler’s Germany function as a mirror in which similar images are unified by an ideology with common traits that it seems convenient to describe as if it were a single matrix of thought and action. The historiographical contributions on the subject are immense, and it does not seem acceptable to label all totalitarian national regimes – in Europe, South America, or East Asia – under just one single and simplified designation.<sup>1</sup>

However, the ease with which the word “fascism” (or the era of fascism) has entered into the definition of so many totalitarian regimes seems to legitimize its application in broad terms, notwithstanding the historical rigor that should be considered for the classification of political regimes. Therefore, fascism has become a general category of analysis that sometimes eludes the specificities of the different varieties of dictatorships. The political regime in Portugal may not have fully replicated Italian fascism, which served as its central model of reference. But it was, nonetheless, inspired by many of the institutional features of the Italian case and therefore came close to this diversity of “fascisms” and authoritarian regimes that had the same ideological genealogy. Given the ambiguity in the use of the term fascism, for the sake of historical rigor I shall instead use throughout this chapter the terms “dictatorship” and “authoritarian regime” when referring to the political experience of the *Estado Novo* in Portugal.

One of the characteristics of this type of political regime is that it has an undisputed leader who imposes his authority and who creates around him an impregnable stronghold of complicity, networks of interests and influences that make it impossible or improbable to overcome them by the vote alone. Furthermore, such a vote cannot be freely exercised, or else its exercise is limited and controlled by an elite with specially reserved access to the administration of power.

In the Portuguese case, this leader was António de Oliveira Salazar, who came to power in 1928 as Minister of Finance, and who remained the central figurehead of the *Estado Novo* until 1968, the year in which a domestic accident removed him from the seat of power. His successor was Marcello Caetano, who attempted a mitigated *aggiornamento* that made little difference at the level of political and civic liberties. The political regime in Portugal continued to be authoritarian, until the democratic revolution of 1974.

Salazar and Caetano began their careers at the university, as distinguished and prestigious Professors of Law, at Coimbra and Lisbon, respectively. They always maintained close contact with the authors who, during this period, had such a decisive influence on the development of economic doctrines, theories, and policies in Portugal. In fact, it is important to take into account the place occupied

by teachers and graduates of the Faculties of Law in various branches of power, especially during the initial phase of the *Estado Novo*'s dictatorial regime, demonstrating that they then served as the main source of elite recruitment, particularly in the economic and financial areas. Beginning in the mid-1940s, economic doctrinaires and those responsible for the design and implementation of economic policies were recruited from the Faculties of Engineering and Economics and Business Schools. This change in the basic training of the main political agents at the service of the government enhanced the technical quality of the growth and development programs defined in the following decades. The modernization of knowledge and techniques enabled the results of their actions to challenge the closed logic of an authoritarian political regime that remained insensitive to the winds of change.

This chapter seeks to describe the successive stages in the training of economists at the service of the political regime that ruled over Portugal between 1926 and 1974. Its main aim is to show the changes that occurred in the understanding of the problems related with the development of the Portuguese economy, seeking to elucidate the processes of legitimation of an authoritarian regime, but also to show the signs of a critical break with a model of economic and social organization and a political regime that had reached the point of exhaustion.

## **2. THE *SITES* AND *TASKS* OF THE REGIME BUILDERS**

Before beginning his political career as the charismatic leader of the dictatorial regime that governed Portugal between 1926 and 1974, António de Oliveira Salazar was Professor of Political Economy and Public Finance at the Faculty of Law of the University of Coimbra. His university career lasted from 1916 to 1928. Salazar knew how to take advantage of his academic obligations and, in the initial year of his career, published two opportune texts of undeniable interest. In the first of these academic essays, dedicated to the *Questão Cerealífera* (The Corn Question), Salazar discusses the economic model for the organization of Portuguese agriculture, advocating solutions of technical improvement, reforms of the property regime, and pragmatic protectionism (Salazar, 1916a). The importance of the food supply to the population warned against an attitude of absolute protectionism. Salazar knew the advantages to be gained in international trade, as defended by the classical and neoclassical economists and, contrary to the autarchic solutions that he would later come to advocate, did not opt at this stage for remedies of self-sufficiency. However, Salazar had already displayed a certain mistrust of the capabilities of the market, which was why he considered it fundamental to invest in the reinforcement of technological progress with the strong support of the state. This same question of the food supply was to give rise to a more explicit and direct political intervention in 1918, which provided proposals for a solution to the crisis of subsistence caused by the First World War (Salazar, 1918).

Also in 1916, Salazar published his most relevant academic work, which confirms his well-grounded training in matters relating to monetary theory and

exchange rate policy (Salazar, 1916b). In the *Ágio do Ouro* (The Gold Agio), Salazar explains the importance of exchange rate stability as a factor of equilibrium and economic growth. In addition to discussing the fundamentals of the quantitative theory of money and the balance of payments theory, Salazar analyses the Portuguese historical experience and the factors that had led to the financial crisis and bankruptcy of 1890–1891. This applied study enabled him to insist on two particularly relevant topics in the new context of 1916: the dangers of maintaining persistent imbalances both in the public accounts and in the balance of payments; and the advantages of an economic policy aimed at increasing productivity factors to foster wealth creation, so that Portugal ceased to be a debtor to foreign countries. Thus, in order to prevent the rise of the gold agio and to keep the exchange rate stable, the best solution was to guarantee a steady and stable process of economic growth that generated positive balances in international payments accounts.

For those reading these writings of Salazar nowadays, in the unlikely event of their not knowing his later political career, it is hard to associate the scholarly qualities of these texts with the profile of a dictator's trajectory. It should be noted, however, that the prestige gained with the publication of these important texts was not attained through the published output of his teaching activities in Political Economy and Public Finance at the University of Coimbra. In fact, the textbooks ("sebentas") edited by his most qualified students display the features of a descriptive teaching that was in no way concerned with the elaboration of abstract principles of economic analysis. Following the tradition initiated by his predecessors, Salazar's theoretical incursions were reduced to an eclectic description of the different currents of economic thought that merited consensual acceptance at that time. Salazar had a comprehensive knowledge of the classical, historicist, Marxist, and neoclassical schools. The marginalist authors of the "mathematical school" were criticized because of the excessively hedonistic foundations of their doctrinal principles.

His moderate interest in the authors of the German historical school was the result of a tradition of teaching political economy in law faculties that had always been committed to valuing the importance of an institutional, national, and historical framework in which economic and financial problems became meaningful and could be understood. Salazar's greatest vocation for the teaching of public finance was the source of the technical and political prestige that would lead to the definitive and early abandonment of his short university career in April 1928. He entered the government as Minister of Finance (and also of the Colonies, after 1930), before assuming the effective leadership of the government as President of the Council (Prime Minister) in 1932.

Salazar's rise to a prominent position of power was clearly determined by the success of his actions in controlling and lessening the effects of the Great Depression in Portugal. Obsessed with the need to ensure a balanced budget and exchange rate stability, Salazar earned tremendous credibility as Minister of Finance at a difficult time of restraints on current expenditure, during which he implemented a program for the development of public works and services that helped to mitigate the shortfalls caused by the international situation. He was

able to use the response to the global economic and financial crisis to implement a political project based on his mistrust of the capacities of both the market system and the parliamentary regime. The strong state would soon become the authoritarian state.

Curiously, at the same time as Salazar took over the leadership of the government, Marcello Caetano (who would succeed Salazar as Prime Minister in 1968) finished his doctoral thesis at the Faculty of Law of the University of Lisbon (Caetano, 1931). The central topic of his dissertation mirrored the crucial preoccupation of Salazar's work on the equilibrium of the exchange rate. Caetano describes in great detail the experiences of the depreciation of the national currencies in European countries after the First World War, while also engaging in some theoretical considerations about changes in the value of the currency, following very closely the reflections made by Albert Aftalion (1927) in one of his last books dedicated to the study of economic crises. For Caetano, the occurrence of crises and sudden variations in price levels, apparently brought about by changes in the amount of currency in circulation, should not cause us to overlook the essence of the phenomenon of a depreciation of the currency, the origin of which is to be found in forecasts, or, to use Keynesian terminology, in people's expectations about the future utility of the currency. He is particularly clear about how future developments are bound up with the explanation of the present, using an economic language that is largely based upon Aftalion's psychological theory.

As in the case of Salazar, the man who would become his political successor in 1968 had begun his academic career in the field of monetary theory and policy. Caetano's link to the Faculty of Law of the University of Lisbon turned out to be more stable and permanent, for he assumed political functions (until 1969) that never set him apart from his influential professorship.

After his departure from the government, Salazar was replaced in his teaching duties by João Pinto da Costa Leite. The latter also enjoyed an ephemeral academic career at the Faculty of Law of the University of Coimbra. He was recruited as Secretary of State for Finance in 1934 and later served as the Minister for more than 20 years, always benefitting from Salazar's special personal and political confidence.<sup>2</sup> It is also interesting to note that, like Salazar, Costa Leite showed an early appetite for an innovative academic career that ended up lacking continuity.

During his short professorship in Coimbra, Costa Leite published one of the most important books of economic theory written in Portugal in the first half of the twentieth century (Leite, 1933). This book corresponded to the dissertation that he presented to the Faculty of Law of the University of Coimbra in 1933 as part of his application for a full professorship. Although he does not make any original contribution to the theoretical production of that time, his work nonetheless amounts to an excellent survey of the main approaches developed by economic science with the aim of interpreting business cycles and economic fluctuations. The prominence that Costa Leite's book undoubtedly deserves was not granted to it at the time, due to the lack of theoretical reflection that characterized the university environment where a book of this type might be discussed (Cardoso, 2012).

Costa Leite expounds the monetary theory of crises developed by [Ralph Hawtrey \(1928\)](#), considering the explanation of the business cycle through merely monetary factors to be an inadequate one, namely any explanation that is based on the commitment of national currencies to the gold-standard system, or on the interpretation of the phases of prosperity and depression as mere outcomes of the ease or difficulty of obtaining credit in the banking market. It therefore seemed to him to be more suitable to adopt the explanation put forward by John Maynard Keynes (1930), for whom the deficient functioning of the international payment or credit systems did not imply a denial of the importance of real factors for explaining crises. Costa Leite accepts Keynes' interpretation of the fact that inflation does not depend on the amount of money in circulation, but instead on the relationship between the quantity of goods demanded in the market and the availability of such goods as a result of investment decisions.

At the end of the book, Costa Leite makes a summary of his research and highlights the importance of Joseph Schumpeter's theory of economic development ([Schumpeter, 1911](#)) and the role played by the entrepreneur in the permanent discovery of new opportunities through innovative procedures. Costa Leite's encounter with the works of Ralph Hawtrey, Friedrich von Hayek, John Maynard Keynes, and Joseph Schumpeter, among other crucial names for the development of economic science in the twentieth century, is fairly revealing of the modernity and relevance of the references made by the Portuguese author.

Although it did not have the scope and ambition of the book published later by Gottfried [Haberler \(1937\)](#) Costa Leite's book had already followed a similar path. Both authors were motivated by the same concern to create an explanatory consensus based on the acceptance of the validity of a range of narratives on the causes and effects of economic crises. For this reason, there is undeniable merit in the work of Costa Leite, especially if we bear in mind that he wrote in an academic environment that was relatively weak in terms of its capacity to stimulate theoretical thinking. Unfortunately, Costa Leite did not continue with this type of incursion into the terrain of economic theory and left the University of Coimbra to become a trusted member of Salazar's cabinet. This option for a political career was reinforced by a strong ideological commitment: the defence of corporatism as a social and political doctrine that guided the authoritarian policies of the New State.

Costa Leite's successor in teaching political economy and public finance at the Faculty of Law of the University of Coimbra was José J. Teixeira Ribeiro. In his doctoral dissertation on the theory of monopolies ([Ribeiro, 1934](#)), Teixeira Ribeiro adopts a conventional microeconomic approach to the problem of price formation in a monopoly market. To do this, he relies on the typology of identifying the equilibrium conditions between supply and demand, between costs and prices, for each type of market (perfect competition, monopoly, and imperfect competition). His work displays updated knowledge on the subject and signals an effort to modernize the approach to theoretical problems in economics that would only be consolidated in the late 1940s in another university environment.

This time, the presence of the new Professor of Political Economy and Public Finance was stable and prolonged (until 1974). But the promising nature of this

incursion into the realms of economic theory had a similar outcome to the one previously experienced by Salazar and Costa Leite: his initial theoretical drive and motivation was abandoned in favor of an analytical dedication to the legal and economic foundations of the doctrine of corporatism and its impact in the political field.

### 3. THE IDEOLOGICAL BUILDING OF THE CORPORATIST REGIME

Looking at the analytical and doctrinal production of the main Professors of Political Economy and Public Finance of the Faculties of Law of Coimbra and Lisbon, we find that one of the most fertile and original approaches to subjects related to the economic and social order was undoubtedly the political economy of corporatism.<sup>3</sup> For its main mentors and ideologues, the corporatist organization of society was expected to achieve goals of social harmony and equilibrium, entrusting the state with a primary role in leading the whole process, in order to effectively control economic and social life. Therefore, the institutionalization of the New State respected the essence of the corporatist doctrine based on the subjection of the individual to the superior interests of the nation, with the main aim of safeguarding social order and political stability.<sup>4</sup>

The incentive for the creation of corporations embodied a logic of social and economic organization in which the realization of the general interest was previously measured by harmonizing the interests of the different agents and groups of agents operating in a market overseen by the state. The fixing of prices, the entry of new firms into the market, the regulation of working conditions, the determination of wage levels, the analysis of production costs and, generally speaking, all operations that involved the use of economic calculation, which, under a system of free competition, represent elementary procedures in the choices that can be made within the context of a scarcity of available resources – that is the typical framework for the decision-making of the *homo economicus* enshrined in the neoclassical economic literature — all these features would be the privileged area for the corporations and the employers' federative organizations (guilds) to decide upon. The guilds would afford corporations greater national representativeness and, above all, provide a horizontal control of the activities associated with a particular product (wheat, rice, olive-oil, wool and wine, to mention just the main ones).

As staunch opponents of *laissez-faire*, some of the ideologists of corporatism extolled the notion of a self-directed economy, which did, however, have nothing to do with the mechanisms leading to the spontaneous equilibrium of the market that were so much to the liking of neoclassical economics. The following excerpt from Teixeira Ribeiro clearly illustrates this distinction:

Corporations therefore collaborate in the performance of a normative role. And this is why the activities of individuals and companies are now subjected to a form of discipline or, better still, are conditioned by certain initial positions that are implied by this discipline.

We are far removed from automatic equilibrium: instead of this, we have a directed economy. But, in this case, such control does not belong directly to the state, for it is the industries

that, through their corporation, take the initiative of drawing up the rules and regulations. Afterwards, it is the task of the government, as the representative of the national interest, to decide upon these rules in the last instance, either approving them or rejecting them. Now, since the industries collaborate in their own discipline, it is said that we have instead a *self-directed economy*. (Ribeiro, 1939, pp. 61–62)

According to corporatist guidelines, the activities of individuals and business firms were conditioned or submitted to disciplinary norms established by the corporations that supposedly framed such activities. The direction of economic organization was not imposed from above, but assumed by the agents who were naturally involved in the decision-making processes of corporatist bodies, with the state being responsible for the overall surveillance of the entire economic process.

It should be noted, however, that the self-directed economy did not fail to contemplate a major involvement of the state, especially at the founding moment of the corporatist organization. There would then be a progressive slowdown and a gradual diminishing of state intervention, preventing the system from approaching the central planning economies of the socialist regimes, even if only at the formal level.

From this perspective constructed by Teixeira Ribeiro, the idea arises that the corporatist model sought to impose itself as a sort of “third way” between a disruptive liberal capitalism and an oppressive state socialism that ran counter to the ideas of free will and private property. In a sense, it is this same idea that we find in the following words of Salazar:

We want to move to a *new economy*, working in harmony with human nature, under the authority of a strong state that defends the nation's superior interests, its wealth and its work, against both capitalist excesses and destructive Bolshevism. (Salazar, 1933, p. 15).

But the fundamental problem of studying this corporatist model lies in ascertaining its practical feasibility and operationalization. In addressing this issue, it is difficult to assume that the programmatic guidelines outlined by its main mentors were successful. The Spanish Civil War and the outbreak of the Second World War seem to have been exceedingly strong constraints that imposed a postponement of the corporatist project. Nevertheless, such external circumstances were not enough to mitigate the centralism, *dirigisme* and bureaucratic network that the state imposed on the functioning of an economy lacking corporate responsibility, rational business organization, and the spirit of entrepreneurship, initiative, and risk.

The policy of “industrial conditioning,” which imposed severe restrictions on the creation of industrial firms, provided a clear demonstration of the power of complex and bureaucratic processes, leading to the installation of new production units in protected sectors that were not subject to market rules and free competition. Therefore, it became evident that the prospect of an allegedly self-directed corporatist economy was nothing more than a simulacrum of the all-powerful controlling state. Marcello Caetano (1950) recognized this in a very straightforward way:

Portugal is a corporatist state in intent – not *de facto*. The most that can be said is that we have a union-corporatist-based state, or a tendency towards a corporatist regime, but not a corporatist state. (p. 12)

It was precisely this failure to achieve corporatism as a coherent system that rendered the institutional structure of the *Estado Novo* unable to adequately satisfy the demands of free individual initiative, imposing severe restrictions on the exercise of elementary civil liberties, particularly in economic matters. Its scope was limited to the defence and preservation of the interests of traditional economic and social groups, which felt perfectly suited to a regime that depended on them and that promoted the purpose of their action. Thus, the weak competitiveness of the Portuguese economy was compensated by measures of agricultural, industrial, and commercial protectionism, making the state a key factor in the conservation and reproduction of a weak economic structure.

One can always question whether the pace of economic growth in Portugal in the 1930s and 1940s (given the reduced impact of the effects of the Great Depression and the Second World War) would have been more pronounced if economic and political institutions had been different. Since such a speculative question cannot be convincingly answered, we are led to acknowledge that the institutional setting of corporatism has served to protect and accommodate interests that were based on the benefits of an authoritarian regime, which was not only detrimental to individual freedom at a civic and political level, but also extremely harmful to the prospect of the basic civil rights of the workers' associations.<sup>5</sup>

In the new post-war context, the corporatist ideology ceased to have any international repercussions or acceptance, even meeting with the opposition of voices denouncing the totalitarian and dictatorial nature of the political regimes that corporatism had served. Consequently, the recognition of its failure was an additional stimulus to put forward new approaches to the crucial issue that corporatism sought to respond to, namely harmony and cohesion in a society permanently controlled by the state.

This explains the motivations and intentions of a new wave of defenders of corporatism, who began to express their views from the beginning of the 1950s onwards. This second corporatist period was dominated by the idea and desire to create a new Portuguese corporatist school; whose doctrinal references were largely different from those of the previous period. The ideologues of Italian and Southern European fascism (especially Ugo Spirito and Mihail Manoilescu) were now replaced by the tradition of social Catholicism and papal encyclicals and by the recovery of the French corporatist influence, especially the ideas of François Perroux and his vision of working communities (Perroux, 1938). Therefore, there were other sources of doctrinal inspiration and other currents of thought that contributed to the formulation of the corporatist ideology in post-war Portugal.

The reflections of this new generation of corporatist authors were aimed at adapting the corporatist ideas to the new times, devaluing their presumed vocation for social and economic regulation at a macrolevel and favoring topics such as state interventionism and, above all, the problem of the reform of business administration. For them, the important thing was the establishment of a new system of human relations in an entrepreneurial environment that would not be characterized by the antagonism between profits and wages, but by the

solidarity between complementary and convergent interests and purposes. What really mattered was not so much the legal creation of corporations, nor the militant appeal for the realization of an abstract ideal of cooperation and solidarity, but rather the recognition of the importance of a system of responsibility, initiative, and collaboration on the part of the various participants in the productive process; that is, the effective implementation within the firm of the purposes that had always underlain the design of corporatist institutions.<sup>6</sup> By doing so, they were also attempting to solve one of the main shortcomings of the authoritarian regime, relating to the restrictions and repression imposed on the workers' organizations, which the first corporatist generation had been unable to prevent.

From this brief digression through the main features of the economic and social doctrine of Portuguese corporatism, as well as the substantial differences between the authors of the 1930s and the 1950s, it is clear that there was a strong institutional constraint on the performance of the Portuguese economy over the period under review. The fact that the corporatist model did not succeed according to the intentions of its mentors during the 1930s and 1940s does not preclude the recognition that it served to frame and legitimize a process of restricted economic growth, always protected by the policies of state regulation. The New State never stopped trying to promote and encourage the creation of an institutional model that was supposed to configure a third way of organizing and developing economic life.

Since not everything went as planned, a fresh infusion of corporatism was developed from the 1950s onwards, this time with a purpose that did not require changes in the macroinstitutional framework, but instead promoted a set of reforms in human and professional relations at the microlevel of the firm, reinforcing the capacity to realize the common good.

On both occasions, the belief in the virtues of harmony and the reconciliation of interests provided an important ideological backing for the consolidation of the conditions supporting the political regime. However, irrespective of the known restrictions on individual freedom, those conditions were adjusted to the objectives of economic growth, with results that proved to be in line with, or even higher than, the average for European countries, which naturally contributed to a gradual process of convergence of Portuguese living standards in relation to the European indicators.

However, the new corporatist wave brought with it critical elements that required a new awareness of the reasons for the Portuguese economic and social backwardness and of the "regrettable indicators that characterise us" (Nunes, 1968, p. 260), regarding living standards in areas such as food, health and housing, which were particularly alarming compared to the values recorded in other European countries. And it was also this new wave that pointed to some ways of transforming and modernizing Portuguese society through "the replacement of economic, social and institutional structures that constrain or distort the development process by other institutions that foster or guide us in the direction of progress" (Nunes, 1968, p. 270).

#### **4. ECONOMIC GROWTH IN THE POST-WAR PERIOD. THE ROLE OF ENGINEERS**

Portugal had no direct participation in the Second World War and did not suffer the harmful effects of the destruction experienced by the major world powers. But the process of industrialization in the country was insufficient, and if there were any successes (particularly in the cement, glass, machine, and electrical industries), they were certainly due to the inertia effects of the traditional protectionist framework and the protective regime of industrial conditioning. Thus, at the beginning of the 1940s, Portuguese industry remained largely dependent on imports of energy resources, equipment, machinery and intermediate goods, suffering the inevitable negative consequences of the outbreak of war, with its interruption to regular supplies, the consequent incapacity to maintain an efficient transport system and the sharp fall in international demand.

Besides the broad effects of the war economy that could not be avoided, Portugal also experienced the unexpected results of a capital flow (remittances and capital returns) that worsened inflationary trends in a country that had become accustomed to living with monetary and financial stability. The inevitable increase in internal and external tensions created an excellent pretext for a renewal of theoretical and political reflection on economic issues, placing special emphasis on the fragility of the industrialization processes and pointing out new paths that would allow Portugal to keep pace with the economic growth that, once the war was over, Europe would begin to experience.

In this new post-war context, the role played by the new actors and protagonists contributed to deeper reflection and more determined decision-making on economic policy matters. The role traditionally played by civil servants and politicians educated at the Faculties of Law of the Universities of Lisbon and Coimbra was now also performed by new professional groups trained at the Institutes of Engineering and Economic and Financial Sciences of the Technical University of Lisbon.

The decisive steps that highlight the important role played by the thought and action of engineers in Portuguese political life were taken by Ferreira Dias, an engineer by profession, but a politician by vocation, who fulfilled an important mandate as a member of the government on two separate occasions: as the Secretary of State for Trade and Industry between 1940 and 1944, and as the Minister of Economic Affairs between 1958 and 1962. Notwithstanding his political commitment, it was mainly through his technical and professional career as an engineer interested in modernizing the industrial production and energy sectors that Ferreira Dias acquired the knowledge and sensitivity indispensable for the fulfillment of a modernizing economic program. His leadership of various economic, political, and business organizations and institutions brought him into close contact with the real problems of the Portuguese economy and provided him with the fundamental knowledge required for the design of development policies.

During the long period of his technical and political career, 1945 proved to be a particularly symbolic year, in that it marked the publication of his doctrinal

work in defence of a new *Linha de Rumo* (Direction Line) for Portugal (Dias, 1945), and also the publication of the new Law for Industrial Promotion and Reorganization, of which José Ferreira Dias was the main mentor and inspirer.

The book is highly illustrative of Ferreira Dias's pragmatism, showing his clear preference for an approach to economic problems centered on a technical perspective of maximizing the allocation of available resources and the potential offered by new methods of energy production. These facets of his work demonstrate some distance in relation to the abstract concepts of economic theory and also, of course, some reluctance in accepting corporatist doctrines. His language is that of a technocrat, engineer, and manager who anticipated entrepreneurial solutions with a view to the modernization of the country, for which industrialization and electrification would be the main instruments. He was also a critic of the heavy regulation imposed by industrial conditioning, which limited the scope and action of the technology that was the main guarantee of economic growth and progress.

In the same vein, the 1945 Law for Industrial Promotion and Reorganization should be interpreted as representing a new and more solid pillar of support for Portuguese industrial policy, overcoming the precarious bases of customs protectionism and the bureaucratic procedures of the industrial conditioning regime. This law represented a turning point in industrial policy, enabling Portugal to propose strategic measures leading toward sustained economic growth. Engineers played a decisive role in defining such a strategy and in deepening a scientific and technical culture that was indispensable for economic planning and administration. The *Planos de Fomento* (Development Plans) conceived and implemented until the end of the 1960s embody and clearly express the continuity and consistency of the guidelines drawn up in the post-war context.

By identifying the priority sectors for intervention, the Development Plans provided a broader vision of the necessary coordination and articulation of sectoral policies, which was also extended to the social dimension of economic development policies, especially in the areas of employment and social protection. In this sense, they registered as general objectives and quantified targets both a concern with the growth of the product and total factor productivity and an improvement in the balance of trade and the balance of payments, as well as the guarantee of full employment and an improvement in living standards. They also introduced a less imperative and less authoritarian attitude toward the different forms of direct state intervention in the economy, benefiting from the climate of openness necessarily favored and implied by Portugal's participation in international organizations – from the negotiations under the 1948 Marshall Plan for Europe to the country's accession to the European Free Trade Association (EFTA) in 1959 and its membership of the International Monetary Fund and the World Bank in 1961. This is particularly relevant for the period that began in the 1960s, but it is also important to point out the importance of the direct antecedents that led to the beginning of the “golden period” of Portuguese economic growth. Indeed, the period from 1960 to 1973 saw a marked increase in GDP per capita (annual average growth of 6.7%), which enabled Portugal to converge

toward, and surpass, the average growth rates of the main European economies of the Western world (annual average growth of 4%).<sup>7</sup>

## 5. THE ROLE AND AGENCY OF ECONOMISTS

In addition to the decisive contribution made by engineers to the development of the Portuguese economy in the post-war period, especially as far as industrial policy was concerned, an extremely important role was also played by another group that had hitherto been less involved in political decision-making processes. Indeed, the increasing professionalism and complexity of economic and financial matters called for an ever more significant intervention of players with specific training in these areas of knowledge. In this sense, more detailed attention needs to be paid to the emergence of economists as the central agents of the ongoing changes in the Portuguese economy.

After its creation in 1931, the Institute of Economic and Financial Sciences of the Technical University of Lisbon (ISCEF) maintained a strong tradition of teaching legal, mathematical, technological, and accounting matters that it had inherited from its predecessor, namely the Institute of Commerce founded in 1911. The syllabus was organized into four sections, corresponding in practice to four areas of specialization: customs, diplomatic and consular affairs, finance, and business administration. Although the compulsory disciplines of economics and finance were the only ones common to the four sections, their reduced importance in the curriculum structure hardly justified the establishment of a formal correspondence between the name of the school and the actual teaching contents.

In a general assessment, the essentially practical and professional nature of an ISCEF education should be emphasized, with its notable inclusion of laboratory work and commercial office classes, in environments that recreated or simulated the workplaces of future graduates. However, the richness of this professional training had as its counterpart the theoretical fragility of the background acquired by graduates in economics and finance, taking into account the curricular normalization of university courses that was already to be found in these areas in other countries.

The modernization of ISCEF, which was to dictate its definitive hegemony in the field of university education in economics, finance, and business administration, would only take place after the curricular reform that began in 1949, in which António M. Pinto Barbosa played a leading role. It was due to him that a profound change occurred in the way of teaching economic theory through the introduction of an approach that used a diagrammatic and algebraic language, typical of modern textbooks in the field. The theoretical inspiration was now clearly Marshallian microeconomics (consumer and producer theory), with the incorporation of several innovations that have since enriched it (e.g., monopolistic and imperfect competition theories) and, albeit marginally, some influence of the new macroeconomics devoted to the study of national income. ISCEF now had a modernized syllabus, in which references to the heterodox and critical currents of the neoclassical tradition (Barbosa, 1943) gradually lost their importance.

The crucial meaning of the 1949 reform was that it positioned economic science as a core element in the curricular structure of ISCEF courses and removed the corporatist doctrine from the training matrix of agents involved in economic policy matters. For economists trained in this innovative university environment, there was an implicit notion that corporatism was no more than an ideological appeal without any significant impact, and that economic sectors functioned independently from the somewhat rigid structure of corporations.

For the accomplishment of this important curricular reform, the support provided by the students and disciples who worked closely with António M. Pinto Barbosa was fundamental. The three assistants with teaching responsibilities who accompanied him were Francisco Pereira de Moura, Manuel Jacinto Nunes, and Luís Teixeira Pinto. Without their involvement, the results of the 1949 reform leading to the modernization of the teaching of economics would not have been achieved. The reason is easy to understand. Less than one year after the publication of the new ISCEF statutes of 1949, António M. Pinto Barbosa was appointed as Secretary of State for the Treasury. It is true that the formal abandonment of university life did not mean that he remained aloof to the scientific and pedagogical path taken by ISCEF, either immediately after the 1949 reform or at other times when his responsibilities at the Ministry of Finance and the Bank of Portugal were incompatible with the exercise of his academic vocation. Barbosa always remained in close contact with his students and colleagues. However, there seems to be no doubt that the collaboration and mutual support of his three direct followers were decisive factors in ensuring the successful modernization of the teaching of economics at ISCEF.

Indeed, it was through the work mainly carried out by Pereira de Moura, Jacinto Nunes and Teixeira Pinto that the new directions in the teaching of economic theory at ISCEF were able to exceed the guidelines outlined in the initial reform project. In other words, the disciples matched up to their master by innovating and creating new teaching contents, especially in short-term and long-term macroeconomic matters, for which they showed great receptivity to the innovative message introduced by Keynesian theory.

In addition to the works that they wrote individually, these three economists jointly authored a book (Moura, Nunes, & Pinto, 1954) which represents a turning point in the knowledge of the main sectors of the Portuguese economy (agriculture, industry, and foreign trade). Although the treatment of theoretical issues is not particularly detailed in this book (they gave more thorough accounts in other texts that they wrote individually and in the preparation of their doctoral dissertations), the study reveals a minimal treatment of some macroeconomic aggregates, especially in the analysis of the components of income and its distribution. The main merits lie in the meticulous use of the available statistical data, enabling the formation of a quantified knowledge of the structures of production (especially in the industrial sectors, whose development they sought to encourage) and foreign trade.

A new style was thus inaugurated, one that, above all, reflected a new attitude of investigation applied to the Portuguese economic reality. The 1949 curriculum reform was beginning to bear fruit and consequently to demonstrate that a new

era was opening up for the study of economics and finance in Portugal. The main mentor of this reform, António M. Pinto Barbosa, was to gain a prominent position in central political decision-making, both at the Ministry of Finance and the Bank of Portugal, and was therefore able to recruit qualified economists from the academic milieu to perform duties of great responsibility in the implementation of fiscal and monetary policies.

Therefore, it is not redundant to say that it was from this university reform of 1949 onwards that full recognition was given to the technical and political capacities of the professionals in these scientific domains. And it also became possible to demonstrate that some economists with responsibilities in university life and in the implementation of economic policies were now capable of thinking about the problems of economic growth and development in a way that did not merely serve to legitimize the authoritarian nature of the existing political regime.

## 6. THE KEYNESIAN INFLUENCE

The reduced influence of neoclassical economics in Portugal gave rise to an apparently paradoxical situation regarding the assimilation of the Keynesian message from the end of the 1930s onwards. The insufficient theoretical training of Portuguese economists created serious obstacles to their understanding of a new language that was revolutionizing the traditional way of thinking about economic problems. However, the obstacles to understanding the analytical reasoning of John Maynard Keynes' work did not prevent the manifestation of ideological and doctrinal sympathy for some kind of state intervention in economic life. The fact that there was no pressing need to criticize or counter the ideas against which Keynes had declared theoretical and political war (i.e., mainstream neoclassical economics) made it unnecessary to go deeper into the assimilation of the new paradigm. Corporatist doctrinaires achieved the same goals through means that seemed to them more effective, which does not invalidate the recognition of a certain convergence between corporatism and the Keynesian economic doctrine through a slight sharing of views about the unsatisfactory functioning of market forces and about the strategic role of the state in directing economic life.

Economic policy was largely conditioned by the small size of the Portuguese economy and, in general, by a situation of relative economic backwardness due mainly to the heavy share of the agricultural sector, the somewhat primitive character of the financial markets and the almost total absence of unemployment. In other words, it was the very nature of the Portuguese economy, throughout the 1930s and 1940s, that made Keynesian policies unnecessary.

But it should also be noted that the Keynesian views on the problems of economic disequilibrium, the unpredictability and unstable nature of economic life, the precariousness of decision processes that were subject to evaluations dictated by emotional behavior, or the contingency of the expectations and state of confidence of economic agents, were quite out of keeping with the set of morals

inspired by the corporatist organic system or the conformist ethics of the *homo corporativus*. The prevailing economic policy guidelines of the *Estado Novo* acquired the status of dogmas that it was difficult to contradict: the balanced budget, the orderly behavior of consumers, the exaltation of the virtues of moderation and saving, the intransigent defence of internal and external currency stability (to avoid inflationary tensions), the conservation and increase of gold reserves, the belief in a mythical regime of full employment, and an integrated labor market thanks to the social benefits of the corporations system. All this represented precisely the opposite of Keynes' world; all this demonstrated, in short, the lack of opportunity for the triumphant introduction of Keynesian economic policy in Portugal (Almodovar & Cardoso, 2005).

However, although it was weak and scarcely heard, the Keynesian voice began to be heeded in Portugal with some attention from the end of the 1940s onwards, mainly through the introduction of Keynesian theoretical analysis into the academic studies of the above-mentioned beneficiaries and executors of the 1949 reform: Pereira de Moura, Jacinto Nunes, and Teixeira Pinto. Later on, in 1955, when Pinto Barbosa became the Minister of Finance, it could be clearly heard at the departments and services responsible for implementing economic and financial policies, where a more systematic use was made of statistical data and national accounts, employing macroeconomic variables that belonged to the analytical framework produced by the Keynesian lexicon. However, it should be pointed out that the recognition of these elements did not go beyond the mere conceptual representation of economic life and did not constitute a significant change in the customary declarations of fidelity to the traditional orthodoxy in matters of public finance.

It is important to point out that the reception of Keynesianism took place at a time when the *Estado Novo* was seeking to define a new strategy aimed at promoting stronger economic growth, albeit within the national framework of a relatively closed economy. Although it could not be used fully as a guide to the strategy of modernization and economic progress, it left indelible marks and influences. The summoning of economists to perform the most demanding technical advisory roles was central to the negotiations on US aid to European reconstruction established through the Marshall Plan. Although Portugal refused to accept external aid in the first year of the plan's implementation (1948), it participated as a founding member of the Organisation for European Economic Cooperation (OEEC) and the European Payments Union, which had the authority to administer the American aid program.

The involvement of the Portuguese technical delegations in the negotiation processes relating to foreign aid and European integration was crucial for the modernization of the economic and financial administration, as well as for the learning of the instruments and languages of international cooperation, especially the use and comparison of statistical data and national accounting systems. It also demonstrated that, in a political environment still dominated by minds that were not receptive to the advantages of open economic systems, it was possible to build forms of resistance and change that undermined the foundations and stability of the regime.

The integration option offered by EFTA turned out to be very beneficial for Portugal. The weight of the colonial markets and the need not to disturb the stability of social and political balances and representatives of the interests of both the agricultural and industrial sectors were the factors that influenced the choice of alignments within the European framework. The Portuguese convergence effort required the favorable conditions and incentives that were guaranteed by EFTA under preferential conditions, enabling the creation of a new dynamics of modernization and growth in the production and trade sectors of the Portuguese economy, which were heavily dependent on the country's relations with Europe.

This concern with the central theme of economic development led some economists to adhere to the theses defended and applied in other geographical areas where they were particularly opportune: the theories and development policies of the United Nations Economic Commission for Latin America and the Caribbean (ECLA). Apparently, the chances of such a developmentalist view being welcomed in a country on the European periphery seemed scarce. But it was the eagerness to break down factors of isolation and to promote industrial policies that would guarantee a faster and more improved process of economic growth and social welfare that motivated this unexpected appropriation of ECLA's message (Bastien & Cardoso, 2003).

## 7. CONCLUDING REMARKS

This chapter has sought to illustrate the role played by different generations of Portuguese economists who were active throughout the authoritarian regime of the *Estado Novo* (New State), between 1926 and 1974. Many of them served the regime as ideologues and mentors, while a significant number of professional economists successfully managed to create an alternative to the conventional neo-classical theory and doctrine.

Corporatist economists faithful to Salazar's rule, with a background education in law schools, produced a rationale that attributed a major economic role to government. However, a similar demand for state economic intervention was also put forward by engineers and economists, motivated by the pragmatic purposes of catching up with and emulating the developed economies and inspired by other streams of economic thought, including Keynesian macroeconomics. Though informed by different ideological and philosophical presuppositions, these streams of thought shared the same strong criticism of the neoclassical notion of a market equilibrium achieved through the actions of a purely spontaneous mechanism. Therefore, the notion of market failure and the need to ensure a feasible social and economic order were at the very heart of the arguments developed by a second wave of both neo-corporatists and Keynesians, seeking to justify the economic role of government.

The tacit acceptance of Keynesian arguments by the political leaders of Salazar's regime paved the way for the emergence of authorized voices of dissent. It is precisely this convergence that helps to explain the relevance of economists

as a group of acknowledged experts and special agents with a key role in the post-war discussion of issues relating to social policy, economic development, and the possibilities of (and constraints upon) the building of the welfare state under an authoritarian regime.

## NOTES

1. Among the numerous studies on fascism viewed from a comparative perspective, due to their systematic and comprehensive nature, see, above all, [Payne \(1995\)](#), [Paxton \(2004\)](#), [Pinto \(2011\)](#), and [Griffin \(2018\)](#).

2. Costa Leite was known by his surname Lumbrales. He was the author most frequently to be mentioned in the daily agendas of Salazar. After leaving the government in 1955, he continued his academic career at the Faculty of Law of the University of Lisbon until 1974.

3. See, above all, [Salazar \(1933, 1938\)](#), [Caetano \(1938, 1950\)](#), [Leite \(1936\)](#), and [Ribeiro \(1939\)](#).

4. The main doctrinal and political influences came from Italian corporatist and fascist literature, most notably the works of [Gino Arias \(1934\)](#) and [Ugo Spirito \(1934\)](#), with the latter's writing being translated into Portuguese. Also translated was one of the most outstanding works of European corporatist ideas ([Manoilescu, 1936](#)). On the corporate doctrine and its diffusion and development in Portugal, see [Bastien and Cardoso \(2004, 2006\)](#). For a synthetic approach to the political, economic, social, and cultural history of this period, see [Cardoso \(2014\)](#).

5. This interpretation has been emphasised by Portuguese historiography, especially by Fernando Rosas. For a summary presentation, see [Rosas \(2012\)](#).

6. The most relevant author was Adérito Sedas Nunes, the founder of modern sociology in Portugal, with several articles produced in the 1950s and later collected together in [Nunes \(1968\)](#).

7. For an overview of the evolution of the Portuguese economy in the twentieth century and the sharp growth experienced throughout the period 1960–1973, see [Lains \(2003\)](#) and [Lopes \(2004\)](#).

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