

The reception of the *General Theory* in Portugal: the first 20 years¹

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1. Introduction

The Portuguese economists who were directly or indirectly involved in the spreading of Keynesian ideas in our country like to recount a rather curious and elucidatory tale. During the break in a meeting of the Council of Ministers held towards the end of the 1950's, António Salazar came unexpectedly upon one of the members of his cabinet confessing in a conversation between ministers that he had a certain sympathy for the Keynesian creed. And the small informal circle that had formed quickly broke up to hear the comment of their leader, who was passing close by them and with a magnificent sense of timing replied: "Don't worry. You'll get over it, you'll get over it!" (Nunes, 1986: 59)

This short anecdote clearly reveals the way in which presumable or apprentice Keynesians were able to coexist quite happily with other theorists inside the apparatus of the corporative state. Their ideological beliefs were seen as minor symptoms of a passing disease from which a sudden recovery was soon expected.

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One of the reasons for Salazar's lack of concern as to the risks of contagion was certainly to be found in the ease with which those who suffered from the disease could be detected. Indeed, in Portugal's case, the disease was not able to spread in the way that Samuelson described it: "The *General Theory* caught most economists under the age of 35 with the unexpected virulence of a disease first attacking an isolated tribe of South Sea islanders. Economists beyond 50 turned out to be quite immune to the ailment. With time, most economists in between began to run the fever, often without knowing or admitting their condition" (1946:190).

Such a phenomenon occurred with particular intensity in the Anglo-Saxon world over the ten years following the publication of the *General Theory*, as is clearly shown in the statistical study carried out by Moggridge on the basis of his analysis of 392 articles published in economics journals between 1936 and 1948 (1995: 224). And here we should perhaps stress that his conclusions clearly suffer from one important shortcoming, namely that they do not include a survey of any articles that were not published in the English language.

Portugal maintained a high rate of immunity in the face of this almost contagious spread of the theory, which naturally left Salazar feeling quite unperturbed. But such resistance to the Keynesian strain is not really very surprising if we bear in mind the various studies that have been undertaken into the spread of Keynes' ideas in several European countries and which do in fact stress the great diversity of experiences and the different rates of discovery, acceptance and use of the theoretical work and ideological and political programme of John Maynard Keynes².

In this paper, we shall attempt to reflect upon the characteristics of the Keynesian adventure in Portugal, essentially during the period between 1936 and 1956. The specific features of the Portuguese situation will be analysed in relation to a basic problem that may help to understand the paradoxical and ambiguous relationship that Keynesianism had with the dictatorial experiences of southern Europe or, if one prefers to use a more gentle form of terminology, with the economic experiences of corporativism³. In Section 2, we shall attempt to provide a methodological and historical framework for the theme of this paper, bearing in mind some of the

² To mention but a few recent publications, cf. Arena & Maricic (1988), Hall (1989a), Colander & Landreth (1996) and Psalidopoulos (1996).

³ It should be noted that Keynes himself addressed this problem of the relationship between the totalitarian historical experiences and his *General Theory*, when referring

works that have been devoted to the study of this problem in other countries and, in particular, seeking to provide some means for identifying the Portuguese economy and society during the period in which Keynes' ideas were beginning to make themselves known. Section 3 will be devoted to the study of the main authors or groups of authors who, through their university teachings, independent publications in specialist journals or concrete actions within those bodies that were responsible for the management and implementation of economic policy, were directly involved in the acceptance and spread of Keynesian ideas. Finally, in Section 4, we shall attempt to draw some conclusions as to the constraints and limitations of the relationship between the experience of corporativism and the challenges resulting from the adoption of the Keynesian message.

2. Methodological and historical context

The metaphor of the disease that was used earlier to describe the spread of Keynesian ideas does not in any way mean that we accept the idea of an "infectious disease model" in our approach to the problem of the dissemination of economic ideas (Colander & Coats, 1989: 11). The underlying purpose in our use of this metaphor is merely a persuasive one. Colander & Coats suggest two other alternative models which we consider to be much more useful in studying the process for the transmission, acceptance and use of economic ideas and theories. One is a model that is based on the idea of the marketplace, i.e. on a study of the workings of a market of ideas operating in accordance with the pressures of supply and demand and the interests of producers and consumers; and the second is a model that is based on information theory and pays more attention to the social, institutional and technical processes of the transmission, reception and decoding of economic messages (1989: 10-19)⁴. Equally suggestive are the propos-

to the German case. According to his own words, quoted from the Preface to the German edition of the *General Theory*, "the theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state, than is the theory of the production and distribution of a given output produced under conditions of free competition and a large measure of *laissez faire*" (Keynes 1936, xxvi).

⁴ Cf. also Llombart (1995), who attempts a critical appreciation of the various models for analysing the spread of economic ideas.

als that are made in this field by the authors of the essays collected by Peter Hall (1989a), in particular the concluding texts written by Hirschman (1989) and Hall himself (1989b).

An albeit brief reference (given that it is not our intention here to provide a detailed outline at the level of methodology) should be made to the working hypotheses which, when applied to the specific case of the spread of Keynesianism, underline the importance of studying the economic, administrative and political feasibility of the new theories and ideas propounded by the author of the *General Theory* (Hall, 1989b). Without such a study, it will not be possible to arrive at a suitable understanding of the process, which may (or may not) end in the adoption of a particular economic policy programme, necessarily subject to different stimuli, restraints and vicissitudes.

To this end, we must take a close look at the internal theoretical factors that define the capacity for absorbing and assimilating an innovative discourse. But it is also important to take into account the external factors which make such assimilation either easier or more difficult: the way in which everyday problems may be contextualised or rendered intelligible through the use of a new language; the extent to which this same language is generally accepted by the public opinion makers; the readiness of the upper echelons of the civil service and the political class to introduce changes and innovations; in short, the way in which the structures of the state and the bodies responsible for the formulation of economic policy actually operate.

We believe that the study of the reception given to the *General Theory* in Portugal will necessarily have to be seen in the context of some of these reference items, in order to explain its impact in the period under analysis here (1936-1956).

In the first decades of the twentieth century, the panorama of economic ideas in Portugal was characterised by a great weakness in terms of analytical theory. Knowledge of the marginalist economic literature was superficial and the critical trends of the first neoclassical synthesis had also remained largely unknown in the country. The few academic economists that existed at that time oscillated between eclectic, and in most cases not very up-to-date, presentations of economic theory, and a naive institutionalism that had neither the sociological emphasis nor the critical positioning that are inherent in the work of Veblen and his followers.

This situation can be partly justified by the features of the University system, as regards the teaching of economic subjects. One of those features was that political economy had a certain stable and instrumental de-

pendence upon the sciences and techniques of law, accounting and commerce. Political economy was essentially expected to provide some data of an institutional nature, some statistical information, a geographical description of human and natural resources, a systematisation of the sectors of economic activity, an explanation of the workings of the monetary and financial system, in short it was expected to concentrate on all the aspects that made it possible to recognise and understand the sphere of human economic action. In addition to this, it should also provide information concerning the comparative analysis of economic systems and different schools of thought or trends in doctrine.

This was to be the dominant note in the various compendia of political economy produced in Portugal throughout the golden age of neoclassical economics - in other words between the publication of A. Marshall's *Principles of Economics* in 1890 and J.M. Keynes' *General Theory of Employment, Interest and Money* in 1936 - during which there is enough evidence of a limited Portuguese propensity for theory and for the adoption of a canonical discourse, and, in general, for the acceptance of the methodological guidelines underlying neoclassical economic thinking.

In terms of the production of doctrinal work, some developmentalist ideas emerged in the course of the 1930's, but these were largely formulated by engineers who had no basic training in economics nor any real backing in society or in the circles of political power.

At the same time, economic policy was largely conditioned by the small size of the Portuguese economy and, generally speaking, by a situation of economic backwardness that could be clearly seen in the major role played by the agricultural sector in determining the evolution of the economy, the somewhat primitive nature of the financial markets and the almost complete absence of unemployment.

As Rosas (1994) points out, the economic and social equilibrium achieved during the period of the *Estado Novo* (New State) was based on three fundamental pillars: the equilibrium of the tensions between the world of labour and the world of capital, achieved through a strong repression of working class movements and of all manner of demands made by the workers; the equilibrium between the various groupings of distinct economic interests - such as the owners of the great agricultural estates and the owners of large industrial and financial concerns - who each had their own lobbies and series of political demands; and the equilibrium achieved inside each of these interest groups through the attenuation of the conflicts between lower and upper strata.

Corporative organisation was to fully materialise these objectives of equilibrium and social harmony, by entrusting the state with a fundamental and leading role in the whole process, with the aim of achieving an effective control of the social and economic life of the nation. The institutionalisation of the *Estado Novo* - through the approval of a coherent set of programmes designed to guide economic, social and political life - therefore respected the essence of the corporatist ideology, based on the submission of the individual to the superior interests of the nation and the defence of its permanent moral and spiritual integrity.

It can easily be understood that, in this historical context, neoclassical economic theory did not find any fertile ground in which to grow and bear fruit. The basic premises of free competition, the spontaneous equilibrium of markets and non-intervention by the state could never be welcomed by the Portuguese corporatist theorists, so that the attempts to achieve any form of analytical systematisation were nothing more than a preliminary academic exercise included in a limited number of university subjects. As unconditional opponents of *laissez-faire*, the corporatist ideologists extolled the notion of a self-governing economy which nonetheless had nothing to do with the processes of spontaneous market equilibrium which were so much to the liking of neoclassical economists. The self-governing economy presupposed that at the founding stage of the corporative organisation there would be a massive intervention by the state, which thereafter would gradually decline in importance. As Brito summarised the situation: "A systematic state intervention must be followed by a further supplementary intervention, after which economic development results from the spontaneous co-ordination of the plans of the great social and economic groupings within the corporations, which are merely inspected and supervised by the state" (1989: 54).

The fragile implantation of the neoclassical discourse in Portugal gave rise to an apparently paradoxical situation in the assimilation of the Keynesian message from the end of the 1930's onwards. Keynes could not be seen at the outset as an entirely unwelcome author for the simple reason that he showed sympathy for a certain type of state intervention in the directing of economic life. This was in fact to become one of the reasons for a possible assimilation of his message. However, the fact that there was no pressing need to criticise or combat the ideas on which Keynes had declared theoretical and political war made it a rather unstimulating and pointless exercise to try and assimilate this critical demolition proposed by the *General Theory*.

But if, on the one hand, a certain indifference could be noted in regard to any changes that Keynes might have brought to the prevailing economic discourse (for some Portuguese authors of the time the whole process was somewhat akin to preaching to the converted), it could be seen, on the other hand, that Keynes' message might have serious implications for the maintenance of the social and economic equilibrium that was the hallmark of the corporativist state. In fact, Keynes' work gave rise to a series of economic policy guidelines that it would be almost impossible for the economic intelligentsia in control at that time to accept.

Keynes' ideas about the problems of disequilibrium, the unpredictability of economic agents and the unstable nature of economic life, the precariousness of decision-making processes that were subject to assessments made by animal spirits, or even the contingency of the expectations and state of confidence of economic agents, were quite out of keeping with the set of morals inspired by corporative organisation or the conformist ethics of the *homo corporativus*. The prevailing guidelines of economic policy had taken on the air of dogmas that it was extremely difficult to question: the balanced budget, the orderly behaviour of consumers, the exaltation of the virtues of saving, the intransigent defence of the internal and external stability of the Portuguese currency (in order to avoid inflationary pressures), the preservation and growth of the gold reserves and the belief in a mythical system of full employment and an integrated labour market achieved through the essential goodness of the corporation system. All this represented the complete opposite of Keynes' world and provided clear evidence of the lack of any opportunity for a Keynesian economic policy to ever be successfully introduced in Portugal.

Furthermore, the logic of the routine functioning of the corporations and the absence of economic research centres, as well as the failure to provide any technical support services, represented major barriers to the development of a coherent type of Keynesian administrative modernity and of those instruments which it made use of and whose development it promoted (statistical series, accounting systems, sophisticated econometric models, etc.). It is worth noting that a certain degree of modernity was implemented in a few state departments and in the Bank of Portugal, through the induced administrative effects resulting from the application of the Marshall plan. Though this willingness revealed by some Portuguese economists to acclaim modern techniques, there was a strong political commitment preventing a total acceptance of the consequences and repercussions of the post-war reconstruction of Europe, in view of Salazar's logic of

standing "proudly alone" that restricted the use that was made of American aid⁵.

Last but not least, as we mentioned earlier, the low level of theoretical training given to the Portuguese economists who graduated in the 1920's and 1930's created serious obstacles to the understanding of a discourse which, although it introduced a number of innovative and revolutionary concepts, essentially remained faithful to the theoretical corpus that characterised the tradition of Marshall and Pigou and with which Keynes still maintained strong umbilical connections.

We are thus led to conclude that the possibilities of Keynes' economic ideas ever being considered theoretically, doctrinally and politically feasible in Portugal were extremely limited. However, although it was weak and may not have reached many ears, the Keynesian voice was in fact heard amongst us with some significant results, as we shall attempt to both document and demonstrate in the next section. And we shall once again witness the continuing existence of this series of ambiguities which meant that Keynes' ideas were capable of simultaneously arousing both sympathy and animosity. Indeed, his economic vision proved not only to be a useful tool for convincing people of the importance of economic intervention by the state, but also showed itself to be a dangerous instrument of change affording a certain amount of cover for those who supported profound and radical changes in the economic and political territory on which the *Estado Novo* had laid its very foundations⁶.

3. The spread of Keynesian economics

3.1. Portuguese economists and Keynesian studies

As an opinion maker, Keynes was fairly well-known in Portugal from the mid-1920's onwards, as indeed he was in most European countries: the first Portuguese reference to Keynes' writings occurred in 1923 when in his opening lesson at the beginning of the academic year Francisco A. Corrêa, acting as director of ISC (the Higher Institute of Commerce, later to be

⁵ Cf. Rollo (1995).

⁶ For detailed bibliographical references covering the period 1945-1954 see Bastien (1989), where systematic analysis of this subject is provided.

named ISCEF and now called ISEG, Institute of Economics and Business Administration, belonging to the Technical University of Lisbon) made mention of *The Economic Consequences of the Peace* (Corrêa, 1924: 9). However, Keynesianism, in the form which had been built up and propounded from the *General Theory* itself, was to remain largely ignored by Portuguese economists for more than ten years after the book's publication.

During the 1930's, no Portuguese economist was to stay at Cambridge or have any direct contact with this important circle for the training of economists. Of those who stayed in Portugal, only Leite (1933) and Ribeiro (1934) showed that they had any familiarity with the scientific progress made in those years of high theory. It is no doubt significant that no translation, nor even any bibliographical survey or book review of the *General Theory*, was ever published in Portugal at that time⁷. The actual works which provided the first interpretations and began the spread of the new economics, such as Robinson (1937), Meade (1937) or even Hicks (1937), were ignored by Portuguese economists for several years.

It was during the course of the Second World War that some authors - particularly those who had spent some time in England in the service of Portuguese diplomacy - gained their first knowledge of the *General Theory* and made the odd reference to some of its passages. However, such references were quite sporadic and never suggested that any serious reading or effective assimilation had taken place of Keynes' valuable contribution to economic theory⁸.

After the end of the Second World War, the situation was to become a little different and important contributions began to appear that progressively assimilated and then imposed the new economics on the Portuguese scene.

At first, more than anything else, Keynes' theory was given only a preliminary, pedagogical dissemination, namely through the pages of the *Re-*

⁷ It should also be stressed that no translation was made of the other famous economic works by Keynes, namely the *Treatise on Money*. And there is no evidence whatsoever of any sound assimilation of Keynes' economic theorising. He was definitely known as a political figure, as an opinion maker.

⁸ For a description of these first scratches at the surface of the *General Theory* in the teaching of the subject of Political Economy at the Lisbon Law Faculty, cf. Franco (1986). The author who most frequently quotes Keynes, in this introductory context and without any profound analysis, is Ulrich (1943). We shall discuss this problem later on in Section 3.2.

vista de Economia (Economic Review)⁹. This journal, which was to play a crucial role in the modernisation of economic thought in Portugal and in the social affirmation of the economist's profession, gave a most enthusiastic reception to the *General Theory*. From the very first year of its publication (1948), various articles were to appear assessing and presenting the most essential aspects of the new economics. A first general and rather good introduction to Keynes, written by Loureiro (1949), appeared in this journal, whilst other economists, notably Abreu (1948, 1949), began to write upon various separate aspects of Keynesian macroeconomics in an unfinished series of papers.

As a general rule, these presentations did not spark off any theoretical debate amongst Portuguese authors, although it was possible to detect different theoretical positions in relation to some of the topics discussed. The most interesting case is perhaps the discussion of Keynes' theory of interest. Indeed, whilst some economists limited themselves to a defence of "orthodox" points of view, i.e. directly supported by reference to certain passages from the *General Theory* (Abreu, 1948), others very quickly accepted the version of Keynesianism expressed through the IS-LM model (v.g. Pinto, 1952 and Beleza, 1955).

This increasing reference to a theoretical approach that had already been transformed by virtue of the neoclassical synthesis, as well as the structural weakness of marginalist and Marshallian economics, are factors which help to explain why little attention was given to the comparison of neoclassical and Keynesian models. The only exception, where such a comparison is in fact attempted, is to be found in the abovementioned article by Loureiro (1949).

There was, however, some consideration given to the comparison of Keynesian and Marxist thought. In fact, some of the authors who declared their adherence to Marxian economics - which was also beginning to make its appearance at this time in Portuguese economic thought - were prepared to discuss some of the themes of the new economics at some length. In some cases, there was a tendency to accentuate the existence of "quite remarkable coincidences [between Keynes' theory and] the author of *Das Kapital*, particularly with regard to the question of chronic unemployment and the long-term fall in profit" (Loureiro, 1949: 16); in other cases, par-

⁹ A quarterly review that was independent of any university and published between 1948 and 1964.

ticular attention was given to the fact that Keynes had accepted a subjective concept of value and had given greater importance to the subjective factor of the expectations of economic agents in detriment to the objective laws that regulated the capitalist system, as well as attached greater importance to circulation in detriment to production and, therefore, not having truly reformulated the core theory (Sousa, 1950).

However, the most interesting aspect of the reception given to the *General Theory* by the Portuguese economists writing immediately after the war was the attempt - admittedly unoriginal, but nonetheless an honest and interesting attempt - to apply the Keynesian model to the data of an underdeveloped economy, in this case the Portuguese economy. Going against the theses that implicitly or explicitly accepted the universal nature of the theory and suggesting that it was valid regardless of the concrete context in which it was applied¹⁰, they attempted to adapt the concept of unemployment to fit underdeveloped structures (Pereira, 1954), or reconsider the mechanism of the investment multiplier (Bailão, 1953).

The next step was naturally for economists to make use of Keynesianism in their explanation of Portuguese reality. This happened in relation to certain specific cases, again in the years immediately after the war, either in attempts to characterise the phenomenon of inflation (Belo & Vilela, 1953) or in articles which attempted to demonstrate the insufficiency of the public finance policy of the *Estado Novo* in the light of Keynesian criteria (Abreu, 1949; Leal & Falcão, 1952). Since underdevelopment represented the main problem facing the Portuguese economy, there was a great temptation for these economists to make direct use of the conceptual language of the *General Theory*, not only in characterising problems, but also in their endeavours to legitimise the developmentalist policies which they advocated. However, this operation resulted not so much in a real promotion of the Keynesian view of the importance of time in economic analysis, but more than anything else in a somewhat hasty transposition to the long run of the analytical tools conceived and developed in relation to short run analysis. Another theoretical inaccuracy in the application of Keynesian methodology resulted in an inconsistent underconsumptionist position, with there being a certain amount of exaggeration in the description of the Portuguese economy as the victim of a permanent insufficiency

¹⁰ In relation to this subject, Portuguese authors acted in a rather similar fashion to Robinson (1937) or Rao (1952), for example.

of effective demand (Correia, 1952). During this phase, Nunes (1953) was the only author to approach the theory from the perspective of a dynamic analysis, although, even so, he only did so in relation to his study of the multiplier. The incorporation of a view of the problems of growth within the framework of Keynesian thought - such as had been developed, for example, by Harrod since the end of the 1930's - would still have to wait for some time before finally being given a clear explanation in Portugal (Pinto, 1956).

3.2. Keynesianism reaches the University

Apparently, the first references to the *General Theory* in Portuguese universities were made at the Lisbon Law Faculty in 1944, as part of the post-graduate courses given by Armindo Monteiro¹¹, a professor in public finance. Having spent the war years as Portuguese ambassador in London, he had come into contact with English economic culture and, in particular, with Keynes' *magnum opus*.

No continuation was given to this first pedagogical experience, of which there is no documentary evidence left today - such as notes and memories of former pupils or texts and lesson summaries written by the professor himself. Not only were Portuguese universities in general poorly positioned to receive and spread the new economics, but also this faculty in particular would in later years reveal itself to be a bastion of traditionalism and resistance to Keynesian thought. Even at the end of the 1950's, Leite, who was at that time the professor of economics at the faculty, continued to maintain that "the financial administration should first of all promote the balance of its budget, which is in itself a precondition for the normality of the economy as a whole" (1954: 214).

A different attitude was exhibited by Ribeiro (1949), who displayed a complete knowledge of the subject when, in some lessons which he gave at Oporto, he discussed certain Keynesian viewpoints as part of his general exposition of matters related to monetary economics. It should be noted that this professor at the Law Faculty of the University of Coimbra was not himself a Keynesian, but rather a learned scholar who found a place in his

¹¹ We have already referred to this pioneering introduction, as reported by Franco (1986).

writings and lessons for Keynesian economics, just as he would also make mention of ideas from other theoretical contexts. Despite the fact that he was to dominate the teaching of economics and public finance at this university for several decades, he never produced what could be described as a real Keynesian textbook. But it is equally true that, in the various academic journals which he edited, he continued to accept various papers that had an obvious Keynesian inspiration (e.g. Beleza, 1952 and Nunes, 1953), and to supervise research work undertaken by his assistant lecturers, namely the first Portuguese Ph.D. dissertation devoted to the discussion of Keynesian ideas (Beleza, 1955).

A somewhat different situation was to be found at ISCEF (Technical University of Lisbon), which at that time was the only Portuguese university institute dedicated solely to the study of economics and business administration. The institute was more sensitive to theoretical innovations than were the Lisbon and Coimbra Law Faculties, particularly after the general reform of its curriculum in 1949. This reform represented a qualitative step forward in the history of economics teaching in Portugal, since it led to a significant increase in the importance given to economic theory and meant that greater interest was taken in all the major innovations in the international scene of economic thinking, whilst at the same time finally challenging the supremacy which until then had been enjoyed by the traditional Law schools in the training of economists¹².

According to the information provided by M. Jacinto Nunes (1986), a few copies of the *General Theory* had been circulating amongst ISCEF students since 1948. However, it was only after 1950, when the new curriculum was introduced, that for the first time in Portugal there was a university subject devoted specifically to Keynesian macroeconomics, as well as a number of other subjects - such as public finance, development economics and econometrics - in which Keynesian concepts played a fairly significant part.

The Portuguese university tradition was based on the idea that each professor would publish his own textbook. In these early years, the professor of macroeconomics published only a teaching-text (Pinto, 1952), which despite a certain inconsistency in the way it presented the liquidity trap and a tendency to play down the political consequences of the new eco-

¹² For a general presentation of the evolution of economics teaching in Portuguese universities see especially Nunes (1968) and Portela (1968).

nomics, clearly demonstrated that the teaching of economic theory would thereafter be based on the neo-classical-Keynesian synthesis, just as was happening in many other western countries.

The already mentioned 1949 reform led to a fairly successful period of catching up. This involved a recovery of the knowledge of texts written earlier to promote or discuss the *General Theory* and originally published before the war, which at the time had passed unnoticed by Portuguese economists. These texts and the theoretical discussions to which they referred were now made known in a series of collections of economic readings (e.g. Harris, 1947), but also through occasional direct contact with some of the most important economists of that time, such as John Hicks, who visited ISCEF in 1956 and gave a series of lectures there. Amongst the economic literature that appeared in the post-war period, Portuguese economists showed a frequent liking for the works of Klein (1947) and Hansen (1948). It is curious to note here what little impact Samuelson (1948) had in Portugal during the years immediately after publication of his work, never being used as a main textbook during the phase in which its obvious quality offered undeniable comparative advantages.

If there is no doubt that the modernisation of economic ideas brought with it an increased awareness of Anglo-Saxon economic culture in Portugal, it is also important to mention that the powerful influence enjoyed by the literature of continental Europe, and particularly that originating from France, meant that the Keynesian revolution was itself frequently filtered through French or Italian texts¹³.

One consequence of all this was the publication in the mid-1950's of various essays and Ph.D. dissertations of pure theoretical research, which until then had been quite uncommon in Portuguese universities, and which were clearly based on the theoretical principles of Keynes. This was the case, for example, with the already mentioned study by Beleza (1955) on the theory of interest, and also Nunes (1956) on public finance, as well as Pinto (1956) on growth theory.

The exact moment when Keynesian ideas can be said to have been definitively accepted in Portugal was, however, with the publication by Mou-

¹³ Particularly Fenizio (1951) and Barrère (1952). It should be noted that no one of these works were translated into Portuguese - except for Samuelson, who was not in fact translated until the 1980's - which is a clear indication of the linguistic prowess of Portuguese students of economics.

ra of two text-books for undergraduate students (1964, 1969), the second of which was devoted specifically to the subject of Keynesian macroeconomics. The innovations that were introduced at a pedagogical level were clearly visible; and there were also significant alterations in the scientific exposition given to the different subject-matters. These text-books introduced a real mathematical structure of Keynes' theory into Portuguese economic literature, whilst no attempt was made to avoid considerations about the implications of this same theory in terms of economic policy.

This book, which enjoyed a number of re-editions, was used to educate the successive generations of Portuguese economists who studied at ISCEF (Technical University of Lisbon) for a period of almost 20 years and it was, without any doubt, the most important vehicle for the spread of Keynesianism in Portugal.

3.3. Keynesianism, politics and economic policy

Despite the progress described above, the reception that was given to the propositions of the *General Theory* at the political level was much less enthusiastic and more ambiguous.

The explanation for this kind of reception is certainly to be found in the conservative nature of the political regime, especially until the end of World War II, which make the integration of Keynesian ideas very difficult.

At the strictly economic level, the interventionism characteristic of the *Estado Novo* was of an essentially voluntarist nature, not relying on sophisticated economic theory, even though it did give rise to the creation of a corporative economic theory that was very much *sui generis*.

We referred earlier to the fact that Keynesian economics had little relevance in the world of Salazar. The slogans of Salazar's propaganda were in complete contradiction to the Keynesian message: in contrast to Keynes' description of gold as a "barbarian relic", Salazar had an almost religious vision of the country's gold reserves; the apology for the consumer society was firmly opposed by Salazar's motto "produce and save"; the idea of functional finances was contradicted by Salazar's idea of a balanced budget at all costs.

This vision of economic life was reflected in the various political assemblies. Thus Keynes' work was completely marginal to the debates held on economic and financial matters at the National Assembly. In the Corporative Chamber, a consultative body but one with great formal importance

in the structure of the *Estado Novo*, the new economics was referred to as a "confusion which is today cloaked in doctrinal extravagance" (Silva, 1949: 26).

The situation was not very different in the executive bodies responsible for directing economic and financial policy. Whenever they incorporated Keynesian ideas, they did so in a watered-down and superficial manner. In fact, it should be pointed out that in the post-war period no type of short-run macroeconomic policy was ever developed, as the factors which would normally justify this - such as unemployment and external disequilibrium - did not represent real problems for the Portuguese economy at that time. This led to successive declarations of adherence to monetary and financial orthodoxy in the reports that the Minister of Finance produced each year to accompany the *Lei de Meios* (Law of Resources) or the *Conta Geral do Estado* (State General Account).

From 1955 onwards, when Pinto Barbosa became Minister of Finance, the situation altered slightly. The abovementioned documents began to include data from the national accounts and a Keynesian lexicon. However, this evidence of Keynesianism was no more than a mere conceptual representation of economic life and did not represent any significant alteration in the traditional orthodoxy of the dictatorship in relation to matters of public finance.

Something similar occurred in relation to long-run economic policy. The great novelty which appeared during these years was the increased relevance given to the plan as one of the main instruments of economic policy. Though some previous planning experiments have taken place from 1935 on, the first *Plano de Fomento* (Development Plan) only appeared in 1953, consisting of little more than a list of public works which were to be sponsored by the government. The discourse which gave substance to, or simply justified, this plan was totally insensitive to the assessment of its impact in macroeconomic terms. The second *Plano de Fomento*, which succeeded it and was implemented in 1958, already contained in the explanation given for its design certain projections that were based upon a Harrod-Domar growth model. However, just as had happened in the case of the short-run economic policy, this was no more than a rhetorical device designed to give the plan credibility, if only because the data used in it were unrealistic.

Throughout the period that we have been considering here, the government remained largely immune to the Keynesian message, doing no more than incorporating data from the national accounts that was itself based on

this message. This was what happened at the National Statistical Institute, which, because of the nature of its specific duties, was obliged to structure its information output in accordance with the technical requirements of the process of economic planning. However, the studies published in this Institute's journal remained faithful to the traditional model of empirical, and essentially descriptive, economic studies, without any visible influence of the language of Keynesian concepts.

Generally speaking, therefore, we may consider that the public bodies that were responsible for directing Portuguese economic life were quite impervious to any of the theoretical reflections and economic policy recommendations usually associated with Keynes' legacy. In the system of economic management that was current at that time, state intervention that was carried out in accordance with the so-called *Lei do Condicionamento Industrial* ("industrial conditioning" laws) was guided by bureaucratic criteria which were generally unaware of the principles of economic rationality, particularly those of the Keynesian framework¹⁴. Some high-ranking civil servants from the public finance sector showed themselves to be sensitive to Keynes' ideas and therefore sought to assess their possible impact on budget techniques, although this did not have any practical consequences (e.g. Corrêa, 1951).

In spite of what has just been said, the relationship that the elite of Salazar's regime had with Keynesianism did not always involve a formal rejection of this theory. In fact, some economists who were aligned both politically and ideologically with Salazar attempted to adhere to the ideas of Keynesian economics in such a way as to reduce its eventual critical impact on the dominant concepts of the *Estado Novo*. The discursive strategy adopted in this operation consisted basically of deliberately identifying corporative interventionism as similar to Keynesian interventionism, so that the corporative *Estado Novo* would be seen as a concrete realisation of one of Keynes' ideas: "the possibility of a third system (...) has already been accepted in theory by eminent economists such as J.M. Keynes [and] such a system cannot be any other than the corporative system" (Veiga, 1941: 214-215). In the case of the economic policies introduced to combat unemployment, it was suggested that "some of the Keynesian doc-

¹⁴ This does not mean, however, that individual economic agents could not be considered as acting rationally. On this interpretation of the individual economic rationality associated to the "industrial conditioning" system, see Confraria (1992).

trines, although they were not in fact known, nonetheless corresponded to certain attitudes established in our laws and shared by the Portuguese government" (Oliveira, 1947:147).

It should be noted that this acceptance of Keynesianism came at a time when the *Estado Novo* was attempting to overcome its first serious political crisis, in the context of the post-war years. This led to a new strategy based on the encouragement of a faster rate of economic growth, even though this continued to be applied within a context of relative autonomy in international terms. The result was a compromise between the conservatism that derived from the 1930's and developmentalist economic thinking, which made use of Keynesianism as an instrument for the reconstruction of a social consensus that was now under threat.

The main protagonist in this process was Araújo Correia, an engineer who had been trained in London and was fully cognisant of the Anglo-Saxon economic culture. He interpreted and brought to the Portuguese environment many of the doctrinaire elements of Keynesianism, particularly the call for a moral dimension to planning, the stimulus for the socialisation of investment and the proposal for income distribution policies¹⁵. His voice could not be fully heard at the heart of a political apparatus that was fearful of the consequences of such a strategy of modernisation and economic progress. But Araújo Correia was a man who was doubly isolated, in so far as his political alignment on the side of the dictatorship's authoritarian interventionism also forced him to keep a distance from those political and cultural forces that were opposed to Salazar's regime and welcomed the Keynesian programme with the inclusion of certain proposals arising from their political opposition¹⁶.

Indeed, it was in the name of the scientific modernity that derived from the knowledge of Keynesian economics that some economists who were opposed to the *Estado Novo* - and therefore prevented from pursuing an academic career at Portuguese universities - launched themselves into the dissemination of these ideas, especially through the *Revista de Economia*, whose main highlights we have already referred to. In this way, they chose to pursue a course of Keynesian militancy in opposition to the regime, transforming economic theory into a cultural capital which furnished them

¹⁵ Cf. Correia (1952), in particular. We shall return once more to this subject in the Concluding Remarks.

¹⁶ On the economic ideas of Araújo Correia see Bastien (1985).

with the necessary instruments for demanding their entitlement to development and progress¹⁷.

When all is said and done, Keynesianism was more than just a passing disease, since it also represented a safe basis for the formulation of protests. In the concluding remarks which follow this section, we shall attempt to further explain some of the other reasons and other aspects of this ambiguity.

4. Concluding remarks

Having presented the main authors and representative groups making some use of the Keynesian message, we wish now to conclude by discussing the overall significance of the attention that was given to the author of the *General Theory* in Portugal.

The fact that it was only in the 1950's that significant developments were noted in relation to the assimilation of Keynesian theory clearly highlights the difficulties and resistance to the affirmation of the new economics in a university environment which was somewhat late in institutionalising the teaching of economic science in modern terms. The fact that the first significant Portuguese texts presenting the Keynesian creed were published around 1948¹⁸ also demonstrates how necessary it was to captivate a public opinion that was reasonably enlightened but unfamiliar with the conceptual terminology of the *General Theory*. It is for this reason that the efforts made to spread and popularise a new economic discourse were so important.

In spite of the closed and repressive nature of the political regime of the *Estado Novo*, it cannot be said that those who supported or sympathised with Keynesianism had been persecuted or marginalised because of this. The reasons for the nation's general backwardness and reluctance to accept outside influences were more complex in nature (as we tried to argue in Section 2) and one should not simplistically argue that Keynes' ideas did

¹⁷ On the contents of this Journal and its contribution to the spread of Keynesian economics in Portugal see Bastien (1984).

¹⁸ It should be remembered that this is the moment in which important works were published by Klein, Samuelson and Patinkin, which proved to be crucial for the development of the neo-classical synthesis.

not catch on in a deeper or more lasting way purely because of the likelihood that they might disturb the political order and the economic and social equilibrium that were the hallmark of the corporative regime. All the more so because the very message of Keynesianism constituted a powerful argument against a common enemy: the system of free competition and the liberal doctrine of the market economy.

And thus we find ourselves returning to the basic theme underlying this paper: the question of ambiguity, or rather the problem of the ambivalence of an economic and political discourse that not only served to reinforce the authority of the state in the economic sphere, but also gave rise to rates of development which might represent a threat to the equilibrium of the corporative system.

In relation to this problem of the convergence between corporativism and Keynesian economic policy, it is obvious that there was a very tenuous similarity in their views about the unsatisfactory operation of market forces and the strategic role of the state in directing the nation's economic life. The contents and forms of such intervention do, however, have quite distinct characteristics, as was shown by Winkler:

"The logic of corporatist state intervention, the means by which it is supposed to work, is completely different from Keynesian intervention. It is no longer just a matter of attempting to stabilize the aggregate economic environment, so that market processes can work with some semblance of normality. Rather, the corporatist state tries to exercise direct control over the internal decision making of companies and over the bargaining strategies of unions" (1977: 82).

To confuse the two styles of state economic intervention would be equivalent to confusing the Keynesian concept of a "socialisation of investment" with "socialist planning", or in other words to associating Keynes' name and work with the idea of a "planned economy"¹⁹. There is no denying that it was Keynes himself who put forward the arguments that ensured that this matter would remain forever cloaked in a certain ambiguity. And the curious fact is that, amongst the Portuguese authors who saw in Keynes a pretext for defending a strategy of industrial development, the subject of the economic plan or planning represented the central axis of a pragmatic discourse supposedly free of any preconceptions of an ideological nature.

¹⁹ For a synthetic critical presentation of this erroneous identification, cf. Cairncross (1978) and Winch (1989).

It doesn't matter whether the plan is socialist, Keynesian or corporatist. What matters is that the plan serves as an instrument for co-ordinating a strategy of economic development.

As we said at the end of the previous section, Araújo Correia, the engineer, was one of the main proponents of these developmentalist ideas. He quotes and discusses in some detail (1952: xi-xv) the well-known letter which Keynes wrote to Hayek commenting on the recent publication of the latter's famous work, *The road to serfdom*. It is worth remembering the contents of the letter in order to gain a better understanding of its use by the Portuguese author. Keynes wrote to Hayek as follows:

"The voyage has given me the chance to read your book properly. In my opinion it is a grand book. We all have the greatest reason to be grateful to you for saying so well what needs so much to be said. You will not expect me to accept quite all the economic dicta in it. But morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved argument (...).

I should therefore conclude your theme rather differently. I should say that what we want is not no planning, or even less planning; indeed, I should say that we almost certainly want more. But the planning should take place in a community in which as many people as possible, both leaders and followers, wholly share your own moral position. Moderate planning will be safe if those carrying it out are *rightly oriented in their own minds and hearts to the moral issue* (...).

What we need, therefore, in my opinion, is not a change in our economic programmes, which would only lead in practice to disillusion with the results of your philosophy (...) What we need is the restoration of right moral thinking - *a return to proper moral values* in our social philosophy" (1944: 385-387, our emphasis).

Araújo Correia does not refer to the first paragraph which we have transcribed here, in which Keynes praises a book that is centred on the idea that economic planning was a step on the road to serfdom. What the Portuguese author is interested in capturing is the spirit with which Keynes turns the matter on its head, or in other words how Keynes takes advantage of the situation to revive the idea of the strategic importance of planning. In doing so, he describes his proposal as being part of a higher "moral issue" and claims a "return to proper moral values". This was the doctrinal security which Correia needed, so that he was able to cloak his own proposals for economic planning in the guise of the authoritative arguments of a famous author who also knew how to speak of ethics. The corporative ideol-

ogy of the *Estado Novo* was also concerned with the morality of human action and might thus become more permeable to the arguments of all those who invoked the question of morality when talking of progress.

After all, it was through Keynes' own words that we rediscovered a source that might help to bring his own discourse closer to the uses that were made of it by Portuguese authors during the two decades following the publication of the *General Theory*. Keynesianism was thus able to adapt to the prevailing atmosphere of that time, accepting a subordinate but worthy existence in the context of Portuguese society and economics during the period of the *Estado Novo*.

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