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# Economic Globalization and Governance

Essays in Honor of Jorge Braga de  
Macedo

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*Editors*

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*To our families and friends, present in body  
or spirit. Our lives are richer for your  
presence. Our hearts are fuller for your love.*

# Foreword

## Jorge Braga de Macedo: The Great Bridge-BUILDER

I first met Jorge Braga de Macedo under fairly odd circumstances: he was, at the time, serving in Portugal's military, while I, a mere 23 years old, was consulting for the Bank of Portugal.

Jorge's story, as I understand it, was that he had interrupted his graduate education at Yale to do his required military service, which began in Angola and finished with a stint as an army journalist. It was in that capacity that he found himself interviewing a group of MIT graduate students who ended up spending the summer of 1976 at the Bank. One of that group, by the way, was the late Miguel Belezã, who would later serve as Portugal's finance minister, among other things.

A little over a year later, Jorge was back at Yale—and I had just arrived at the same place as a newly minted assistant professor. We have been friends ever since, over a tumultuous era that spanned the global economic crisis following the 1979 oil shock, Portugal's 1986 entry into the European Union (EU), the 2008–2013 financial and Euro crisis, and Portugal's recent, gratifying economic recovery.

What strikes me now is that Jorge's journeys of the mid-1970s, from Portugal to Yale, back to Portugal, and then back to Yale again, prefigured the shape of his professional life. His research, teaching, and public service have added up to an impressive career. However, he has always been more than that resume implies. For he has been a bridge between Portugal, a small nation that when we met had just joined the ranks of Western democracies, and the West's intellectual and political core.

I've known a number of excellent economists from small countries who did their graduate work at core-country universities, and I've noticed that all of them face a kind of tension that's literally foreign to those of us with monocultural backgrounds.

On the one side, there are the opportunities and satisfactions that come from being a player in the core, whether that means Anglo-Saxon academia, global institutions like the International Monetary Fund or the European Commission and

other EU institutions. Quite a few economists I know have built their careers entirely away from their home countries—which is O.K.!

On the other side, however, there's the chance to play an important role in one's nation of origin, and I know a number of economists who finished their education in America or Britain, then pursued academic and/or policy careers at home—which is also O.K.!

What's fairly rare is for an economist to keep a firm grip on both sides of the divide—to manage, in effect, to remain a valuable resource both in the big city and in his or her home village. (Apologies to anyone who considers that an insult to Portugal, which it isn't. Remember, I'm from New York.) And Jorge is a prime example of someone who has managed that feat.

As an academic, Jorge, who taught at Princeton for six years, has remained part of the international economics nomenclature—people who are part of that circuit know what I'm talking about. He authored or co-authored influential papers on exchange rates and international finance and remains to this day a regular participant in key academic gatherings like the National Bureau of Economic Research's summer institute. He has always stayed in close touch with cutting-edge research.

Yet, he has also been a powerful force in economics education in Portugal itself, having a deep influence on multiple cohorts of students—some of them represented in this volume.

Jorge is also one of those people—a fairly small group, actually, even in my country—who have moved back and forth between academia and public service. And here too, he has managed to play an important role both abroad and at home—perhaps most notably at the European Commission and with a stint as finance minister and a more behind-the-scenes role as economic adviser.

There's a reason few people are able to play multiple roles the way Jorge has: it requires a special set of personal attributes. Obviously, you have to be smart, energetic, and intellectually curious, which already cuts the applicant pool way down. But you also have to combine flexibility with the kind of good humor that lets you ride out the occasional nastiness that pops up in all the environments that I've mentioned. And yes, that includes academia, where, as the old saying goes, the fights are especially vicious because the stakes are so small.

Luckily, Jorge is one of the most balanced, good-humored people I know. His students and colleagues obviously love him. I feel honored to call him a friend, and I hope people will see this volume as the heartfelt tribute it is.

New York, United States

Paul Krugman



# Testimonials

## A Singular Academic and Generous Person

### Luís Campos e Cunha

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Jorge Braga de Macedo leaves no one indifferent. And this is a compliment. Jorge is a delightful person but can be hard-edged as well. Jorge is a man of passion with all the attributes that come with that condition.

He is an academic with a craving need of publishing; Jorge is a politician with a strong and feverish attachment to the centrist party in Portugal, and is able and eager to intervene in the media as a columnist or as a commentator on television; he also is a professional and worked in relevant organizations, both at the international and domestic levels.

Jorge, after a non-start in medicine, really started his education with a degree in Law at the *Universidade de Lisboa*. Later, he turned to Yale for a Master program in (economic) international relations and, much later, finished his Ph.D. in economics. In the meantime, Jorge was drafted and served the Portuguese army in Angola and this had an important impact on him, until today.

Jorge, as an academic, has an impressive record of well over 300 publications in international journals, books chapters, and books. His main interests are international economics, development, namely related with the African economies, and European affairs.

This engagement with Africa is what he brought from his military service in Angola and he has reinforced that interest during the last two decades. This African “disease” is common to many that, during the times of the empire, were drafted and

served in one of the Portuguese African colonies. Due to that interest, he was appointed as President of the Tropical Research Institute in Lisbon.

He has taught in a countless number of Schools: *Universidade de Luanda*, *Universidade Católica Portuguesa*, Princeton University, *Universidade Nova de Lisboa*, *Science Po* in Paris...

Jorge has a strong interest in social intervention as a complement to his academic career. As an active member of the *Partido Social Democrata*, he was finance minister (1991–1993) and adviser to several prime ministers. He also participated actively in numerous election campaigns. This is also the trigger for his media intervention, both in newspapers and on television.

Jorge was at the European Commission as Director for National Economies. He is a member of NBER and CEPR and he also belongs to the *Academia das Ciências* where he is a very active member. As a Member of the Portuguese Parliament, he chaired the Commission of European Affairs.

I have met Jorge, in 1975, as my professor at the Catholic University in Lisbon, still during my undergraduate studies. He was a shock to all students. He was young, fresh, and different from all other faculty, and he loved to be in that role. I am not sure about what we learned, but we got the idea there was another world in economics and in academia. That was very important.

Later, as a colleague at the Nova School of Business and Economics, I witnessed his pleasure in helping students and young faculty with his immense international network. He also engaged actively with his colleagues, so much so that everyday work and professional interactions often gave rise to genuine comradeship over the years. I am thinking in particular about the Pinto Barbosa twins (António and Manuel), Fernando Brito Soares and Paulo Barcia, also known as the briscola group. I am sure several others could also be associated with this *Festschrift* in honor of Jorge. Indeed, no one can ever claim that Jorge refused to lend a helping hand when asked. He is a very generous person. Not in money issues, his parsimonious way of spending is well established, and I am being very polite!

On this score, I owe Jorge friendship and solidarity in important moments of my life. Even without asking for it, Jorge was also always there with a word of comfort or with a helping hand. A very generous person, indeed!

## A Perspective from the Overseas Historical Archive

Ana Canas

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The Overseas Historical Archive (AHU—*Arquivo Histórico Ultramarino*) contributed decisively to the life of the Tropical Research Institute (IICT—*Instituto de Investigação Científica Tropical*), which was presided by Prof. Jorge Braga de

Macedo from December 2003 until its extinction at the end of August 2015.<sup>1</sup> I had an opportunity to witness this fact directly, and often intensely, when I accepted the challenge to become the AHU's new director in July 2005. I took over from Conceição Casanova who, like me, had come over from the *Torre do Tombo* National Archive.

During this period, the AHU's open public access policy allowed for the dissemination of a wide variety of research outputs, not only of those related to AHU's scientific disciplines (such as the archival, information and conservation sciences) but also those of the IICT, notably history. More important, however, was the decision to link the AHU's archives together with the IICT's own historical and scientific archives, thereby ensuring their connection and greater public visibility. This decision addressed the urgent need to register, preserve, and make available the archival materials originating from different departments within the IICT. Up till then, these materials had often been in very disparate locations, only accessible to a selected few or even nobody at all, as the linkages to the original creators and source locations diminished over time.

The decision to grant universal access to the whole of the archives was significant and directly attributable to the importance and recognition that this objective was afforded by the IICT's presidency. Rather than one specific moment in time, this decision was materialized in an ongoing succession of actions and initiatives, including formal deliberations by relevant institutional bodies.<sup>2</sup> This profound change was witnessed by various visitors coming from many different organizations, such as the diplomatic missions based in Lisbon, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Royal Museum for Central Africa, and especially the Community of Portuguese-speaking Nations (CPLP—*Comunidade dos Países de Língua Portuguesa*), as well as CPLP member states, of course. Indeed, the fact that the IICT's heritage, including its archives, was seen as a shared cultural legacy of all CPLP member states, and not just that of Portugal, meant that the AHU had increased sense of responsibility when it came to fulfilling its mission, going over and beyond the production and dissemination of scientific and technical outputs.

In practice, this concern implied that the IICT's scientific research, also pursued in collaboration with universities, sought to foster mutual knowledge and

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<sup>1</sup>The AHU was tasked with preserving and accessing the records pertaining to Portugal's Colonial periods. Many of the records stretch from the end of the sixteenth until the twentieth century, and originate from such diverse countries as Angola, Brazil, Cape Verde, Guinea Bissau, India, Macao, Mozambique, Sao Tome and Principe and East Timor, among others. The Tropical Research Institute, meanwhile, was established in 1883 (as the Cartography Commission) and its mission was to promote Tropical Knowledge through interdisciplinary research of relevance to Portuguese-speaking countries. Another of its objectives was to grant these countries access to IICT's vast historic and scientific archives.

<sup>2</sup>Specifically, the Presidency (broadened to include departmental heads), Steering Committee and Monitoring Unit (which included the Directorate General of the Book, Archives & Libraries, Ministry of Culture, as well as the Ministry of Science, Technology and Higher Education, which was responsible for the IICT's political oversight).

understanding between persons, communities, and countries, which implied paying attention to the archival heritage. To be sure, it was not always easy to breach the then prevailing institutional and scientific barriers in response to the President's recurrent call for the AHU to become organizationally more open and integrated in order to contribute more actively toward the IICT's mission. This difficulty was felt more keenly at times, especially during the constant and necessary process of external and self-assessment. Although results were mixed, this course of action was certainly worthwhile when it came to changing mindsets and ensuring openness to collaboration, which is still evident today after the AHU's incorporation into the Ministry of Culture's Directorate General of the Book, Archives and Libraries (DGLAB—*Direção Geral do Livro, Arquivos e Bibliotecas*) at the end of August 2015.<sup>3</sup>

While the deepening of the AHU's integration in the IICT addressed the issue of its then relative isolation, this could not come at the cost of reducing the AHU's public notoriety, however, which is still relatively high. Other issues remained to be resolved, as is to be expected under the circumstances. Some of these would prove to be increasingly limiting, such as the reduction in personnel and funding, which the 2008 financial crisis made worse. The uncertainty regarding the IICT's role, as an autonomous institution, in contributing toward Portugal's international development policy through its Tropical Knowledge, was also unhelpful.

Notwithstanding, the AHU and its users benefited greatly from Prof. Jorge Braga de Macedo's determination to endow the IICT with a clear mission and unified operational structure, comprising the archival heritage, and often in the face of misconceptions and misunderstandings, especially regarding the demanding need to constantly monitor and evaluate performance. In this process, the AHU also relied on the contribution of new researchers, mostly young, who were funded through fellowships granted by the Portuguese Agency for Science and Technology (FCT—*Fundação para a Ciência e Tecnologia*). Indeed, their contribution was to become increasingly significant, as they forged fruitful working relationships with existing researchers and technicians. In particular, they monitored the documentation repositories, mitigated the damage caused by various pests, and also prepared and digitized most of the AHU's photographic collections in order to place these online at the Digital Tropical Science Archive (ACTD—*Arquivo Científico Tropical Digital*).<sup>4</sup> A significant part of the catalog of the IICTs' library collections was also made available in this manner, in an initiative funded by the FCT.

The AHU's scope of work extended to include other projects involving external institutions, namely the description of the defunct Overseas Ministry Archives (*Fundação Calouste Gulbenkian*), records-based research (FCT), matters of pure archival processing (ADAI Program—*IberArchivos*, with the support of DGLAB), and also commemorative events (such as the Centenary of the Portuguese Republic). In a similar vein, the improved identification and study of various other

<sup>3</sup>As of the same date, the University of Lisbon incorporated the IICT's other departments upon the latter's extinction.

<sup>4</sup>The reader will find the archive at the following website: [actd.iict.pt](http://actd.iict.pt).

archival sources was also undertaken. These sources included: the various departments of Portugal's Overseas Ministry, as well as of its Overseas Council (with respect to the countries of Angola, Cape Verde, Guinea Bissau and Sao Tome and Principe); the Cartography Commission and the Public Works (which in this case also included Mozambique); the territories controlled by Portugal in India (Goa), China (Macao) and in the Pacific (East Timor); the military expeditions in Angola and Mozambique during World War I; and, the private collection donated by Francisco Mantero which mostly had to do with Sao Tome and Principe.

All these initiatives, as well as conservation efforts and public access policy, reflected the fulfillment of the IICT's commitment to grant access to its archives, which came to include those of the AHU, as already described. This commitment was undertaken during the CPLP Ministers of Science and Technology meeting in Rio de Janeiro in 2003. Indeed, it was never forgotten by Prof. Braga de Macedo as it underpinned the impetus and organizational changes that the AHU would go on to implement under his leadership.

At the same, and notwithstanding the lack of physical space, the AHU also housed documentation that had been widely dispersed within the Overseas Ministry, as well as some coming from defunct IICT departments. In these cases, conservation and public access remained paramount concerns. This was amply demonstrated in the case of the Dembos Archives, which were to be inscribed in the UNESCO's World Registry jointly by Angola and Portugal. The improvement in physical storage capacity and repositories' integrity resumed the incipient but incomplete effort that had been initiated by Prof. Mariano Gago during his tenure as Minister of Science and Technology during 1995–2002. While insufficient in scope, resuming this effort nonetheless allowed the AHU to address the serious risks that its archives faced, as well as the building that housed them.

In this regard, Prof. Braga de Macedo understood that making the AHU archives more visible and accessible for external use would justify the increased allocation of resources needed to keep, process, and disseminate their content. This concern underpinned the AHU's public initiatives, which Prof. Braga de Macedo always supported and participated in at times. He also encouraged the free and frank of ideas around this topic, in open debates. The "Science in the Tropics" initiative, which comprised numerous conferences in the AHU's Brazil Hall with a highly diversified set of speakers, moderators, and audiences, exemplified the increased collaboration *modus operandi* adopted within the IICT. The knowledge that was shared during these events, which included showing selected historical records, breathed new life into the old archives, thereby increasing their value for all.

Other diverse initiatives were also undertaken at the AHU, transcending both the time and space in which they took place, in terms of topics and audience. Indeed, these initiatives may still inspire renewed efforts at affecting the senses of belonging and responsibility with respect to the future use of the AHU's archives. In January 2006, the conference on Preventative and Emergency Plans for Museums, Libraries and Archives, set the tone for the appreciation by the public, still relevant today, of the Pompeii Hall's splendor. It should be said that the walls of this iconic AHU hall are covered with Dutch tiles dating from the beginning of the XVIII century. The

tiles themselves depict the European ports comprising the international trade routes going past Portugal, which stretched all the way to Istanbul. One month later, upon the launch of the book *Jorge Borges de Macedo: Saber Continuar*,<sup>5</sup> the presence of the then Minister of State and Foreign Affairs, Prof. Diogo Freitas do Amaral, lent institutional importance to the AHU and also to the work of the historian being honored. This was particularly fitting as the historian had often consulted the AHU's archives in his endeavor to reconstruct the past, in keeping with his indispensable spirit of critical thinking. In that same year, the AHU celebrated its 75th anniversary in a series of concerts,<sup>6</sup> which also served to consolidate the objective of preserving and broadening the access to the AHU's archives. In 2007, Perrine Canavaggio (International Archives Council) and Jay Levenson (Director of the International Program of the New York Museum of Modern Art and Commissioner of the "Encompassing the Globe" exhibition) opened the International Seminar of Lusophone Memories, entitled "The Departure of the Royal Court to Brazil." This seminar was associated with the VIII Meeting of the Luso-Brazilian Commission for the Safeguarding and Dissemination of Documental Patrimony (COLUSO), as well as the IV Meeting of the Forum of Portuguese-language Archives.

In 2012, the Pompeii Hall and other locales within the AHU witnessed the International Colloquium "Science in the Tropics: Perceptions from the Past, Perspectives for the Future." This event was complemented by the Exhibition "Scientific Travels and Missions, 1883–2010," which was housed in the Tropical Botanical Garden. Professor Braga de Macedo was deeply involved in the conference's organization, as was the late Jean-Pierre Contzen, a keen observer and external evaluator of the system of Science and Technology in Portugal. The event's main takeaway was that the IICT could play an important role in ensuring S&T collaboration with CPLP countries, given the grounding that the IICT's historical and scientific archives could provide for this endeavor, especially as the AHU's archival heritage is shared across CPLP countries.

The management of the IICT's heritage and knowledge was changed after August 2015 when other institutions (academic and governmental) took over this responsibility. To be sure, the passage of the IICT's legacy at that time undoubtedly also reflected the past actions of many different people across time, belonging to different generations. Those individuals responsible for decision-making would have had to deal with numerous uncertainties, institutional inertias while also needing to acquire an existential sense of mission, which may not have been that clear to them at first. During his time as IICT president, Jorge Braga de Macedo showed that not only was he fully aware of the legacy he inherited from those who

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<sup>5</sup>Jorge Borges de Macedo was a distinguished Portuguese historian and pedagogue, and also the father of Prof. Braga de Macedo. The book's title refers to his insight that it is important to know how to carry on in life (*saber continuar*, in Portuguese) by adapting past values and then projecting them into future actions.

<sup>6</sup>Following efforts in the preceding decade, the AHU was established in 1931 in order to safe-guard the historical records of Portuguese colonial administration, as these had been largely neglected.

preceded him but also that he knew how to continue this legacy, by helping to recover, produce, and disseminate the “Tropical Knowledge” of relevance for the socio-economic development of Portuguese-speaking countries, which entailed also using the AHU’s archival heritage. This truly is the testament he now bequeaths to those who need to move this legacy forward, under new institutional arrangements, and for the new times that lie ahead!

## A Biologist with an Interest in Economics

### Rui Malhó

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**First Impressions** In 1990, I had just finished my graduate degree in Biology and started my Ph.D. at Lisbon University. Thanks to the European structural funds, scientific research in Portugal was about to leave behind a “lag phase,” which is a term used in biology to describe the first steps of microorganisms’ growth curves. During the lag phase, growth is slow and the population prepares metabolically for fast exponential growth. That next step is obviously dependent not only on the population but on the exogenous supply of energy (be it is food or other resources).

For scientific research, the required energy boost was funding. In the second half of the nineteen eighties, the Portuguese Agency for Science and Technology (FCT), under the presidency of José Mariano Gago, prepared and launched a mobilizing program that intersected with other funding projects aimed at the training of human resources and the development of needed infrastructures. So while Portuguese research was entering the “log phase,” I started to grow as a scientist and develop my own notion of how science and technology could and should be used to drive modern societies in general, and Portugal in particular.

It was in this context that I first came across with Jorge Braga de Macedo. In 1991, he was appointed finance minister of the XII Constitutional Government of Portugal under the third electoral mandate of Prime Minister Aníbal Cavaco Silva. In biological processes as in politics, turn-over is important and that XII government experienced great social tension and friction notwithstanding its parliamentary majority. And, needless to say, finance ministers are not usually the most popular members of government! So from a personal (and younger) perspective, my impression of Jorge Braga de Macedo was far from positive. A government that was not driven by knowledge and innovation, and that was investing mostly in physical infrastructure, could certainly not receive my support! From the distance of time, however, and knowing now significantly more about the complexities of governance and Portugal’s development at the end of the twentieth century, I concede this was a shallow evaluation. It was nevertheless the impression that prevailed for about a decade and a half until I personally met Jorge Braga de Macedo, as an academic fellow.

**The Academia Network** In 2007, I was honored to be elected as Corresponding Member of the Lisbon Academy of Sciences (*Academia das Ciências de Lisboa*). The Academy is organized along two main sections—Sciences and Letters—which run separate sessions. So, it is not often that biologists or chemists meet their fellows from law or economics. This is unfortunate as one can argue that economy and finance are as close to law and politics, as to mathematics and applied sciences or, for that matter, to biological sciences. My career path took me from basic plant molecular and cell biology to an interest in agricultural biotechnology with all its applications and implications. Topics ranging from genetic engineering and crop improvement to sustainability and biodiversity intersect easily with food production and distribution, agricultural policies, sovereignty and economic value. During this path, I came across the works of economists like Amartya Sen (particularly focusing on poverty and famine) and Dominic Moran (the value of biodiversity). Indeed, I always refer my students to them, emphasizing that advances in science and technology should be accompanied by comprehensive analysis of philosophical, ethical, and societal aspects.

In one of the rare occasions where academic fellows from both sections meet, I was introduced to Prof. Jorge Braga de Macedo as “a Biologist with an interest in Economics.” I vividly remember that the feedback was a very genuine, enthusiastic one, as only someone can have when one really enjoys his work. During the conversation that followed—and the several others after that—I confess it was difficult to maintain that first impression of the finance minister. I was now discussing and exchanging ideas with a person endowed with very broad interests and culture, who could listen and argue, who was highly motivated, particularly open to discussing inter- and multidisciplinary activities, and often disarmingly informal. Soon, I was being recruited to assist with several collaborative projects together with other academic fellows, both from the Sciences and Letters sections, some of which are still ongoing.

**The “Writing to Queens” Project** The first decade of this century witnessed the subprime crisis and the emergence of an intense debate as to why it had not been predicted. The reasons were diverse, ranging from poor regulation to a cognitive bias, from the misinterpretation of mathematical models to ethical misconceptions. This led to our first collaboration that resulted in the publication of the book “Writing to Queens while Crises Proceed,” edited by Jorge Braga de Macedo. Through him, and thanks to this project, I got to know brilliant colleagues like Rui Vilela Mendes, José F. Santos, Renato Flores and Jean-Pierre Contzen. Through them, I got to know the outstanding works of Parag Khanna and Daniel Kahneman. And as a result, I became more aware of a topic that eventually led me to the writings of Mariana Mazzucato and Thomas Piketty. This, in turn, led to more stimulating discussions with Jorge Braga de Macedo (as one can easily deduce!).

Throughout this collaboration, I had the chance to present and discuss my biological perspective of why dynamics systems oscillate, why stochastic failure happens even in homeostatic processes, how these can be mitigated through data sharing, and the advantages and drawbacks of doing so. In short, I thought of the economy as a complex system, in much the same way we can think of a neuronal



network. In such systems, a signal may trigger responses whose intensity and dispersion depend not only on the initial stimulus but also on the local environment where it is perceived and its homeostatic condition. Such an analogy has several implications, namely three that are quite significant for society:

- (1) Reliable absolute predictions are impossible so errors will eventually arise, no matter how robust our models are. Dealing with error is a challenge, particularly in topics relating to societal well-being;
- (2) No system can experience constant growth so fluctuations must be considered. All dynamic processes deviate from equilibrium experiencing oscillations, more or less regular, more or less intense. Interdependence and data sharing might prevent large changes and help governance but that relies on cooperation, not on competition;
- (3) No system functions independently of its environment so external conditions must always be considered. It is therefore important to define, with the maximum possible accuracy, our “location” in the system (geopolitical region), interaction networks (privileged partners), specific characteristics (language, history), and resources (goods and humans). Without this, there is a risk (or perhaps a temptation) of importing well-succeeded models, tailored to specific circumstances, but whose transposition will prove ineffectual or even counter-productive.

This perspective, which I entitled a “cell biologist’s *naïve* approach,” was discussed in some sessions organized by Jorge at the Academy of Sciences and one, in particular, gathered Manuel Jacinto Nunes, José da Silva Lopes and Paul Krugman into the discussion. It is not easy to describe the adrenaline rush that I experienced during that session.

**The Tropical Man** Another project that I can relate to strongly concerns the involvement of Jorge Braga de Macedo as former President of the Tropical Research Institute (IICT—*Instituto de Investigação Científica Tropical*). A significant part of the mission of this former state laboratory was to study and help preserve the biodiversity of African countries that have Portuguese as their official language (PALOP). Since I hosted in my research group several members from PALOP countries, this generated further collaborations such as the organization of scientific meetings (e.g. *Ciência nos Trópicos: Olhares sobre o Passado, Perspectivas de Futuro*; *Tropical em Moçambique: História, Memória e Ciência*); the evaluation of IICT members, joint communications (*XXIII Encontro da Associação das Universidades de Língua Portuguesa*) and participation in the TropikMan Ph.D. management program. In all the activities where I participated, I can testify to the commitment demonstrated by Jorge in promoting initiatives aimed at sharing knowledge and contributing towards the development of these countries. Again, this contrasts with the popular and preconceived idea that politicians afford the common good a low priority in their list of objectives. And, I can also testify his interest in a topic so relevant to our country: Given a shared language, Portugal is in

a privileged position to help PALOP countries to develop, promote, and study their ethno-botanical potential.

**It's Complex!** Like in a cell signaling process, a cascade of network events in 2018 led me to participate in the *Encontros da Arrábida* about Complexity, together with Jorge. The underlying theme was “Perspectives, Speculations and Utopias.” The meeting was very fruitful, and we were asked to organize the 2019 edition, which we did under the theme “Complexity 4.0: Models and Global Policies.” We discussed the impact of the digital revolution on the environment, economy, labor, and society in general. How to manage information networks that respect individuality and privacy? How to determine the real value of goods and products ensuring manufacturing sustainability and associated processes? How can artificial intelligence help us manage resources and combat climate change? What policies are needed to reconcile automation, labor, and migratory flows? I think this initiative reflects our common belief that bold and innovative ideas should translate into real improvements of governance and policies for the benefit of society. Clearly my first impressions of Jorge Braga de Macedo have changed, and very much for the better!

## Jorge Braga de Macedo: A Personal Tribute

### James K. Galbraith

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I first met Jorge Braga de Macedo a week or two after the start of term at Yale, at the Cowles Foundation, fall of 1976. I had come in from a year on the staff of the Banking Committee, US House of Representatives—it was still permitted, back then, for people with policy interests and some experience to pursue graduate degrees in economics. Jorge was returning from a stint in the military or so I understood at the time. I asked him if he'd been a member of the MFA (an organization of lower-ranking, politically left-leaning officers in the Portuguese Armed Forces that was responsible for instigating the Carnation Revolution of 1974). He hadn't but was surprised that anyone in so distant and provincial a spot had heard of it. We were friends from then on.

Yale in those days, at the dawn of the new classical era, was a peculiar place whose geography I only faintly understood. The top-tier students, in advanced micro-theory, introduced to us as stars, would disappear into academic obscurity. Supposedly, second-tier types would go to the major international institutions, notably the Fund and the Bank. A far fringe—Barry Eichengreen, Nancy Birdsall, myself—were there for other reasons. In my case, the degree seemed necessary for the coming policy wars. And there were the Mexicans, esoteric enthusiasts of CGE models. Some of them would have big, then-unsuspected careers. Many years later

at a 60th birthday *festschrift* conference for Joe Stiglitz, I found myself sitting next to another common friend and classmate, listening to Robert Solow read a highly congenial paper entitled “Dumb and Dumber in Macroeconomics.” I remarked to him that I had always thought if one could only close eyes and ears for thirty years, this sort of thing would disappear. He agreed, “it was a good time to enter public service.” It was Ernesto Zedillo.

Among the faculty, Jim Tobin seemed in absolute control and yet, in the larger scheme of the higher economics, on the intellectual defensive. Even more so, a periphery of senior Institutionalists, simulation pioneers and applied econometricians—Lloyd Reynolds, Joe Peck, Guy Orcutt, Richard Ruggles—would leave few traces on the next generation. An evolutionary economics, spearheaded by Dick Nelson and Sidney Winter—later my very-tolerant thesis chair—seemed to me somehow not-quite-authentic. I recall writing to them that perhaps their approach had too much Lamarck and too little Darwin. Paul Krugman was in his debut teaching year, talking up increasing returns to scale. The other rising lights were in finance, in capital asset pricing, and in international monetary economics.

In some ways, Jorge was the quintessential Yale economist-graduate-student of our generation. Working with Pentti Kouri at the dawn of Pentti’s career on a Tobin-Brainard “pitfalls” model of the foreign exchange markets, pioneering multi-country data analysis with the primitive computers of that day, open to, and yet not entirely sold on, the rational-expectations, representative-agent worldview. I do recall him coming back from a Robert Lucas visiting seminar that I did not bother to attend with a pithy verdict: “an exercise in exogeneity.” As I did not then figure Pentti for the leading advocate of Keynesian doctrine in Finland’s central banking history—nor for one of the great speculators ever to emerge from academic economics—so I did not figure Jorge, a serious young scholar, far more diligent than myself, for a future minister of finance.

Then and later, Jorge’s good standing in the academic mainstream, and my skeptical view of it, have been a deep source of our bond. Once, building on an inside joke between us, I managed to get the Yale computer to print a bogus error message “failure to grasp—type HELP GRSPFL for Help” at the top of one of his printouts: The induced perplexity was momentary but delightful. But when my father came to talk at Yale, Jorge made him cringe—something rarely seen—by reminding him of the inelegant coinage, “technostructure.” Game, set, match. Only one of many over the years.

And Jorge did enter public service, in Portugal, at the OECD and also at the IMF, where he served on a commission of inquiry following the disgrace of the Fund’s decision-making toward Greece in 2010—a difficult and honorable assignment. Likewise, his long service as President of the Tropical Research Institute in Lisbon. In this way, he has kept a balance between his intellectual and academic diversions and his deeper sense of self, as his father’s son, as a Portuguese, as a European and as a citizen of the world.

A scholarly volume is not the ideal place for remarks on a friendship that despite its academic origins is largely personal and sympathetic, stretching over a half century and family interaction covering three generations, ourselves, our wives, our

parents, and our children. However, these comments would not be complete without mentioning Jorge's presence through the deepest and most important moments in my life, the joyful and generous hospitality from him and from Luiza on every visit to Lisbon and the Apples Beach in Sintra, from my first honeymoon in 1979 onward, and also on occasions in Paris, and our frequent meetings in Cambridge, Austin and especially in Vermont, where—as he knows—he has a hilltop farmhouse waiting whenever wanted in the summer months. No one ever had a better friend!

# Introduction

**Abstract** Nowadays, the pressures for further global and regional integration exist parallel to growing nationalist demands. The benefits of globalization coexist with frustration at intra-national divides and growing inequality. How to reconcile these opposing forces are placing greater and greater demands on political leaders, and on the economists who advise them. We need Renaissance Economists who can engage with the full range of the global demands recognizing potential trade-offs. We are fortunate in this volume to be honoring and recognizing the contribution of just such an economist.

## The Renaissance Economist

We are living in uncertain times. Fact versus fiction are increasingly contested. The pressures for further global and regional integration exist parallel to growing nationalist demands. The benefits of globalization, which has seen hundreds of millions of people lifted out of extreme poverty and some evidence of international convergence in terms of economic development, coexist with frustration at intra-national divides and growing inequality. How to reconcile these opposing forces are placing greater and greater demands on political leaders, and on the economists who advise them. And yet, perhaps we are less equipped to deal with these demands. Economists are increasingly self-isolating and becoming technical modelers and, as a result, are more and more removed from the complexities of the real political economy. We are in need of Renaissance Economists who can engage with the full range of the global demands recognizing potential trade-offs. Policymakers seldom have the choice of option A and are often frustrated by economists not being able to recognize this fact and providing a suite of practical options. We are fortunate in this volume to be honoring and recognizing the contribution of just such a Renaissance Economist.

Jorge Braga de Macedo's work reflects the full range of expertise required in such a world. Few of us can claim to be such a polymath. This is reflected in the scope of his work which this volume attempts to capture. But it is more than this—

his work also reflects a diversity of methodological approaches which are fit for purpose. And then there is the practice which has seen him not only engage in these discussions as an academic but also as a policymaker. As minister of finance, for example, he signed the Maastricht Treaty of the European Union in 1992 on behalf of Portugal, a pivotal moment in European and Portuguese history.

The book is divided into three parts which loosely mirror his contributions over five decades. Each editor introduces one part and together they provide a brief curriculum and detailed list of publications in the appendix.

Part I is structured around economic history and history of thought. As Luciano Amaral reminds us in the opening chapter, Jorge Braga de Macedo's incursions into the realm of economic history, while rare, have been very fruitful. Indeed, understanding present and future challenges requires us to make sense of the past and we are often the poorer for not fully investing the resources into the domains of economic history. The contributions in this part reflect the value of doing so. To mention just one such example, the chapter by Barry Eichengreen provides a useful analysis and comparison of the nineteenth-century classical gold standard and the euro. It reflects important similarities and differences but also provides lessons for the way forward even though "the gold standard operated in a simpler political setting, one in which mass participation in electoral politics was the exception to the rule."

Part II examines macroeconomic theory and practice with a focus on open economy macroeconomics. This approach is suited to Europe more generally, and Portugal more specifically, as it has implications for long run economic growth and development. The chapters convey the importance of his work both as an academic and as a policymaker. This ranges from discussions on the contributions of Krugman and Macedo (1979) as regards understanding Portugal as a small open economy, to the debt crisis and the push for austerity more recently, the challenges of European integration, and directions for the Euro.

Part III looks at five contributions related to international political economy, and two complementary ones from law and sociology, in keeping with the honoree's interdisciplinary research bent. Indeed, the chapters reflect the breadth of Jorge Braga de Macedo's interests including chapters on international cooperation in the age of populism, constitutional issues and intergenerational equity, international migration, and analyses of areas where multilateral cooperation is necessary, such as climate change, international corporate taxation and sustainable development.

In an era of increasing volatility, uncertainty, and complexity, we need Renaissance Economists more than ever. This volume shows why that is the case and pays tribute to just such a person.

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# Contents

## Economic History

<b>Jorge Braga de Macedo as an Economic Historian: The Transition of the Portuguese Economy from the Authoritarian to the Democratic Period (1960–1979)</b> .....	3
---	---

Luciano Amaral

<b>Bagehot for “Followers”: How Did the Bank of Portugal Manage the First Post World War I Crisis?</b> .....	13
--	----

Jaime Reis

<b>What is in a Bond? The Value of Portugal or the Financial Origins of the Portuguese Civil War</b> .....	35
--	----

Marc Flandreau

<b>A Thirteenth-Century Fiscal Constitution</b> .....	51
---	----

António Castro Henriques

<b>Economic History and History of Economics: Complementary Approaches to Portuguese Economic Development</b> .....	61
---	----

José Luís Cardoso

<b>US Inflation and the Imbalances of the Bretton Woods System, 1965–1973</b> .....	75
---	----

Michael D. Bordo

<b>The Gold Standard and the Euro: Conjoined Twins or Distant Relations?</b> .....	91
--	----

Barry Eichengreen

## European Macroeconomics

<b>A Macro-stabilization Function for the Euro Area</b> .....	111
---	-----

Aníbal Cavaco Silva

<b>Toward a Sustainable Eurozone</b> . . . . .	121
Paul De Grauwe and Yuemei Ji	
<b>Fiscal Governance in the Euro Area: What Kind of Union?</b> . . . . .	139
Jürgen von Hagen	
<b>On the Limits of EU Differentiated Integration: Lessons from the Eurozone Crisis and from Brexit</b> . . . . .	149
Annette Bongardt and Francisco Torres	
<b>The Peculiar First Semester of 2012</b> . . . . .	165
António S. Pinto Barbosa and Luís Catela Nunes	
<b>The Krugman–Macedo Diagram Revisited</b> . . . . .	175
Miguel Lebre de Freitas and Miguel Faria-e-Castro	
<b>Notes on a Peripheral Economy</b> . . . . .	199
Paul Krugman	
<b>International Political Economy</b>	
<b>Tax, Climate Change, and Sustainable Development: Global Problems, Global Solutions?</b> . . . . .	211
Vítor Gaspar and David Amaglobeli	
<b>International Migration and Social Network Spillovers of Political Norms</b> . . . . .	227
Cátia Batista, Julia Seither, and Pedro C. Vicente	
<b>Regulated Early Closures of Coal-Fired Power Plants and Tougher Energy Taxation on Electricity Production: Synergy or Rivalry?</b> . . . . .	241
Alfredo Marvão Pereira and Rui Manuel Pereira	
<b>Measuring What Social Partners Do About Wages Over the Business Cycle</b> . . . . .	261
Pedro S. Martins	
<b>Selling the View</b> . . . . .	277
Jorge De La Barre	
<b>A Constitutional Theory of Intergenerational Equity</b> . . . . .	281
Gonçalo de Almeida Ribeiro	
<b>International Cooperation in the Age of Populism</b> . . . . .	303
Jeffry Frieden	
<b>Postface</b> . . . . .	315
<b>Appendix</b> . . . . .	317



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# Economic History

Jorge Braga de Macedo contributed to international monetary economics in several ways, and his analytical conclusions have been detailed in empirical studies of presentday national economies as well as in monetary history. Indeed, this part is almost exclusively devoted to economic history, unlike Part II, where European economic issues and their implications for Portugal are discussed, and Part III, which gathers contributions of relevance to international political economy, including two from law and sociology.

The contributions presented here are heartfelt expressions of admiration and gratitude to the honoree. They result from far-ranging partnerships in academic life, scientific sociability, and personal proximity, in different geographical windows and timings.

In the first contribution, Luciano Amaral discusses four of the honoree's pioneering articles and shows how these contributed to our current knowledge of three fundamental Portuguese economic issues, namely: economic growth, openness and connection with other European economies between the 1960s and 1980s.

Jaime Reis, in the second one, uses primary material from the Bank of Portugal's archive to show how it departed from Bagehot's archetype of the central bank as lender of last resort in the first banking crisis of the early 1920s. He concludes that a lack of awareness of his paradigm was not the reason for the policy option of the Bank of Portugal.

In the third, Marc Flandreau, who led the international finance team at Sciences-Po where the honoree taught in the 2000's, presents a loan contract signed on 27 September 1823 between the Portuguese Minister of Finance and Goldschmidt, and offers an economic, historical and political meditation on the bond that was not tied with Rothschild. The failure of Goldschmidt in 1826, and Portugal's default in 1828, tarnished the Crown's reputation with consequences lasting well after the Portuguese Civil War ended in 1834. It is apposite to remark that the honoree's first publication fifty years ago, as well as his most recent, address precisely the issue of Portugal's financial reputation (see Appendix for the publications).

In the fourth contribution, António Castro Henriques, the honoree's nephew and godson, sees the thirteenth century as the first era of constitutional experiences in

Europe, in the form of limits to the fiscal prerogatives of the State. In Portugal, this monetary constitution took the form of a contract to prevent the use of the kings' minting rights as a hidden tax. Nominal interest rates comparable to those of German-speaking city-states suggest that the commitment enforced by the *Cortes* until 1369 was credible.

Next, José Luís Cardoso, also an uncle of the previous author, frames the context for the previous four contributions by considering simultaneously two domains of historiography: economic history and the history of economics. Authors who seek to describe facts and circumstances of economic relevance, in order to establish evolutionary trends, should thus complement those who seek analytical forms or doctrinal frameworks aimed at explaining observed economic changes.<sup>1</sup>

The sixth and seventh contributions, also by friends and coauthors of the honoree, provide an international angle with Bretton Woods and the euro, which spills over into Part II. Michael Bordo argues that expansionary fiscal and monetary policies led to rising U.S. inflation since 1965, which in turn was the key to growing international imbalances culminating in the collapse of the fixed exchange rate system in 1973. For political and doctrinal reasons, this was not directly addressed on 15 August 1971, when Nixon closed the US gold window, and imposed a 10% surcharge on all imports and a ninety-day wage price freeze—at the urging of Fed Chairman Arthur Burns. Instead of confessing to mistaken US policies, the president blamed the rest of the world. The differences between the imbalances of the 1960s and 1970s—relatively stable monetary policy and floating exchange rates—go along with similarities—especially fiscal policy and the use of tariff protection as a strategic tool.

Barry Eichengreen, who famously lent class notes to his late coming classmate, brings Part I to a close by comparing the classical gold standard and the euro. This was also the topic of a conference they decided to hold at the *Arrábida* convent in 1994, which was published by the Bank of Portugal in a volume co-edited with Jaime Reis. Needless to say, the argument is heavily based on recent research. Although the two regimes were vaunted as engines of convergence, these sputtered and fiscal discipline was erratic though both were seen as delivering it. The difference is that, unlike Eurozone membership, the gold standard was always a contingent monetary regime. Also, during the gold standard, mass participation in electoral politics was exceptional. From the European and Portuguese perspective, there is a political economy argument for those two differences, as discussed in Part II.

Maria Eugénia Mata

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<sup>1</sup>It should be no surprise that his work on the founder of the Nova School of Business and Economics, Alfredo de Sousa, coauthored with the editor and Jorge Braga de Macedo, joins dozens of "Eulogies and Memories (mostly) of Economists" written by the honoree. These began in a now extinct journal of the Catholic University, which he helped to launch with Cavaco Silva, Jacinto Nunes and Girão, continuing in the Working Papers series with A. M. Pinto Barbosa, Jorge Braga de Macedo's predecessor in the 18L chair at the Lisbon Academy of Science, including Cardoso himself, whom he received in chair 15L following Jacinto's passing away.

# Jorge Braga de Macedo as an Economic Historian: The Transition of the Portuguese Economy from the Authoritarian to the Democratic Period (1960–1979)



Luciano Amaral

**Abstract** Despite not being an economic historian, Jorge Braga de Macedo has delved into economic history, with very favorable results. This is illustrated in the current chapter, which analyzes Braga de Macedo's contribution to the understanding of the Portuguese economy's transition from authoritarianism to democracy. To be sure, Braga de Macedo's analysis has not only enriched our understanding of the transition period itself but also that of the authoritarian and democratic periods. This chapter discusses four of Braga de Macedo's pioneering articles and shows how these contributed to our current knowledge of three fundamental Portuguese economic issues, namely: economic growth, openness and connection with other European economies between the 1960s and 1980s.

**Keywords** Economic growth and development · Economic history · Economic transition · Europe · Portugal

## 1 Introduction

Jorge Braga de Macedo is not an economic historian but has sometimes crossed the line in order to fish in the waters of history. Some historical aspects of monetary regimes and of fiscal policy have received his attention, although not necessarily in an autonomous fashion: Historical examples were mostly used as instruments to understand current situations. In this paper, I will not deal with those works where history was used by Braga de Macedo in a more explicit manner but rather with other works where he used economic history as an intrinsic part of his economic argument. I believe this is most visible in the works Braga de Macedo dedicated to the study of the economic transition from the *Estado Novo* period to that of the current democratic regime.<sup>1</sup>

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<sup>1</sup>The *Estado Novo* (New State) refers to the authoritarian, corporatist and statist period of rule in Portugal during 1933–1974.

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I am thinking particularly of four works: One is “The Economic Consequences of the April 25th Revolution,” written together with Paul Krugman and published in a book coordinated by Braga de Macedo himself and Simon Serfaty (cf. Braga de Macedo and Serfaty 1981); another work is “Portugal and Europe: the Channels of Structural Interdependence”, published in the same book. Both of these articles should be read together with another one, published close to thirty years later, where historical reasoning is combined with memory impressions: “Economic Advice and Regime Change in Portugal,” published in a book edited by Francesco Franco (cf. Franco 2008). The final element of this tetralogy is a long working paper of the *Faculdade de Economia* of the *Universidade Nova de Lisboa* focusing on trade policy in Portugal, which he published together with Cristina Corado and Manuel Lopes Porto: “The Timing and Sequence of Trade Liberalization Policies: Portugal 1948–1986” (Braga de Macedo et al. 1988).

These works approached the Portuguese economy of the *Estado Novo* and of the transition to democracy in a pioneering way that is still illuminating today. The basis of Braga de Macedo’s interpretation was to show the positive behavior of the Portuguese economy during the *Estado Novo*, contrary to the conventional wisdom of the time. The changing conditions after 1973–1974 were, consequently, seen as a crisis rather than the closing of a dark period and the beginning of a new one of relentless prosperity. Consequently, the new conditions had to be approached with care if the Portuguese economy was to become viable in a democratic regime willing to develop an expensive Welfare State: Not everything was possible, especially under circumstances that were much more restrictive than during the *Estado Novo* period. The other major element of Braga de Macedo’s interpretation was equally innovative: He showed that the Portuguese economy became increasingly connected with the European one during the *Estado Novo* period, again contrary to the conventional wisdom of the day, which saw the Portuguese authoritarian regime as an isolationist one. What is more, he showed how the period of transition to democracy, on the contrary, reintroduced forms of protectionism that had been on the wane in the previous years. This view was particularly important to understand the integration of the Portuguese economy in the European Economic Community, which was then starting, following the 1977 accession request.

## 1.1 A Specific Shock

The starting point of Braga de Macedo’s approach to the Portuguese economy in this period was that “the Portuguese economy was subject to a unique combination of shocks” between 1973 and 1976 (Braga de Macedo and Krugman 1981, p. 57): the 1973 oil shock, which was common to all economies of the world; a labor shock, resulting from the interruption of emigration to Europe and, mostly, from the arrival of a vast mass of white settlers in 1975 and 1976, who were fleeing the Portuguese African colonies as these were becoming independent; and finally, a political shock