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Abstract

In the early decades of the contemporary world economy, Portugal had to perform twice difficult stabilization processes: during the 1890s as a consequence of the collapse of external and public debt payments, and during the 1920s in the wake of the First World War. This paper will analyse these Portuguese situations: the 1890s stabilization based on leaving the gold-standard monetary system and on partial default of the external public debt payments led to a period of economic stagnation, which lasted until the First World War, in spite of the good international background provided by the so-called *belle époque*; the 1920s stabilization based on a very tough fiscal adjustment opened the way to an interwar period of slight growth, in spite of the unfavourable international background provided by the problems of the 1920s and the Great Depression during the 1930s (although it was not enough to sustain the liberal republican regime, which was replaced by a military dictatorship, and later an authoritarian right-wing regime).

Keywords: 1890s; 1920s; stabilization processes; economic policy; monetary policy; fiscal policy; Portugal.

JEL: N1, N13, N14.

Plan

1. Introduction[1]

In the early decades of the contemporary world economy, Portugal had to perform twice difficult stabilization processes: during the 1890s as a consequence of the collapse of external and public debt payments, and during the 1920s in the wake of the First World War. This paper will analyse these Portuguese situations: the 1890s stabilization based on leaving the gold-standard monetary system and on partial default of the external public debt payments led to a period of economic stagnation, which lasted until the First World War, in spite of the good international background provided by the so-called *belle époque*; the 1920s stabilization based on a very tough fiscal adjustment opened the way to an interwar period of slight growth, in spite of the unfavourable international background provided by the problems of the 1920s and the Great Depression during the 1930s (although it was not enough to sustain the liberal republican regime, which was replaced by a military dictatorship, and later an authoritarian right-wing regime).

The organization of the paper is straightforward: section 2 deals with the early 1890s crisis and the stabilization that followed; section 3 deals with the problems caused by the First World War and the stabilization that followed. The last section attempts to draw some lessons concerning the behaviour of the Portuguese economy and society in stabilization processes.

2. The early 1890s crisis and its aftermath

2.1. The roots of the crisis

Between the 1860s and the 1890s, the Portuguese economy performed rather well in a European and World context. During the 1860s, 1870s and 1880s, the rate of growth of per capita gross domestic product averaged around 1% per year, and the country acquired the basic infrastructure and institutional framework of a 19th century modern economy, namely railway and telegraph network, port and submarine cable equipment, gold standard monetary regime, moderate tariff and other barriers to foreign trade.[2]

However, such a good performance was mixed with some structural problems that proved fatal in the long run to an effective take-off of the Portuguese economy into modern economic growth. Trade presented a permanent negative balance. This trade deficit was financed mainly by

1 Paper presented to the UECE Conference on "Economic and Financial Adjustments in Europe", ISEG: Lisbon, 2012.
2 See Mata, Valério, 2011.

emigrants' remittances[3] coming especially from Brazil, the main outlet of Portuguese emigration. Foreign capital also contributed to balancing the overall balance of payments. This includes purchase of government bonds, foreign direct investment (which contributed to the development of several important modern activities in the Portuguese economy, in the mining, manufacturing and services sectors), and portfolio investment. The point is that all these balancing items were rather volatile. As a consequence, Portuguese foreign payments were always under threat of strained situations. Second, public deficits remained permanent and, as a consequence, public debt accumulated until it reached levels that implied that the reputation of Portugal in international capital markets was already faltering in the late 1880s.[4] Last but not least, human capital formation lagged behind physical capital formation. By the late 19th century, illiteracy rates (still of the order of three quarters of the adult population) and formal education (averaging less than one year for the active labour population) put a significant brake on Portuguese economic capabilities, and school enrolment (still below half of the young age groups) suggested a not very bright picture for the future.

These fragilities of the Portuguese situation translated into short-term problems in the late 1880s. These started with political upheavals in Brazil with the abolition of slavery (1888), followed by the proclamation of the republican regime (1889), which did not stabilize until the early 1890s. The ensuing reduction of emigrants' remittances stressed the Portuguese balance of payments. The usual response would be a call for help from the financial place of London, especially from the Baring Brothers banking house, the Portuguese government banker in London and traditional provider of financial support at critical moments. Unfortunately, Baring Brothers was living its own difficulties, which had their roots in the collapse of its Argentinean endeavours. Thus, the so-called Baring crisis prevented Baring Brothers to come to the rescue of the Portuguese economy and government.[5] 1890 witnessed the first problems in one of the largest Portuguese banks, *Montepio Geral*, and by May 1891, the whole banking system was facing a bank run.

Economic and financial problems were compounded by political problems, both external and internal. The external political problems were related with a conflict with Great Britain over the occupation of the interior of Southern Africa (the territories that form today Malawi, Zambia, Zimbabwe and part of Mozambique). Portuguese attempts to control those regions were thwarted by a British ultimatum (11 January 1890) demanding the withdrawal of Portuguese expeditionary

3 Notice that technically what at the time was called emigrants' remittances included three different items: capital revenue of returned emigrants; true emigrants' remittances; and capital movements accompanying returning emigrants.

4 According to Flandreau, Zummer, 2004 and Esteves, 2005, *Crédit Lyonnais* in 1888 regarded the Portuguese economy as high risk and the 1889 edition of *Fenn's Compendium of the English and Foreign Funds* positioned the Portuguese economy in fifth, among the twenty-three states addressed, in the indicator debt per capita. See also Valério, 1986 and Marinheiro, 2006.

5 On the Baring crisis see Wirth, 1893; Ford, 1956; Ferns, 1992; Lenz, 2006; Flores, 2007; Mitchener, Weidnmier, 2007.

forces, and the ensuing division was quite unfavourable to Portuguese ambitions, as might be expected. Most of the territories under dispute became British possessions. Portugal had to content itself with the southern part of what was then called Nyasaland, from then on included in Mozambique (Northern Nyasaland became what is now Malawi). The internal political problems were mainly the consequence of a failed revolutionary attempt by Republican forces to profit from the loss of prestige of the monarchy resulting from the unfavourable solution of the conflict with Great Britain (31 January 1891).

2.2. The responses to the crisis

The Portuguese crisis of 1891 may be classified as a third generation crisis according the typology of Michael Bordo (2008).[6] This category of crises involves an exchange crisis, plus a debt and banking crisis.

The immediate response to the May 1891 bank run was a two-month moratorium (decreed on 7 May), which implied the provisional suspension of gold convertibility of the banknotes in circulation. It was impossible to restore the conditions to resume convertibility during the two-month period, and on 9 July 1891 the suspension of gold convertibility of the banknotes in circulation was extended *sine die*. This allowed the intervention of Bank of Portugal as a lender of last resort for the banking system and the monetization of public deficits, with the corresponding banknote issuing. Thus, short-term internal problems were solved, although some banks had to shut down their activities (the main one was the *Banco Lusitano*, one of the largest banks of Lisbon) and others had to overcome difficulties with mergers (these mergers occurred mainly among banks of Porto).[7]

External payments were another matter. Short-term support from international capital markets was needed. However, these markets contracted due to the international crisis, and the Baring Brothers, the traditional London bankers of the Portuguese government, were in an especially bad position, as explained above. As a consequence, instead of providing fresh funds, they had to call for reimbursement of 1 million pounds sterling, leading to a significant reduction of the gold reserves of the Bank of Portugal.[8] As early as January 1891, the discount rate rose to 6%, as an attempt to play the rules of the gold-standard, but this move failed to stem further gold outflows. An attempt to compensate these problems by means of a long-term loan guaranteed by the tobacco monopoly met with understandable little success in Paris.

6 See also, Eichengreen and Portes, 1987; Eichengreen, 2002.
7 On the banking situation of the period, see Valério *et alii*, 2006-2011.
8 Labisa, 2001; Mata, 1987; Nunes, Valério, 2005.

Roughly one year later, the lack of foreign exchange prevented the regular payment of external public debt. In June 1892, amortization was suspended, and interest payments were reduced to one third of contractual levels.[9]

Such short-term moves alleviated the stress, but provided no long-term responses to the question of keeping the Portuguese economy in a development track.[10] As public investment was no longer able to give the stimuli of the previous decades, there was a call for new ideas. Protectionism and colonial endeavours were the answers. In 1892 specific tariffs were raised and quantitative restrictions and import licensing schemes were established associated to schemes of imperial preference among Portugal and its colonial empire.[11] Higher tariffs stimulated the growth of some sectors of the Portuguese economy (textiles were the main industrial branch to react to this tariff changes and increased its production for the colonial markets), but it is doubtful if the impact was a positive one in the long run. Colonial endeavours needed significant initial capital investments that the Portuguese economy was unable to provide. Thus, either foreign capital was allowed to take most of the benefits, or the vast colonial territories Portugal was, in spite of all humiliations, able to secure during the scramble for Africa would remain for long barren. Half-hearted acceptance of foreign capital into Portuguese colonies created a mixed situation for the following decades.

As it was, economic stagnation characterized the Portuguese economic life for a long period after the debacle of the early 1890s. Both short-term and long-term explanations may put forward for such an evolution. The short-term solutions to the crisis of the early 1890s – exchange rate depreciation and partial debt default – put Portugal away from international capital markets for a long time, and made it very difficult to find financing for the type of public projects that had stimulated Portuguese growth during the preceding decades. Of the long-term solutions to the crisis of the early 1890s, one – protectionism – was quite detrimental to long-term performance of the Portuguese economy, because it is very hard for a rather small economy to develop closing itself to the international economy; the other – colonial endeavours – proved quite ineffective, because of lack of resources for colonial investment.

9 Foreign boldholders were given the possibility of converting their bonds into internal bonds, which were not subject to the same partial default. However, the overwhelming majority of the creditors did not accept, as might be expected.
10 On the development policies in Portugal in the second half of the 19th century, see Mata, 1988.
11 Fontoura, Valério, 2000.

2.3. Fiscal adjustment and economic stagnation

The dream of restoring monetary and financial normalcy never disappeared in Portugal until the outbreak of the First World War. Such a restoration implied an agreement with foreign bondholders and resuming banknote convertibility.[12]

The agreement with foreign bondholders was finally reached in 1902. As might be expected, the clauses were half way between original contractual clauses and the situation imposed by the Portuguese government in 1892. Amortization was resumed with longer delays (it was concluded as scheduled in 2001) and interest was reduced to two-thirds of original contractual levels. However, this agreement did not reopen foreign capital markets to Portuguese issues (although private foreign direct investment remained an important item of Portuguese economic life for the following decades).[13]

As a consequence, resuming banknote convertibility implied a decisive fiscal adjustment, so that public deficits (and their monetization) might disappear, public debt at the Bank of Portugal might be paid, and the reserves of the issuing bank might be restored.

In a certain sense, the fiscal adjustment began already in 1892, by means of several tax increases, including a rise of the tax on the interest of internal public debt from 3% to 30%.[14] During the following years, public deficits were significantly reduced (partly as a result of the reduction of payments related to the external public debt), but proved very difficult to eradicate, because the monarchic governments feared the social upheavals that might result from energetic fiscal measures (and republican opposition). Only on the eve of the First World War (after the Republican takeover on 5 October 1910, which allowed a tax reform, with tax increases falling mainly on the class of landowners, who mostly supported the monarchic regime) was it possible to achieve systematic surpluses in public accounts. Too late for the following steps for the definitive stabilization mechanism to be performed before the war swept away all hopes of normal life for all European countries, at least for the duration of the conflict.

12 Bordo, Schwartz, 1996.
13 The next significant loan of the Portuguese government in foreign markets only occurred in the 1960s to finance the building of the first bridge over the Tagus in Lisbon.
14 Valério (coord.), 2001.

3. The 1920s problems and stabilization

3.1. The First World War

Portugal participated in the First World War as an informal belligerent between August 1914 and March 1916 (border incidents in Southern Angola and Northern Mozambique with German troops respectively from South-West Africa and Tanganyika) and as a formal belligerent between March 1916 (declaration of war by Germany because Portugal refused to guarantee that German ships impounded in Portuguese ports would not be ceded to German enemies, that is to say, Great Britain, as eventually happened) and November 1918 (besides submarine war in the Atlantic and marches and counter marches of Portuguese and German troops between Mozambique and Tanganyika, a Portuguese expeditionary force was sent to Flanders and manned a section of the Western Front until it was crushed in the battle of La Lys on 9 April 1918).[15]

Fiscal consequences of Portuguese participation in the First World War were higher expenditure for military purposes and increased control of several sectors of economic activity, just like in the other European belligerents. Higher expenditure was financed mainly by borrowing at the Bank of Portugal for internal expenditure and at the Bank of England for external expenditure.

Monetary consequences of Portuguese participation in the First World War were the expansion of monetary supply, as the Bank of Portugal issued fresh notes to provide loans to the government; the rise of the price level, as the additional money supply faced decreased commodities supplies, both because of difficulties of maintaining external supplies as a result of the situation of war itself and because of the reduction of domestic economic activity, partly as a result of the default of foreign supplies of crucial commodities, partly as a result of mobilization of domestic resources for military purposes; and the depreciation of the exchange rate, although moderate, as the balance of payments remained negative, but transactions were reduced by the state of war.

3.2. The immediate post-war

In Portugal, as in Europe and America in general, there was in the immediate post-war years the wish to return to the economic conditions of the immediate pre-war years. However, in Portugal, as in Europe and America in general, the fundamentals of the economy had been so deeply changed, that such an evolution was completely impossible.

15 For a detailed account of Portuguese evolution during the period under consideration see Mata, Valério, 2011.

In the fiscal domain it proved impossible to restore a balanced budget by reducing expenditure and maintaining revenue. As a matter of fact, the reduction of military and economic expenditure was slow, and old fiscal laws were unable to raise the same proportion of revenue to the gross domestic product than on the eve of the First World War. As a consequence, public deficits remained rather high for a few years after the end of the war, and the government went on borrowing at the Bank of Portugal, with unavoidable inflationary consequences, in spite of the restoration of the normal supply of foreign commodities and the recovery of domestic economic activity.

War expenditure abroad (mainly for armaments and supplying the expeditionary force in Flanders) generated a war debt towards Great Britain (as a result of borrowing at the Bank of England) of nearly 20 million pounds (an increase of outstanding external public debt by nearly a half). It proved impossible to pay this debt within the agreed delay (two years after the end of the war), because international capital markets were out of question for the Portuguese government. This eventually led to an increase of the outstanding amount of around 5 million pounds due to unpaid interest.

As most European winners, Portugal tried to recover war costs by demanding war reparations from Germany. The Portuguese final slice amounted to nearly 1 billion gold marks equivalent to nearly 50 million pounds. This was enough to pay war debts and a significant part of other foreign public debt, but payments were meagre as a consequence of well-known disputes between the countries involved.[16]

The main distortion introduced by the evolution during the war years was the gap between internal and external depreciation of the monetary unit. While the internal value of the monetary unit was one third of the pre-war level, as prices had roughly trebled, the external value of the monetary unit was 56% less than the pre-war level, as depreciation had been rather moderate. As the price level in the main Portuguese trade partner, Great Britain, tended to come back to pre-war levels, Portuguese exports faced a rather unfavourable competitivity situation. As might be expected, the market trend was towards further depreciation of the Portuguese currency, and no exchange control measures were able to stem the tide. After some time, depreciation overtook the price level increase and fed back into internal inflation.

As might be expected, this period was characterized by political instability. Short-lived governments and a few military coups made impossible any drive towards fiscal consolidation.

To sum up: slow fiscal consolidation, uncertainty about war debt and reparations payments and an unfavourable competitivity situation triggered an exchange debacle, which fed back into

16 On war debts and reparations see Aldcroft, 1987.

increased internal inflation. For a few years after the end of the war, Portugal seemed on the verge of a hyper-inflationary process.

3.3. From fiscal reform to formal monetary stabilization: economic and financial success and political upheavals

The first step towards redressing the situation was the 1922 fiscal reform.[17] Profiting from some political stabilization under a government of the Democratic Party, a complete revision of the fiscal regime allowed the restoration of the pre-war levels of the ratio between fiscal revenue and the gross domestic product, and attempted to reach a more modern technique of tax rising and a more balanced distribution of the fiscal burden. The 1922 fiscal reform was supplemented by a new protectionist tariff in 1923.[18] As a consequence, there was a gradual reduction of public deficit, and from 1923 onwards the government no longer needed to borrow significant sums at the Bank of Portugal.

However, the exchange depreciation and the increase of prices went on until the summer of 1924. By then, the exchange rate was more than thirty times higher and prices were around twenty-four times higher than before the war. Meanwhile, the government had mobilized significant amounts of foreign exchange, partly by selling demonetized silver in the London market, partly by forcing exporters to sell to the Bank of Portugal at least half of the foreign exchange they obtained by means of surtax on exports paid back against the selling of the exchange. An energetic intervention in the market using the foreign exchange thus accumulated did the trick. Exchange depreciation stopped, price increases stopped, and the exchange rate tended to align rather quickly with the price level at twenty-four times the pre-war levels. Of course, the Portuguese stabilization profited from the general stabilization in Europe, after the end of German hyperinflation and the approval of the Dawes Plan on the payment of war reparations, which occurred also in 1924.

The change in monetary conditions in Portugal had short-term recessive effects, although the levels of economic activity did not show any significant decrease. Together with discontent among wealthy classes about the 1922 fiscal reform, this prevented the republican regime and the Democratic Party to translate the success in setting the basis for economic and financial stabilization into a political success. By the end of May 1926 they had been replaced by a military dictatorship.

17 Valério (coord.), 2001.

18 To avoid specific duties from being thwarted by price increases, payment of duties was demanded in gold, that is to say, with a correction allowance for the exchange rate depreciation.

The new military government did not modify the main elements of the fiscal and monetary policy of the late republican governments. The only bit of backpedalling was the announcement of a new fiscal reform, to alleviate the shortcomings of 1922 reform according to the wealthy classes. This was prepared by a committee headed by Oliveira Salazar, professor of Public Finance at the University of Coimbra, a man to be heard of again. Moreover, an agreement with Great Britain was reached to settle the war debt in sixty-three instalments until 1988; and an attempt was made to raise a foreign loan to consolidate the stabilization by adopting the gold-exchange-standard monetary regime.

The first round to try to get the foreign loan at the place of London in 1927 failed because potential lenders suggested the back-up of the League of Nations in a way similar to the one already adopted for several European countries (namely Austria, Hungary, Greece and Bulgaria).[19] Negotiations with the League of Nations also failed in early 1928 because the Portuguese government though unwise to accept the control conditions demanded by the League for political reasons. These failures brought down the military group that had managed Portuguese finances for two years after the 1926 coup. In April 1928 the civilian Oliveira Salazar became Minister of Finance of the military government.

The situation Salazar found was rather favourable. Public accounts were well in the way of balancing and the exchange rate and prices were structurally stable in spite of the short-term disturbances caused by the failure of the London and Geneva negotiations. A last round of negotiations with London bankers convinced Salazar that the foreign loan was a mirage. Balancing public accounts to confirm the will to stabilize (1928), and implementing the new fiscal reform he had prepared to satisfy the supporters of the new situation from a political point of view (1929) was all that could be done immediately. Three years later formal stabilization seemed possible. On the 1st of July 1931, convertibility of the Portuguese escudo was restored (by means of indirect convertibility into the pound sterling) at a level roughly twenty-four times lower than the pre-war one.[20]

By then, Salazar had already made the decisive steps to become the true leader of the new political regime, building on the prestige resulting from his supposed role as the man who brought order to the Portuguese finances, in contrast with the disorder of the republican and early military governments. Although completely false, the propaganda worked. By July 1932 Salazar was the civilian head of the military government (!), and by April 1933 the new right-wing authoritarian regime, the New State [Estado Novo], was established according to the Constitution drafted by Salazar.

19 Cf. Eichengreen, 1996.
20 Santos, 1996.

3.4. The good 1930s

Meanwhile, the world had plunged into the depths of the Great Depression (and the Hoover moratorium and the suspension of payments related to war debts and reparations resulting from the Lausanne Conference had relieved Portugal from war debt payments; of course, German reparations under the revised Young Plan had also ceased). The Portuguese response to the Great Depression was rather classical in its design: curbing consumption (public consumption directly; private consumption indirectly by fiscal pressure); promoting investment (public investment directly; private investment by lowering interest rates); stabilizing the exchange rate (to avoid inflationary pressures; however, when the pound sterling ceased to be convertible in September 1931, the Portuguese currency kept pace with the pound, to avoid loss of competitivity, and thus Portugal remained an informal member of the sterling area until the outbreak of the Second World War). This may be reckoned as a success, as the rather good performance of Portuguese gross domestic product, balance of payments and public accounts during the 1930s show.

4. Conclusion: lessons from history?

The episodes evoked in the preceding pages prove that stabilization processes are possible in the Portuguese economy. They also prove that the way things are done matters, at least from an economic and financial point of view.

As a matter of fact, the solutions adopted for the crisis of the early 1890s, both in a short-term and a long-term perspective, failed to keep the Portuguese economy on a development track in spite of the favourable international background provided by the so-called *belle époque*; the efforts to restore monetary normalcy and access to capital markets were too slow to produce results, because of internal political reasons, as explained above; as a consequence, nothing was consolidated until the First World War made it impossible any way back. On the contrary, the fiscal consolidation and monetary stabilization of the mid-1920s paved the way for a rather good economic performance during the interwar period, in spite of the problems raised by the international background of the 1920s and 1930s;[21] moreover, it may be argued that it created the preconditions for the definitive entry of the Portuguese economy in the process of modern economic growth after the Second World War.

21 Anyway, the mood in the mid-1920s was in favour of monetary and financial stabilization from an international point of view.

However, from a political point of view, it is difficult to choose from the perspective of the political regimes that existed at the time of the outbreak of crises. Both the monarchic regime that existed in the early 1890s and the republican regime that existed in the early 1920s disappeared in the wake of the efforts to solve the problems. Monarchy was replaced in 1910 by a liberal democratic Republic, which was overthrown in turn by the Army in 1926. Curiously, both the Republic of the second decade of the 20th century and the military dictatorship of the mid-1920s were able to conclude the work started by their predecessors, and profit from such a conclusion.

To sum up: may be nearly one century later, Portugal will be able to repeat the financial performance of the 1920s (and to avoid the political set back then associated to the financial success).

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Appendix

Table 1 – Public accounts and public debt

Fiscal year	Government expenditure	Tax revenue	Other effective revenue	Public surplus (+) or deficit (-)	Public debt at the end of the year	Foreign public debt at the end of the year
1880-1881	33	22	3	- 8	417	173
1881-1882	36	25	4	- 7	433	208
1882-1883	33	23	4	- 6	444	208
1883-1884	34	25	4	- 5	441	210
1884-1885	39	26	4	- 8	489	245
1885-1886	40	27	4	- 9	494	244
1886-1887	40	29	5	- 7	502	237
1887-1888	43	32	5	- 7	513	221
1888-1889	49	32	6	- 12	526	284
1889-1890	52	32	6	- 14	539	294
1890-1891	49	33	6	- 11	583	341
1891-1892	53	32	5	- 15	587	341
1892-1893	46	35	5	- 5	625	328
1893-1894	44	39	5	+ 0	600	300
1894-1895	45	38	5	- 1	599	299
1895-1896	48	43	7	+ 2	610	314
1896-1897	54	40	7	- 7	671	314
1897-1898	54	40	7	- 7	665	315
1898-1899	52	41	7	- 4	615	309
1899-1900	57	44	5	- 7	665	309
1900-1901	51	45	7	+ 1	695	314
1901-1902	52	43	6	- 3	683	309
1902-1903	54	45	6	- 3	594	212
1903-1904	55	47	6	- 2	610	215
1904-1905	55	48	8	+ 0	646	211
1905-1906	57	48	8	- 0	649	215
1906-1907	57	47	8	- 1	628	213
1907-1908	70	50	17	- 4	627	214
1908-1909	68	50	15	- 2	628	209

Fiscal year	Government expenditure	Tax revenue	Other effective revenue	Public surplus (+) or deficit (-)	Public debt at the end of the year	Foreign public debt at the end of the year
1909-1910	69	51	18	- 1	670	201
1910-1911	63	50	15	+ 2	656	199
1911-1912	64	51	10	- 3	661	198
1912-1913	76	56	23	+ 4	657	188
1913-1914	62	53	16	+ 7	648	182
1914-1915	95	46	22	- 27	744	248
1915-1916	134	47	39	- 48	806	280
1916-1917	144	50	39	- 56	883	302
1917-1918	179	49	43	- 87	994	319
1918-1919	271	64	37	- 170	1 164	351
1919-1920	347	88	71	- 188	1 553	609
1920-1921	418	131	88	- 199	2 860	1 574
1921-1922	550	173	147	- 230	4 002	2 458
1922-1923	1 187	321	216	- 649	6 963	4 965
1923-1924	1 171	555	215	- 401	8 048	5 492
1924-1925	1 428	734	428	- 266	8 401	5 412
1925-1926	1 508	815	284	- 409	8 900	5 354
1926-1927	1 821	907	280	- 634	9 365	5 270
1927-1928	1 667	1 069	442	- 155	9 573	5 300
1928-1929	1 757	1 444	604	+ 291	9 547	5 305
1929-1930	1 862	1 549	396	+ 83	9 432	5 256
1930-1931	1 730	1 439	481	+ 190	9 583	5 833
1931-1932	1 845	1 482	412	+ 49	9 867	5 857
1932-1933	1 931	1 497	423	- 11	7 394	3 330
1933-1934	1 973	1 548	435	+ 10	7 270	3 322
1934-1935	2 879	2 426	610	+ 157	7 208	3 271
1936	1 984	1 612	401	+ 29	7 186	3 245
1937	2 035	1 663	475	+ 104	7 238	3 225
1938	2 257	1 752	498	- 7	7 200	3 183
1939	2 357	1 684	485	- 188	7 154	3 099

Source: Valério, 2001.
Unit: Thousand contos = million escudos = billion réis.

Note – Fiscal years from 1880-1881 to 1933-1934 began on 1 July of each civil year and ended on 30 June of the following civil year; the fiscal year 1934-1935 began on 1 July 1934 and ended on 31 December 1935; fiscal years from 1936 onwards coincided with civil years.

Table 2 – Balance of payments, exchange rate, price level and gross domestic product

Year	Trade balance (thousand contos)	Balance of payments (thousand contos)	Exchange rate (escudos or thousand réis / pound sterling)	Price level (base 1914 = 100)	Gross domestic product (current prices – thousand contos)	Per capita gross domestic product (1914 prices – escudos)
1880	- 8	- 3	4.500	80	406	108
1881	- 13	- 3	4.500	82	411	106
1882	- 11	- 1	4.500	83	421	106
1883	- 8	- 3	4.500	79	413	109
1884	- 10	- 3	4.500	73	431	121
1885	- 10	- 3	4.500	70	441	128
1886	- 11	- 9	4.500	72	472	132
1887	- 16	- 4	4.500	70	462	132
1888	- 15	- 6	4.500	70	490	139
1889	- 18	- 8	4.500	76	510	132
1890	- 23	- 4	4.500	86	510	116
1891	- 18	+ 26	4.832	83	497	117
1892	- 6	+ 4	5.735	85	493	112
1893	- 15	+ 6	5.600	87	503	111
1894	- 12	+ 3	5.790	89	502	107
1895	- 13	0	5.698	84	538	121
1896	- 13	+ 4	5.853	85	551	122
1897	- 13	+ 2	6.575	92	557	114
1898	- 18	- 1	7.108	96	597	116
1899	- 22	+ 2	6.416	94	602	118

Year	Trade balance (thousand contos)	Balance of payments (thousand contos)	Exchange rate (escudos or thousand réis / pound sterling)	Price level (base 1914 = 100)	Gross domestic product (current prices – thousand contos)	Per capita gross domestic product (1914 prices – escudos)
1900	- 29	+ 2	6.320	91	639	129
1901	- 29	+ 1	6.382	90	616	125
1902	- 27	+ 0	5.722	87	613	127
1903	- 28	+ 0	5.581	90	643	127
1904	- 31	+ 2	5.413	96	658	121
1905	- 32	- 2	4.793	95	649	119
1906	- 30	+ 2	4.582	95	659	120
1907	- 31	+ 0	4.642	95	675	123
1908	- 39	+ 1	5.199	96	694	124
1909	- 34	- 4	5.185	97	702	123
1910	- 34	+ 4	4.895	93	732	133
1911	- 34	- 4	4.889	99	714	120
1912	- 40	- 2	4.974	98	756	128
1913	- 54	+ 3	5.235	101	786	130
1914	- 42	-1	5.663	100	711	117
1915	- 42	- 2	6.746	112	840	123
1916	- 73	0	7.032	137	1 141	135
1917	- 82	- 1	7.726	162	1 211	121
1918	- 95	- 2	7.901	293	1 600	89
1919	- 122	+ 1	8.196	335	2 122	104
1920	- 469	- 1	18.329	580	3 881	110
1921	- 708	- 1	39.384	909	4 829	86
1922	- 808	0	65.084	1 099	8 049	118
1923	- 1 545	0	109.714	1 726	12 903	119
1924	- 2 009	- 28	133.950	2 399	16 958	111
1925	- 1 622	- 8	99.210	2 306	17 084	115
1926	- 1 606	- 2	94.770	2 208	17 139	119
1927	- 1 940	+ 7	108.360	2 371	18 262	117
1928	- 1 650	+ 5	108.250	2 269	20 690	137
1929	- 1 456	+ 1	108.250	2 361	21 667	136
1930	- 1 461	- 1	108.250	2 243	20 818	136
1931	- 862	- 988	109.369	1 990	18 528	135

Year	Trade balance (thousand contos)	Balance of payments (thousand contos)	Exchange rate (escudos or thousand réis / pound sterling)	Price level (base 1914 = 100)	Gross domestic product (current prices – thousand contos)	Per capita gross domestic product (1914 prices – escudos)
1932	- 916	- 265	110.061	1 949	18 354	134
1933	- 1 103	- 106	109.103	1 948	19 536	141
1934	- 1 056	+ 15	110.453	1 968	20 361	144
1935	- 1 371	+ 69	110.363	1 972	21 153	147
1936	- 968	+ 210	110.377	2 022	21 134	142
1937	- 1 151	- 231	110.375	2 102	22 935	146
1938	- 1 161	+ 165	110.385	2 037	23 329	151
1939	- 741	- 391	110.270	1 918	23 481	159

Source: Valério, 2001, except for gross domestic product and per capita gross domestic product, whose source is Valério, 2008.

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