



Introduction

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An Economic History of Iberia: The Dream and Project of Pedro Lains

We can consider, quite rightly, that this book, while being the collective work of more than 70 authors, is overall the posthumous work of Pedro Lains, who sadly passed away on 16 May 2021. Pedro always expressed concern about southern Europe not being sufficiently represented in the analyses of the continent's economic past. Therefore, he believed that the countries of the Iberian Peninsula shared sufficient common features so as to deserve a monograph, published in English, to address their trajectory and facilitate their integration in European economic history.

His efforts with this book were titanic. He designed the structure of a text that had to span from the Early Middle Ages to the present day. The perspective that he sought was not to analyse the Iberian territories separately but to integrate them in a common vision. This implied integrating the economic past of the Christian and Muslim territories from the early Middle Ages, of Aragon, Castile and Portugal in early modern times and finally of Spain and Portugal in the contemporary age. Furthermore, he selected authors to write the different chapters and editors to assist him in this immense task. He organized two conferences in Lisbon (2016) and Zaragoza (2019), where the authors were able to discuss the project and the drafts of the different chapters.

Pedro's academic trajectory allows us to understand his project. After having published extensively on the economic history of Portugal, he considered that its parallelisms with that of Spain justified this effort. It has to be said that he had a profound knowledge of Spanish economic history. Not only did he carry out a post-doctoral stay in the Universidad Carlos III of Madrid, with which he always maintained close contact as a member of the Instituto Laureano Figuerola, but he also participated in many research projects developed in the universities of Barcelona and Zaragoza, collaborating with their economic historians over many years and forging close friendships with them.

Sadly, a cruel illness prevented Pedro from completing a task in which he had invested many years and a lot of effort and enthusiasm. The editors and

authors of this volume wish to offer this book as a warm tribute to an admirable person and an excellent economic historian.

From a very young age, Pedro dreamed of becoming a university professor.² This vocation was reinforced by his idea that this profession would give him great freedom of movement and also commitment. After finishing his baccalaureate studies, he chose to study Economics at the Universidade Nova of Lisbon, as he considered that some of the subjects in which he had obtained the best results, such as Mathematics, Geography or English, had prepared him well for it. In the Faculty, from which he graduated in 1983, early on he developed a concern for the lower level of economic development of Portugal compared with other European countries. After finishing his degree, he considered that, with its theoretical models or mathematical instruments, his field did not allow him to respond to his big question and what he had studied was merely an instrument to bring him closer to real economics. This is when he found economic history, a discipline which he felt would help him to resolve his questions about Portugal's backwardness.

Although he joined the Instituto de Ciências Sociais (ICS) of the Universidade de Lisboa in 1984, shortly afterwards he went abroad to complete his training. First, he went to the University of Oxford and immediately afterwards to the European University Institute (EUI) in Florence to undertake his doctorate, which he finished in 1992. He returned to the ICS after conducting a post-doctoral stay in the Universidad Carlos III in Madrid. He spent the rest of his academic life in this centre, except for a year in the United States in Brown University.

His thesis addressed the effect of Portugal's international integration during the first globalization on the country's backwardness, concluding that the unfavourable starting point made it impossible to correct this backwardness with a few decades of internationalization. This constituted one of his main fields of study over many years; the analysis of the relation between Portugal's economic growth and international integration, from a comparative and long-term perspective. At that time, as he recognized later, Pedro did not contemplate publishing his thesis in English in book form or as articles in international journals. He translated it into Portuguese and published it as a book (Lains, 1995), which was translated a few years later into French (Lains, 1999). As we previously mentioned, his analysis of Portugal's economic past was a constant theme throughout his career, with monographs such as Lains (2002a) (Spanish translation, Lains, 2006a) or the formidable work co-authored with Leonor Freire Costa and Susana M. Miranda (Costa et al., 2014), analysing the economic

² Responding to the request of the Portuguese Association of Economic and Social History, Pedro Lains wrote a text published online in May 2020 in which he summarizes his life and academic career: www.aphes.pt/images/Docs.pdf/thomas/APHES_Lains_2020_05_18_Revisao_final.pdf

history of Portugal over a period of 900 years, which had enormous success, with several editions and an English translation published a few years later (Costa et al., 2016).

Many other topics of the Portuguese economy also captured Pedro's attention. We can highlight his studies on the Portuguese financial system, particularly the books on the Caixa Geral de Depósitos (Lains, 2002b and 2008), the loss of the Brazilian empire, or the integration into the European Union and Portugal's economic growth.

But in recent years, although Pedro published many of his studies as articles in prominent journals, mainly specialized in economic history, he began focusing on leading ambitious projects to publish books that would enable him to answer complex questions, something which, in his opinion, was not possible through articles. The ambition of the studies in which he was involved, normally as a co-editor, is remarkable. He addressed broad subject areas such as the relationship between agriculture and economic growth in Europe in the nineteenth and twentieth centuries (Lains and Pinilla, 2009), public finance and the construction of liberal states in this same continent in the nineteenth century (Cardoso and Lains, 2010a) or the agricultural history of Portugal in the second millennium (Freire and Lains, 2017). This was an activity that aroused passion and excitement in him, as he expressed to many of his friends in recent years. It is within this context that the book that we are presenting in this introduction can be framed.

But Pedro was not only a great researcher. He also taught classes in universities such as La Católica in Lisbon or Évora, and tried to make his knowledge as an economic historian useful to society, furthering the understanding of current problems with a historical perspective. He wrote for the most important Portuguese newspapers, participated in television programmes, wrote a blog commenting on Portugal's problems during the crisis beginning in 2008 and published two books that included his journalistic interventions (Lains, 2007a and 2014). Finally, he also devoted substantial effort to the Economic History profession, being secretary of the European Historical Economics Society, president of the Portuguese Association of Economic and Social History and the director of the journal *Análise Social*.

This is the trajectory of a prominent and exemplary academic and an excellent person, without whom this book would never have been published. All co-editors and authors of this volume have worked over the last two years, without his direction, in order to conclude it as he would have liked. He was able to read all chapters and made many suggestions to improve them. There is no doubt that his direction has profoundly marked this project. Pedro launched and developed a magnificent idea which authors and editors have all also made our own. We believe that having completed it satisfactorily is the best way to pay tribute to him. Pedro will always be remembered among European economic historians and this is our tribute to his memory.

As Pedro Lains' preface reminds us, the peninsula is as much a European gateway to different parts of the world as a peripheral point at the western end of a continental mass. Both attributes would merit consideration in economic history and, indeed, their far-reaching implications cut across the book's 25 chapters. However, this collective effort very dear to Pedro Lains is not based on the aprioristic identification of an area on a map. It fills a gap in current knowledge by addressing a European area from an overarching perspective. A growing scholarly interest in Spain and Portugal economic performance in different timespans has brought about new data supporting this entirely new view on the peninsula as a whole. That output contributes to a comparative history of regional dynamics in the face of economic integration.

From almost complete insertion into Muslim polities to full membership in the European Union, the Iberian Peninsula has experienced over the last thousand years shifting political boundaries and changing patterns of economic integration, but has also comprised cultural and linguistic resilience. If economic growth has been widely studied in the framework of the sovereign state, it is also true that Iberian diversity is not simply the result of the formation of nation-states and domestic integrated markets over the last two centuries. Diversity involves climatic and resource specificities at the regional level, and, for the subject under consideration in the design of the book, it reflects income inequality that has accompanied a long-term process of economic change. This book tackles the factors for some areas to prosper, and others to decline. Apart from Madrid district bolstering the very continental core of the peninsula, the most dynamic regions have been located on the Mediterranean and Atlantic coastlines, thus contemporary economic geography questions the economic role of the north-south divide between the Iberian countries since the medieval period. This book's approach is free from pre-defined political borders, but it does not ignore them either.

We start in the year 711 with the Islamic conquest of large parts of the peninsula. But we take the symbolic date of the year 1000 to begin a detailed analysis of the economic development of all Iberian regions over the past millennium. The book unfolds in three separate parts. The Iberian transformations and their intersection with major transformations taking course in the rest of the world construct each part. Part I – The Making of Iberia – observes the peninsula under Muslim influence and the subsequent creation of kingdoms in the orbit of the expansion of the Christianity in Europe; Part II – Globalization and Enlightenment – considers Iberia's participation in the globalization of the world economy and the relative alienation of this area from the major reforms of the Enlightenment; Part III – Industrialization and Catching Up – addresses the virtually synchronic performance of the two Iberian national economies, both undergoing economic divergence in the nineteenth century and catching up after 1950. Despite particularities inherent to the chronological periods covered, the three parts bear a similar structure.

Each of the chapters of one part focuses on a theme or a set of themes that finds a corresponding chapter in the other two. This arrangement allows the reader to use the book to explore a single theme in diachrony, or several themes in a single period.

Part I: The Making of Iberia

The Historical Context

From the eighth century onwards, the medieval history of the Iberian Peninsula was marked by the consequences of the Muslim expansion and occupation of much of the territory, the establishment of a Christian zone in the north and a number of kingdoms and territories that gradually developed in both Christian- and Muslim-controlled regions. The characteristics of these circumstances can be found in the nine chapters that make up this part of the book, and are dealt with in greater or lesser detail.

By way of introduction, it is worth noting that the Muslim space (al-Andalus) evolved from a unified political structure to the fragmentation which characterized the so-called *taifa* kingdoms between the eleventh and thirteenth centuries, and also, thereafter, by the influence of the Almoravids and Almohads, dynasties originating in North Africa. Granada was the only Muslim kingdom that persisted up until the fifteenth century. Meanwhile, in the Christian sphere, a number of polities were gradually established which ended up, especially from the twelfth and thirteenth centuries, as the kingdoms of Portugal, Castile, Navarre and Aragon. The overall picture is one of changes in the military and territorial balance of power between Christians and Muslims throughout the period, with Muslims predominant until the twelfth century, when there was a shift in favour of Christians.

This pattern of political and territorial diversity was also a reality in the economic sphere, and the specific characteristics and patterns of evolution of the economies of the different Iberian spaces were manifestly diverse. The most marked differences were those between Christians and Muslims: the two worlds displayed differences in terms of economic organization and patterns of development over time. Three major stages can be identified in the development of the Christian economies: first, establishment and gradual expansion from the eighth century; second, a period of growth from the eleventh century; and third, the difficulties and transformations experienced from the fourteenth century. In the Islamic side there are indications of the hegemony and strength of the Muslim economy from its origins, and its vitality was evident up until the thirteenth century, despite the inevitable setbacks and fluctuations that characterized the history of al-Andalus.

In terms of the Iberian Peninsula, this helps to put into perspective the significance that historians of medieval Europe have assigned to the year 1000

as the starting point for the expansion of Western Christian countries and their overall domination of the societies based in the east (Islam and Byzantium). Although the year has been taken as delimiting periods examined in these chapters, it should be noted that if it can be held true for Christian territories, it is not for Muslim territories.

Questions of Research and Historiography

The available studies on the period clearly reflect the aspects of plurality and differentiation indicated above, with a clear divide between authors who focus on periods either before or after the eleventh or the fourteenth century and those who cover al-Andalus or the Christian areas. In turn, each of these two groups is divided between studies focusing on the various states and/or regions that were established.

It should also be noted that comparatively fewer written sources are available for the Early Middle Ages than for the late Middle Ages, and for Muslim territories than for Christian spaces and, among Christians, for the kingdoms of Portugal and Castile than for the kingdoms of Navarre and Aragon. In this regard, the contribution of archaeological research is crucial, especially in relation to the Muslim world and periods prior to the year 1000, although this does not always compensate for the lack of archival documentation.

The content and intrinsic characteristics of the majority of available manuscript sources, as well as the theoretical and methodological approaches of the majority of experts in medieval Iberian economics, explain the existence of research in which qualitative approaches predominate over quantitative ones. Whatever the case, the difficulty of the synthesis has been classically and strongly felt, which is a result of the diverse characteristics of medieval Iberia and the academic and historiographical traditions of Spain and Portugal.

In fact, two elements posed a challenge, at both the academic and personal level, for the 25 authors who contribute to this first part: the need to break down barriers between different historiographical approaches and the need to include in the analysis ideas (and perspectives) as diverse as those required not only by the historical reality of medieval Iberia but also by the distribution of chapters and themes for this part of the book.

In fact, we are unaware of any other work with similar aims to those of the studies included in this part of the book: a reasonable attempt to produce a synthesis of the array of Iberian economic scenarios during the Middle Ages, covering the different stages of the development of the economy in the different territories from the eighth century while adopting a perspective that, besides allowing for the separate treatment of kingdoms and societies, attempts to focus on the great issues of economic history: production, population, politics and institutions, currency and credit, technology, living standards and trade.

Structure and Content of the Chapters

What has been said above provides the rationale for the structure of Part I, which is divided into two sections: the first, composed of a single chapter, covers the period from 700 to 1200; the second, comprising seven chapters, deals with the period from 1000 to 1500. The aim of the ninth and final chapter is to draw overall conclusions and contextualize the medieval Iberian economy from a global perspective over the long term. The chronological overlap of Sections I and II is explained by the interest in demonstrating in practice how the economies of Christian and Muslim Iberia developed at a different pace, a fact that has already been commented on. And, at the same time, taking into account the influences these spaces had on each other, as well as factors of continuity in terms of spaces, powers and economies; thus, this overlap is more apparent than real.

Section I deals with the initial prolonged prominence of al-Andalus at a number of different levels during the period examined (from 700 to 1200), as well as with all aspects regarding Christian territories from 700 to 1000 and the links between these and al-Andalus from 1000 to 1200, the period during which we witness the transition of the peninsula from Muslim to Christian control. The chapter in this section deals with these aspects and, to this end, is divided into two parts. The first copes with al-Andalus and its characteristics as a monetary economy, in which the role of state institutions and their policies are examined, covering aspects such as urban development and the integration of the al-Andalus economy in the Mediterranean context. The role of power centres as regards the minting of coinage, market regulation and the creation of a tax system is highlighted, the last of these emerging as particularly burdensome during the period when the *taifa* kingdoms were required to pay *parias* to Christian kingdoms. The second part of this chapter focuses on the Christian kingdoms and counties of the north of the peninsula, their initial economic features and gradual expansion, closely linked to the perception of the frontier with Muslim territories as a zone for occupation, the accumulation of wealth, and social and economic prosperity. Particular attention is paid to the geographical diversity of spaces, the different political solutions that took shape in the northernmost regions of the peninsula, and to the models for the appropriation of the territories that were gradually integrated into areas under Christian control.

Section II focuses on the development of Iberian Christian societies from 1000 to 1500, involving processes that began with the growth of such societies from the eleventh century, and culminated in their expansion beyond the peninsula from the fifteenth century. Of course, this focus on the Christian world does not mean that the Muslim sphere is ignored. On the contrary the Muslim sphere is dealt in the different chapters taking in account: (1) a focus on the kingdom of Granada from 1200 to 1500, although there are also notes

on the *taifa* kingdoms and the Almoravids and Almohads from 1000 to 1200, especially when they serve the purposes of contrast and comparison with the Christian world or as essential elements for gaining an understanding of the latter; and (2) the legacy of al-Andalus and its later influence on the Iberian Christian kingdoms following the conquest of the former by the latter.

Deriving from an analysis of peninsular productive patterns, the first chapter in this section, Chapter 2, sets out the main chronological and territorial milestones in the development of the Christian economy: (a) the period of growth and expansion of the eleventh to thirteenth centuries, and that of the crisis and recovery of the fourteenth to fifteenth centuries; and (b) the spaces in which economic activities were carried out, taking into account landscape features and different forms of resource use by agricultural, manufacturing and commercial activities. In both cases, and despite the difficulty involved, the discussion in this chapter is accompanied by the available quantitative estimates on, for example, agricultural production and productivity.

Chapter 3 deals with population: demographic trends and human mobility, as well as patterns of rural and urban settlement and the distribution of occupations. Serious limits are placed on research deriving from the lack of documentary sources and difficulties regarding the production of reliable population figures. Even the use of coefficients for the conversion of households into inhabitants does not ensure the reliability of the figures analysed, since these always depend on the value of the coefficient adopted. This chapter also highlights the specificities of population growth and population distribution over the different regions and discusses the consequences of the effects of the so-called 'crisis of the fourteenth century' on the evolution of population figures.

Chapter 4 deals with politics and institutions, mainly focusing on their relationship with the economy. Similar to Chapter 1, the political and institutional narrative is unfolded separately for the Muslim and the Christian worlds, highlighting in the latter case the distinction between the periods before and after 1300. In particular, the process of the territorial and political construction of the Iberian monarchies is analysed, as well as the way in which they played a role as economic protagonists in an economically and politically fragmented world. Also highlighted is the role of taxation as a source of revenue for central governments and how the imposition of a tax structure involved the creation of a collection system and led to the growing complexity of the administrative structure.

Chapter 5 focuses on currency, credit and banking, by means of an analysis that underlines the complexity of these aspects, and especially the monetary system, in the peninsula and also, for example, the gradual expansion of private and public credit mechanisms in the Christian kingdoms. Emphasis is thus given to the way in which the political fragmentation of the Christian space led to the emergence of different monetary systems, as an alternative to the Islamic

model, while they were nevertheless influenced by the latter, but also by the Carolingian and Visigoth heritage. Despite the scarcity of precious metals, which marked the monetary and minting policy of the different kingdoms, the chapter highlights the tendency to an increasing integration of the monetary systems of the peninsular kingdoms in international circuits.

Chapter 6 examines technology. It begins with some conceptual considerations and then moves on to an explanation of technology in agriculture, manufacturing, energy sources and transport. It also highlights the importance of the Islamic influence on the dissemination of certain techniques in the Iberian case, in particular associated with agriculture.

Chapter 7 examines standards of living and deals with the problems involved in researching the subject for the medieval period. This does not preclude an approach to the issue through the analysis of prices and wages, the distribution of income in the peninsula and existing models of the consumption of food, housing and clothing. In the context of this analysis the negative image prevalent in part of the historiography on peninsular standards of living is called into question by means of a comparison with regions outside the peninsula, while improvements in food, housing and clothing during the course of the late Middle Ages are highlighted.

Chapter 8 is concerned with trade and, above all, with its international dimension. The focus is on trade routes, the products that circulated within Iberia and those which were traded with other countries, local and foreign agents for trade, the institutions that formed the framework within which these agents operated, and the variables that underpinned the development of Iberian trade in the late Middle Ages in the case of Aragon and, especially, Portugal and Castile. This chapter also highlights the process of transition from the eleventh-century trade marked by the dominant influence of al-Andalus to the development of trade by Christian kingdoms from the twelfth century.

As has already been said, the last chapter in this part, Chapter 9, serves to contextualize the medieval Iberian economy in a global and long-term perspective. Global because it compares the Iberian economy with other European and Mediterranean regions. Long-term because it deals not only with the specific period from 700 to 1500 but also aspects of the prehistoric and ancient eras, including references to the post-Roman or Visigoth period. The chapter proceeds to an analysis of Iberian regional economies at the end of the Middle Ages, which completes and complements what is set out on the subject in previous chapters.

Compared with Parts II and III of the book, what stands out is the specificity of the peninsular economy of the Middle Ages and the differences (and difficulties) involved in researching the topic as compared with early and late modern times. Also, throughout the nine chapters, several notable aspects are evident, which while well known are presented here in

a combined approach: the multiple effects of the contrast and contact between Christian and Muslim communities; the social and economic bases of the peninsular states that were established from the eighth to the tenth century; the consequences of the great Christian military and territorial expansion that occurred from the eleventh to the thirteenth century; the dual perception of the fourteenth to fifteenth centuries as a period of crisis and recovery on the one hand and difficulty and transformation on the other hand (although with differences among territories and economic sectors). And at last the idea, which may be applied to the entire period from 700 to 1500, that factors working for diversity and fragmentation in the peninsula developed in parallel with other factors involving interaction and even integration between spaces, countries, cultures and individuals.

As emphasized in the chapters in this part of the book, there were no closed and isolated Iberian medieval economies: on the contrary, they were at all times willing to connect with other areas – the rest of Europe and the Mediterranean. In addition, the peninsular economies shared many similarities with these ‘other worlds’, and in some cases can even be regarded as pioneering or relatively advanced. These elements, along with many others that are described in detail in the chapters, help to confirm not only the fact that the peninsula never played a subordinate or ‘peripheral’ role at the European level in the Middle Ages, but also that, as we approach the end of the Middle Ages, the characteristics of its economy provided the essential foundations for the overseas expansion of Iberian societies, which started in the fifteenth century and culminated in the period following 1500.

Part II: Globalization and Enlightenment

A Historical Context

Throughout the centuries covered by Part II, Iberia became the first European region to push the economic frontiers beyond the ‘Old Continent’. The first move forward began in the fifteenth century with the conquest of Islamic territories in North Africa, still before the full Christian conquest of the Iberian Peninsula. The integration of Granada (1492) in the south-east of the peninsula consolidated the political borders of the united Castilian–Aragonese polity. Portugal’s conquest of Ceuta (1415) and Tanger (1437) in Morocco pushed the border between Islamic and Christian polities beyond the peninsula. The pursuit of a Christian ‘holy war’ in North Africa would lead to the death of Portugal’s young king Sebastião at the battle of Ksar el Kebir (1578) without issue. The ensuing succession crisis resulted in the Habsburg Philip II to claim the Portuguese crown in addition to those of Castile and Aragon. Thus, between 1581 and 1640 all Iberian territories were for the first and the last time ruled by the same monarchy.

The shifting political boundaries within the peninsula coincided with early expansion beyond the sea. By the sixteenth century, two biological effects of Iberian geographical and nautical innovations were felt from Asia to the Americas. One consisted of demographic shocks and labour flows on an unprecedented scale; the other entailed the intercontinental exchange of plant and animal DNA that positively impacted productivity in the regions involved. The demographic disaster among the indigenous population that the conquistadores caused in the Americas was aggravated by the socio-cultural dislocation and the imposition of various forms of forced labour services, especially in agriculture and to a lesser extent in mining (the *mita* in today's Bolivia though not in Mexico). Almost from the start Iberians also used the forced migration of enslaved Africans to America to substitute for the indigenous labour force. Slavery would become the dominant labour system in many sectors of the economy in Brazil. In the Spanish colonies slavery was very widespread and until the mid-seventeenth century even more numerous than in Brazil. However, it was much less concentrated in specific sectors until the introduction of plantation systems in the late eighteenth century.

The second biological consequence of the Iberian offshoots in America was the arrival of large draft animals (oxen, horses) and several crops in America, and that of important staple crops, maize and especially potatoes, and dyestuffs in Europe. They offered a range of opportunities for investment that diversified the consumer baskets across all social sectors in Iberia. More and cheaper foodstuffs combined with additional attractive consumption goods, such as sugar, cocoa and tobacco, to transform patterns of consumption and production in a process known as an 'Industrial Revolution' in Europe.

Iberian rule over territories on distinct continents rested on a political system that scholars defined as a composite monarchy, which implied a polycentric decision-making system. The Dynastic Union of the Portuguese and Castilian crowns (1580–1640), which respected the principle of jurisdictional autonomy, did not prevent the intensification of transcultural commercial networks that blurred the formal borders between both kingdoms' colonial offshoots. Direct navigation across the Atlantic, Pacific, Indian Ocean, Arabian Sea and the Mediterranean eased the integration of markets for certain crucial commodities. The global flows of silver became integrated with the shipment of enslaved Africans and the trade in Asian goods, either directly through Manila to China or indirectly through the Cape route via Europe and Africa. Arguably, Iberian investment in American mining and the means through which silver and gold were spread through the world ensured that the growth of the world economy would not be constrained by monetary restrictions.

The impressive scale of the Habsburg empire became a factor in its breakdown. Imperialist strategies on a world scale put enormous pressure on resources to protect this geographically diverse political unit, with consequences for taxpayer discontent and ultimately the political independence of

the United Provinces and Portugal. The occupation of North-eastern Brazil by the Westindische Compagnie (WIC) extended the Eighty Years' War to the waters of the South Atlantic (1630–1654), while attacks by the Vereenigde Oostindische Compagnie (VOC) on Asian possessions, also under military threat from the British East India Company (EIC), also stretched the defensive forces required. Although not implying a clear recession on all fronts of Portuguese or Castilian colonial trade, the north-western European powers eventually undermined Portugal's returns from colonial investments, which made the kingdom vulnerable to any conflict affecting the Habsburg geo-strategic goals in Europe. The seventeenth-century crisis of the Castilian economy was thus the context of the War of Restoration of Portugal (1640–1668). The war definitively separated the two major political formations within the peninsula and sustained a lasting division into two diplomatic blocs.

Arguably the crisis and the intra-Iberian war of the mid-seventeenth century were a watershed of internal disintegrations and external integration of Iberia. Portugal's Atlantic orientation contributed to its alignment with England and the United Provinces, which the war of the Spanish succession (1701–1714) reinforced through a defensive Treaty (1703). The alliance conditioned Portugal's geostrategy throughout the eighteenth century and culminated in 1808 in the flight of the Royal Court to Brazil in English vessels following Napoleon's invasion of the peninsula. In contrast, on the Spanish side, the War of Spanish Succession sealed the transition from Habsburg to Bourbon rule and with it an alignment with France in the major conflicts of the eighteenth century. The War also reduced the network of Spain's European possessions significantly, but maintained the American Empire intact.

A new balance between the two Iberian monarchies, with Spain and Portugal undergoing significant reform processes, marks the eighteenth century. The direction of reforms was, however, quite distinct in the two countries. In Spain reforms began mostly directed at overcoming the legacy of jurisdictional fragmentation within the polycentric structure of the peninsular and colonial economy. They addressed the Aragonese territories, which had overwhelmingly supported the losing side in the conflict of the Spanish succession (the Austrian Archduke Karl with the support of England and the Netherlands). The first Bourbon, Philip V, used victory as a pretext to align the legal and fiscal organization of the formerly Aragonese territories of Aragon, Valencia and Catalonia more closely with Castilian institutions under the *decretos de Nueva Planta*. Though the *de iure* change in the institutions took a long time to alter the juridical and political structures in the Aragonese territories *de facto*, over the course of the eighteenth century a realignment was driven by increasing fiscal pressure.

As the century progressed, a focus on improving colonial governance, strengthening the struggling silver mining sectors in Mexico and Peru, and fostering manufacturing through active policies meant to attract specialists

was added. Most historians now distinguish an early eighteenth-century phase of Spanish reforms that failed to impact more deeply but set the stage for a more intense reforming impetus in the second half of the century and especially during the reign of Carlos III. In Portugal, the legacy of jurisdictional fragmentation did not have the same significance and reforms mostly begun under the ministry of the Marquis de Pombal were more clearly focused on the basic features of a colonial exclusive. Fiscal reforms were accompanied by active policies to concentrate the processing of colonial products in the metropolis, while at the same time supporting a limited strategy of what could be somewhat anachronistically called import substitution. In spite of the different character of each kingdom reforms, the impetus had in common a widespread contemporary perception that the Iberian economies were notably falling behind developments in France, England or the Netherlands, but also intellectual changes brought about by the enlightenment.

The State of the Art

Long before any quantification by macroeconomic aggregate indicators was available, Iberian economic history discussed the problem of economic backwardness as being rooted in the early modern period. Debates about the ultimate causes of the divergence vis-a-vis north-western Europe and between Iberian regions have centred around political and economic institutions, including the development of state and fiscal capacity, property rights regimes, and the empires, as well as potential limitations to agricultural improvements and market integration. Part of the challenge in the debate has been that economic historians long dismissed as dead ends all processes of economic growth that did not lead to industrialization, thus probably underestimating the impact a specialization based on the entrepôt trade (the re-export of unprocessed imperial goods) or on the export of local agricultural goods – such as wine, olive oil or wool – could have. Though the mechanisms identified in the Portuguese and Spanish historiographies over the past half century diverge one can usefully identify four major themes:

First, overall growth over the period from 1500 to 1800 was slower in Iberia than in north-western Europe. The proximate cause was on the whole not permanently slower rates of economic growth but the fact that Iberian economies still went occasionally into reverse gear. Nevertheless, the economic transformations that took place in the early modern period did lay the foundations for industrialization in the nineteenth century. That in turn set Iberia's growth path apart from that of most of the rest of the world, including its former colonies in America and Africa, where industrialization only began at different points in the twentieth century.

Second, growth trends were not uniform across regions or between Spain and Portugal. Negative growth was more often a regional than a 'national' phenomenon. In Spain the centre of economic activity moved from the Castilian interior to the coastal regions starting in the late sixteenth century. In many ways this mirrored the rise of regions with access to maritime trade elsewhere in Europe. But questions remain for example over the impact of the disintegration between regions in the context of Portugal's Restoration War (1640–1668) or the potential for more integration between the Castilian and Aragonese territories after the War of the Spanish Succession.

Third, the impact of imperial expansion also differed regionally and between Spain and Portugal in the aggregate. A number of potential hypotheses have been put forward to explain these outcomes. The regulatory framework and territorial structures of empire differed from the start between the Spanish/Castilian expansion and that of Portugal. Both countries embarked on significant reforms to regulatory frameworks that underpinned colonial trade in the eighteenth century, but the direction of reforms diverged. In addition, the cycles related to particular commodities traded in the Atlantic were far more pronounced in the Portuguese case than in the Spanish.

Fourth, differences in the relative size of the metropolitan and imperial economies meant that colonial revenues and their indirect impact on the fiscal capacity of each economy differed by a degree of magnitude in the two countries with consequences regarding the social implications of taxation. In Portugal economic historians have suggested that the crown's large fiscal windfall from imperial trade removed the need for innovative fiscal solutions and allowed the privileged social groups to keep their income dependent on quasi-fiscal rights whose roots were in the occupation of the territory in the Middle Ages. In sharp contrast, in Spain the argument has been advanced that the much smaller fiscal return from empire led to the creation of very innovative fiscal instruments in the later sixteenth century which, however, allowed the monarchy to (over-) leverage the limited funds from the Americas in order to finance its European wars. Here the consequence was a mortgaging of the fiscal system for at least a century and a half, which would overburden urban taxpayers for generations.

As agriculture continued to be the most important occupation in Iberia throughout this period, agrarian historiography offers another set of explanatory factors. It has been concerned with the role of manorial and ecclesiastical institutions in the distribution of land and produce, assuming that institutions such as perpetual contracts, *mayorazgo* property and emphyteusis, if they did not have direct effects on productivity, had indirect effects through their impact on the liquidity of the land market. Although the recent literature

stresses significant processes of specialization in agricultural production over the period under consideration as well as the impact of new crops, questions still exist as to the causes of the relative slowness of change. On the one hand, techniques directed towards the improvement of productivity in land were of limited use. On the other hand, specific forms of landholding may have held back innovation in agriculture.

Structure and Content of the Chapters

The present part mirrors Part I in structure and revises these debates with new quantitative data and a different way of observing Iberian regional economies in comparative terms. Chapter 10 offers overall trends by presenting the evolution of real incomes per capita of the Iberian economies, the changes experienced in the main sectors of the economy, as well as the distribution of economic activity across the peninsula. Importantly, the chapter provides evidence that the seventeenth-century crisis in Castile has no counterpart in Portugal, and the pace of growth of the eighteenth century is also distinct. There is no common growth pattern of the two Iberian national economies in the early modern period.

The notion of significant regional differences is also a theme in Chapter 11, which deals with demographic patterns. The common phases of growth and contraction at the Iberian level were accompanied by diverse regional dynamics. The overview of the Iberian Peninsula shows not only a movement towards more dynamic coastal regions; but also finds a northeast-southwest divide. The late age of marriage in the north and especially north-east in the eighteenth century compares well with the so-called European marriage pattern, denoting cultural particularities conditioning these differences.

The regional approach in Chapter 12 takes into account the political structures and explores the concept of composite monarchy to highlight the significance of jurisdictional particularism. The eighteenth-century reformism questioned this model by introducing what were thought to be the best practices observed in other parts of Europe, promoting a set of measures of political, fiscal and administrative centralization. Beyond jurisdictional differences, and without the reform impulse affecting it, these kingdoms show a common pattern of taxation, with indirect taxes prevailing from an early stage.

Chapter 13 connects public finance with the circumstances of Spain and Portugal becoming first-order receivers of precious metals. The institutional characterization and quantitative assessment of inflows allows the liquidity effect of remittances in the credit markets to be questioned. The financial development in Iberia displays divergent paths regarding private and public credit, on the one hand, and the workings of markets for long- and short-term maturities, on the

other hand, suggesting that capital markets remained segmented. Notwithstanding diverse trends in interest rates, and considering in particular long-term maturities, the cost of capital was not critically higher than elsewhere in Europe in the late eighteenth century, which cast doubts on the lack of capital as a cause of the Iberian slower growth path.

In analysing Iberian economic performance through the supply side, Chapter 14 reassesses the role of technological change and innovation. However, the authors argue that major changes appear to have been demand-driven. The process of specialization in agriculture appears as the result of population growth rather than major technological improvements. Still, the chapter stresses that Iberia exported knowledge and technology in the sixteenth century – especially in sectors more directly related to maritime expansion. In the eighteenth century, to keep pace with major changes in the European industrial sector, technology had to be imported. It remains open to discussion, therefore, why population growth and increased demand, together with technology imports, did not improve productivity and prevent Iberia from falling behind European peers.

Chapter 15 analyses income levels and consumption. The combination of low and declining real wages with high levels of inequality in Spain and Portugal define the framework of the Iberian divergence in the early modern period. Notwithstanding significant regional variations, low wages stimulated a rise in the workload but at the same time continued to limit the expansion of demand. Any positive effect on growth derived from an industrious revolution was not enough to compensate the other, more pessimistic, effect of the low living standards of the largest mid-low and low social ranks.

Chapter 16 reassesses the role of trade and in particular the colonial expansion in the long-term growth performance of the Iberian economy. Starting off with the institutional foundations of the regulatory systems that governed colonial trade, the trends and cycles of external commerce in Asia and America are discussed. The chapter looks at the importance of particular commodity cycles as well as the extension of the slave trade. Finally the authors offer a short summary of the backward and forward linkages that trade may have had in the Iberian economies.

As a conclusion to this part, Chapter 17 provides an overview of the Iberian world in the early modern period. It places the development of the Iberian economies not just in their wider European context but within a consideration of the Empires of the early modern period spanning Eurasia and America. The secular trends that saw the relative disintegration of interior Spain also left evidence of economic dynamism shifting to the coastal regions. Finally, it offers a concise summary of the complex developments from the French Revolution to the dissolution of the Old Regime in Spain and Portugal and the loss of most of their colonies.

Part III: Industrialization and Catching Up

Historical Context

The third part of the book analyses the economic evolution of Iberia from the early nineteenth century to the present. Unlike in earlier times, no border changes have taken place during this period, and Portugal and Spain have consolidated their previous path as independent and unified nation-states. Despite some substantial differences between both Iberian economies, these two centuries have been characterized by parallel national economic histories and a similar periodization. The Napoleonic Wars represented a dramatic break in the history of both countries. With the Portuguese royal family taking refuge in Brazil and the Spanish one kept imprisoned in France, the war involved an irreversible institutional discontinuity in the evolution of both monarchies. Ferdinand VII and John VI would eventually return to their home countries in 1814 and 1821, respectively, but the political context had completely changed by then. On the one hand, Brazil and most of Spanish America were breaking their colonial bonds. Both Portugal and Spain would keep some colonies thereafter, some of which, like Cuba or Angola and Mozambique, would perform a significant role in the Iberian economy in some periods. However, the loss of most of the American empires in the early nineteenth century reduced both countries to secondary players in the international arena for the time being.

On the other hand, in the absence of the monarchs, the war set off a revolutionary process that put into question the early modern institutional framework. The struggle between liberals and absolutists would dominate the history of both countries during several decades, reaching its peak in the Portuguese Miguelista war (1828–1834) and the Spanish Carlista war (1833–1840). In both cases, the liberal victory gave place to a long-lasting process of institutional development and state building. The initial political strife of the new liberal regimes would be replaced in the 1870s by agreements between the main parties to alternate in power (the Portuguese *rotativismo* and the Spanish *turno pacífico*), which would increase stability at the expense of electoral fraud. The end of the liberal wars also allowed for a gradual process of economic growth and early industrialization, which was too slow, though, to bring convergence with the core European economies.

At the end of the nineteenth century, colonial troubles would again be the starting point of profound crises with long-lasting consequences for both liberal regimes. In 1890, the British Ultimatum thwarted Portuguese ambitions of imperial expansion in Africa; eight years later, Spain lost the last remnants of her old transatlantic empire (Cuba, Puerto Rico and the Philippines). The subsequent decrease in legitimacy of the two Iberian monarchies was made worse by an increasingly active labour movement and growing democratization demands and, as a consequence, both liberal regimes eventually collapsed.

In Portugal, Manuel II was deposed in 1910 and his reign was replaced by the I Portuguese Republic, while in Spain Alfonso XIII tried to extend his rule by replacing the Parliament by an authoritarian regime led by General Primo de Rivera. The end of the dictatorship, however, was also the end of the monarchy, with the II Spanish Republic being established in 1931.

Those democratic experiences, though, would be short lived and were followed by long-lasting dictatorships both in Portugal (1926–1974) and in Spain (1939–1976). In the Spanish case, the end of democracy was the final outcome of a disastrous Civil War with huge human and economic costs. In addition, the new dictatorships applied a set of inward-looking policies that isolated Iberia from the rest of Western Europe and brought its income levels to a minimum in comparative terms. Starting from this low point, however, the mid-twentieth century represented a new turning point in Iberian economic history. Economic modernization and structural change accelerated in the 1950s and 1960s, and the region started to catch up with the most developed countries of Europe. Convergence was consolidated from the 1970s onwards, when Portugal and Spain launched their respective processes of democratic transition and integration in the European Union. Catching up would only reach a halt in the early twenty-first century. By then, the region had recovered from the setback of the nineteenth and early twentieth centuries and the levels of Iberian gross domestic product (GDP) per capita, relative to the European core countries, were similar to those in the 1800s.

Throughout those two centuries, both Iberian economies have experienced radical transformations in their institutions, infrastructure, sectoral composition, technology and productivity, and their standards of living have undertaken revolutionary changes. By the early twenty-first century, although still plagued with different social and economic problems, Spain and Portugal have joined the club of the world's most developed countries, and their population enjoy welfare levels that are below but not that far from those prevailing in the richest European countries. Despite the hardship of the process and the low international relevance of both countries (compared with early modern times), this final outcome would allow the long-term economic evolution of Iberia since the early nineteenth century to be characterized as a rather troubled but relatively successful story. The chapters of this volume provide an overview of the different dimensions of that story.

The State of the Art

With some important precedents in the 1970s, the analysis of the economic history of Iberia in the nineteenth and twentieth century experienced a boom in the 1980s and has thereafter benefitted from a vast accumulation of new knowledge. Moreover, in contrast with previous periods, for which quantitative data are relatively scarce, the Portuguese and Spanish economic

historiography has provided in recent years an enormous amount of quantitative evidence on all dimensions of those economies, which are reflected, for instance, in the collections of historical statistics published for both countries. The substantial quantification efforts carried out by scholars in both nations has resulted in a large number of long-term series focusing on different economic aspects such as economic growth, demography, foreign trade, public finance, and monetary variables. These efforts, though, have generally been constrained to the national borders and, to our knowledge, this is the first time that the different dimensions of the economic history of the whole Iberian space have been paid joint and detailed attention.

Although it is not easy to summarize the historiographical debates that have taken place in the last few decades on the late modern Iberian economies, some topics stand out as specially important. The first one is economic growth and convergence, with a large amount of works trying to quantify the growth record of both countries, compare it with the most developed world economies and identify the reasons for the different periods of catching up and divergence. Second, as in early modern times, the reasons for regional inequality have also been object of careful attention in both countries, trying to ascertain why industrialization took off in some areas in the late eighteenth and early nineteenth centuries, then spread to other territories and eventually relocated. Third, the impact of international relations (including the economic role of the remaining colonies) and the fluctuations of trade policies have been discussed as some of the key elements explaining the cycles of convergence and divergence. The alternation of openness and closure policies has received a lot of attention by scholars, who have held intense debates on the benefits and costs of liberal and protectionist policies.

Structure and Content of the Chapters

In the context of all the aforementioned debates, the third part of the book provides a joint perspective that includes both Iberian countries together. The chapters of this part are the result of the collective work of twenty scholars. They focus on the different dimensions of Iberian economic history in late modern times and have benefitted from the huge accumulation of historical evidence that was mentioned above. The main challenge in each of these chapters has been the need to overcome the barriers of the national historiographies and to provide a joint view of the Iberian Peninsula, stressing the common features of the Portuguese and Spanish historical experiences, but also their differences. The main outcome of this volume is precisely the first joint view of modern economic growth in Iberia as a European region with its own defining features, which make it clearly different from its north-western neighbours but also from other peripheral areas of the continent. The picture that emerges from these nine chapters indicates that the differences between

the experiences of Spain and Portugal, although significant, become relatively minor when analysed side-by-side with the common defining features of Iberian history. Thus, for instance, the crisis of the early nineteenth century, directly associated to the loss of massive empires, or the long-lasting conservative dictatorship of the twentieth century, single out the Iberian experience in the European context and turn the Iberian space into a clearly meaningful unit of analysis for the historians of late modern times.

The analysis of the Iberian economy since the early nineteenth century starts in Chapter 18 with the description of the long-term growth pattern of both countries, which shows the alternation of long-lasting periods of divergence (until 1950) and convergence (from 1950 on). The chapter also provides a growth accounting exercise, which shows the differences across time and space in the main proximate factors of growth. This analysis indicates that, generally speaking, both Iberian economies have been unable to take full advantage of technological change and have tended to grow largely based on the accumulation of production factors, with the exception of Spain in the second half of the twentieth century, when total factor productivity (TFP) increases became the main explanatory factor of economic growth. Finally, the chapter approaches the evolution of regional differences in income per capita. It shows how, after a long period in which rich and poor regions were scattered throughout both Iberian states, the acceleration of economic growth since the 1950s has been accompanied by the emergence of clearly defined clusters of rich regions (in the north-east of the Peninsula and around the two capital cities) and poor territories, particularly concentrated around the border between Portugal and Spain.

The next chapters focus on different explanatory factors for the long-term economic growth record: population and human capital, institutions and the financial system. Chapter 19 analyses demographic change and the accumulation of human capital, distinguishing between several stages of the population history of Iberia. During most of the nineteenth century, population grew slowly in the context of a traditional (high mortality and high fertility) demographic regime, which was to a large extent the continuation of the situation in early modern times. Demographic transition unfolded in the second period, from the 1890s to 1980. Old demographic structures disappeared, being replaced by a process of decreasing mortality and (with some delay) fertility, massive internal and external migrations, urbanization and industrialization. This was also the time in which human capital accumulation accelerated. From 1980 onwards, mortality, fertility and natural population growth have remained low, and regional concentration and urbanization have reached their limits.

In Chapter 20, the different stages of institutional change in the Iberian countries are studied in detail. The chapter describes the conflict between liberalism and absolutism in the early nineteenth century, the construction

of the liberal state and the authoritarian regimes of the twentieth century, and highlights the common features and differences of the institutional evolution of both countries. The authors stress how both countries' histories have reached their maximum level of coincidence since the 1970s, when they both entered democracy at the same time and started the path that would bring them to the European Union on the same day in 1986.

Chapter 21 includes a comparative history of the banking system in Spain in Portugal. This took off almost at the same time (the central decades of the nineteenth century) in both countries and its development level was clearly backward by European standards until recently. The small size of credit institutions, the absence of foreign banks or a low level of banking penetration in the economy was characteristic of the Iberian financial system until the early twentieth century, when a process of slow growth and convergence with the neighbouring Western European countries started. The chapter also stresses some differences between both countries, such as the absence of a public banking system in Portugal or the earlier origin of central banking in Spain.

Chapter 22 goes back to the characterization of the process of economic growth, focusing in this case on structural change and the gradual transformation of each production sector. Structural change started comparatively late in the Iberian economies and the progress of industrialization was modest until the early twentieth century. The main push to the process came in the interwar period and, especially, in the second half of the century, when new technology and the evolution of international markets were specially favourable to the Iberian factor endowments. In this context, Portugal and Spain followed different paths, with the Portuguese economy experiencing a slower structural transformation. The Portuguese industry was also less focused on heavy and skilled-labour intensive sectors, and de-industrialization started much later than in Spain. Finally, in both economies, the modernization of the economic structure has been hindered for a long time by insufficient investment in human capital and research and development.

One of the main consequences of economic growth was the sustained improvement in the living standards of the Iberian populations. The remarkable achievements that have taken place in this area are studied in Chapter 23, together with the remaining disadvantages between Iberia and its European neighbours. In terms of the Human Development Index (HDI) or life expectancy, Spain and Portugal are now among the most advanced countries in the world, although the growth of well-being indicators was deferred by the belated establishment of the Welfare State and the long dictatorships that affected both countries until the 1970s. Together with the delay in reaching political freedom levels comparable to other Western European countries, Iberia has also suffered from persistent high inequality, which explains why today the Portuguese and Spanish Gini indices are among the highest in Europe.

Chapter 24 analyses the degree of internationalization of the Iberian economies, which is also to a large extent a reflection of their process of economic growth. The period of economic divergence during the nineteenth century was also a time of globalization backlash in Spain and Portugal, which participated only partially in the process of reduction of trade barriers that was taking place in Europe at the time. In the case of Portugal this was partly compensated by a significant outflow of migrants, while in Spain international movements of capital and labour remained moderate. Such low degree of internationalization was consolidated in the first half of the twentieth century by the establishment of isolationist dictatorships. The 1950s, though, were not only a turning point in terms of international convergence but also in terms of openness, which reached unprecedented levels at the end of the century and was especially encouraged by integration in the European Union.

As a conclusion to this part, Chapter 25 carries out a systematic comparative approach to the economic performance of the Iberian economies, including GDP per capita, the causes and consequences of growth, and macroeconomic policies and fluctuations. While the authors of this chapter recognize that both countries had to face multiple growth obstacles during the nineteenth and twentieth century, they specifically stress the political history of the Peninsula, where differences with the rest of Western Europe clearly stand out. The long-lasting dictatorships of the twentieth century hindered the growth potential of both economies and it was their gradual reopening, first economic and then political, which allowed the partial recovery of the losses associated with the inward-looking policies of the authoritarian regimes.