

The Technological and Institutional Change in the Port Wine Industry: a Long-run Perspective

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Abstract

In the present paper, I will proceed to the study of a particular sector, the Port wine industry, which is geographically well defined and historically significant. The interesting point is the historical evidence which goes back to the sixteenth century (and even further), but we will concentrate on the last three centuries for they give us an exemplary case to discuss the relevance of institutions and technological and legal factors in the shaping of the production techniques used and the structure and organization of the sector.

The study integrate the legal evolution as well as the economic transformation and the technological and social changes over the long run, *i. e.* three centuries in the present case. The focus is mainly historical, from a special brand of economic (and social) history. The present research deals with the theory of the long waves from a sector-specific perspective that permits an understanding of the evolution of the production of Port wine along the historical events: political crises, overproductions, plant diseases (such as phylloxera, wine mildew and fungal pests, to mention a few famous ones). This controversial theory is usually associated to waves of technologies (technological or techno-economic paradigms) that are relevant to the present study. But there is more to this, the long wave debate is also deeply connected to the problem of the historical specificity of the economies under study in different countries or regions. It is not by chance that Schumpeter worked both on long waves (and business cycles) and on innovation and technological change and that a particular brand of economists dealing with innovation are intimately related to evolutionary economics.

In the first part, the Port Wine industry will be characterized by a number of typical traits and a specific environment. I will start by the main features of the context of the wine

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production in the Douro region (the climate, the land and the landscape, the grape varietal; the traditional production techniques in the agriculture, and so forth) then, I will delve into the intricacies of the wine sector. The traditional techniques used in vineyards and wineries will be distinguished such as the structure of the culture of grapes and the production of wine per se. Both aspects are closely linked and this connection will be discussed in the third section of the first part.

After the characterization of the Port wine industry, in the second part, I will proceed to the discussion of famous historical theses around the evolution of the industry (the free trade and the dependence theory) and show that the case is too complex to give a straight answer leaning in favor of one or another camp. The underlying argument is that a proper historical analysis reveals much neglect in the previous works on the subject, from economists and social scientists. The debate on long waves is an interesting anchor for the historical approach that can also benefit from evolutionary economics. Both evolutionary theory and institutionalism (old institutionalism as it is usually referred to) are the theoretical anchor of this section. From the institutional economics, I study the creation of the institutional setting of the Port wine industry (wine production and trade) which give special characteristic to this economic sector, reinforcing its monopolistic structure and its strong legal protection. From the theory of evolution, as a metaphor and as a theoretical anchor, I delve into the logic of evolution of the sector and its technological and productive transformations.

In the third part of the paper, by way of conclusion, I will highlight the current situation of the industry and hint at some relevant lessons that we can draw from the history.