

Business cycle and level accounting: the case of Portugal

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Abstract This paper studies what accounts for the recent business cycles phenomena in Portugal and why it is depressed relatively to the United States. The business accounting procedure applied here suggests that most of the changes in output per worker in Portugal over the period (mainly, from 1979 to 1991) can be attributed to changes in economic efficiency. For instance, the strong economic recovery in output per worker just after Portugal joined the European Union until the first years of the 1990s can be essentially attributed to improvements in economic efficiency. From 1979 to 2000, Portugal caught up with the industrial leader. Its output per worker is currently depressed by about 46% relative to the United States level (it was depressed by 57% in 1979). In the 1980s all of this depression in output per worker relative to the United States was due to the productivity factor. By 2000 Portugal depression relative to the United States was a mix of the French and Japanese depression. The labor factor accounted for roughly 24% of this depression, while the economic efficiency accounted by about 89%.

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