

Lopes, Luís; Antunes, Margarida

Working Paper

From budgetary instrument to the budgetary objective: The Portuguese case

Working Paper, No. 79/2016

Provided in Cooperation with:

Berlin Institute for International Political Economy (IPE), Berlin School of Economics and Law

Suggested Citation: Lopes, Luís; Antunes, Margarida (2016) : From budgetary instrument to the budgetary objective: The Portuguese case, Working Paper, No. 79/2016, Hochschule für Wirtschaft und Recht Berlin, Institute for International Political Economy (IPE), Berlin

This Version is available at:

<https://hdl.handle.net/10419/148417>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



Hochschule für
Wirtschaft und Recht Berlin
Berlin School of Economics and Law

Institute for International Political Economy Berlin

From budgetary instrument to the budgetary objective: the Portuguese case

Author: Luís Lopes & Margarida Antunes

Working Paper, No. 79/2016

Editors:

Sigrid Betzelt

Trevor Evans

Eckhard Hein

Hansjörg Herr

Birgit Mahnkopf

Christina Teipen

Achim Truger

Markus Wissen

From budgetary instrument to the budgetary objective: the Portuguese case

Luís Lopes and Margarida Antunes

Abstract

In the contemporary capitalism model and in relation to the functioning of the economy there is a counterproductive view of the state as an institution. This has led to a reversal of the hierarchy between the state and the private sector, since it subordinates states to markets. Fiscal policy has been seen as a channel through which to implement this idea and is no longer associated with the functions that were traditionally assigned to it. Consequently, the state budget as a policy instrument was transformed into the subject of policy objectives, particularly in the Euro Zone with the framing of national fiscal policies. Supiot calls this “governance by numbers”, a form of governance that adopts an “indicators-objective”.

Portugal has followed the contemporary capitalism model of governance since the 1980s, although Portuguese fiscal policy in the beginning also reflected the development of the welfare state. In the 1990s, the Portuguese government assumed “governance by numbers” and since joining the Euro Zone practically the only objective of Portugal’s fiscal policy has been compliance with their “indicators-objective”. This article aims to analyse the reconfiguration of Portuguese fiscal policy as a result of the “governance by numbers” of the Euro Zone. In the final section, we will also present some considerations regarding points that must be taken into account in debates on the European budgetary rules.

Keywords: Portuguese fiscal policy; Policy-making; Contemporary capitalism model; Euro Zone; Budgetary rules.

JEL classification: E62, E65, H5.

Contact:

Luís Lopes
Faculty of Economics and GEMF, University of Coimbra
Portugal
perlopes@fe.uc.pt

Margarida Antunes
Faculty of Economics and CECES, University of Coimbra
Portugal
mantunes@fe.uc.pt

Introduction

In the contemporary capitalism model and in relation to the functioning of the economy there is a counterproductive view of the state as an institution. It is assumed as an exogenous “imperfection” on the markets and, as such, an obstacle to their free functioning. However, the state is required to regulate the other obstacles to the markets and to create the conditions that ensure their free functioning. This translates to a reversal of the hierarchy between the state and the private sector, since the state is positioned as subordinate to the markets. This idea has been used to enhance the liberalization of the markets, promoted by states themselves and also by international institutions, and the privatization and commodification of public goods and services. Both realities have led to a successive reduction in the role of the state as a producer and service provider and a withdrawal from decision-making with regard to production and investment.

In this context, fiscal policy is no longer associated with the functions that were traditionally assigned to it (functions of stabilization, allocation, and distribution) and rather, is seen as a channel through which to implement this idea. In this process, the state budget as a policy instrument has been transformed into an object of policy objective. This reconfiguration has been quite evident in the Euro Zone with the framing of national fiscal policies in its institutional framework and, in particular, the requirement that these policies must attain specific values in regard to some indicators. This logic is part of what Supiot (2015) considers as one of the features of the current model, which he calls “governance by numbers”. As the name suggests, this type of governance is intrinsically associated with an “indicators-objective”.

Portugal is, unquestionably, a peculiar case in this process. From 1926 to 1974 a military dictatorship of a fascist nature prevented the country from benefitting from the development of the welfare state that characterized the European democratic and social-democratic regimes after the Second World War.

The coup d'état that introduced democracy on 25 April 1974 and the stabilization period that followed occurred precisely at the time when the economic model of the moment began to be questioned and the first foundations of the contemporary capitalism model were launched.

In this context, Portuguese governments have tried successively to conciliate the need to extend the welfare state in health, education and social protection, to correct the social policies deficit of the dictatorial regime, and to implement a new economic

model. The new economic model is also related to the two economic stabilization programmes signed with the IMF, in 1978 and 1983. There was an attempt to achieve the difficult balance between welfare state and liberalization of the economy. Because of this, we cannot assess the Portuguese implantation of the contemporary capitalism model by only assessing Portugal's fiscal policy (in particular the evolution of the government expenditure), particularly with regard to the weight of state.

This has been more visible since the 1990s, when Portugal decided to join the Euro Zone. After that, the budgetary instrument gradually became the subject of policy objectives, causing the transfer of responsibility for public services provision to the non-public sector. Before this point, fiscal policy and the budgetary instrument were used with the well-defined objectives of allocation of resources and distribution of income.

This article aims to analyse the reconfiguration of Portuguese fiscal policy as a result of the “governance by numbers” of the Euro Zone. Therefore, section 1 addresses the adjustment of Portuguese fiscal policy to the contemporary capitalism model, which occurred after Portugal joined the Euro Zone. Section 2 discusses Portuguese fiscal policy in the Euro Zone and successive loss of political design space. In the final section we make some considerations stressing some points that we consider must be taken into account in debates on the European budgetary rules.

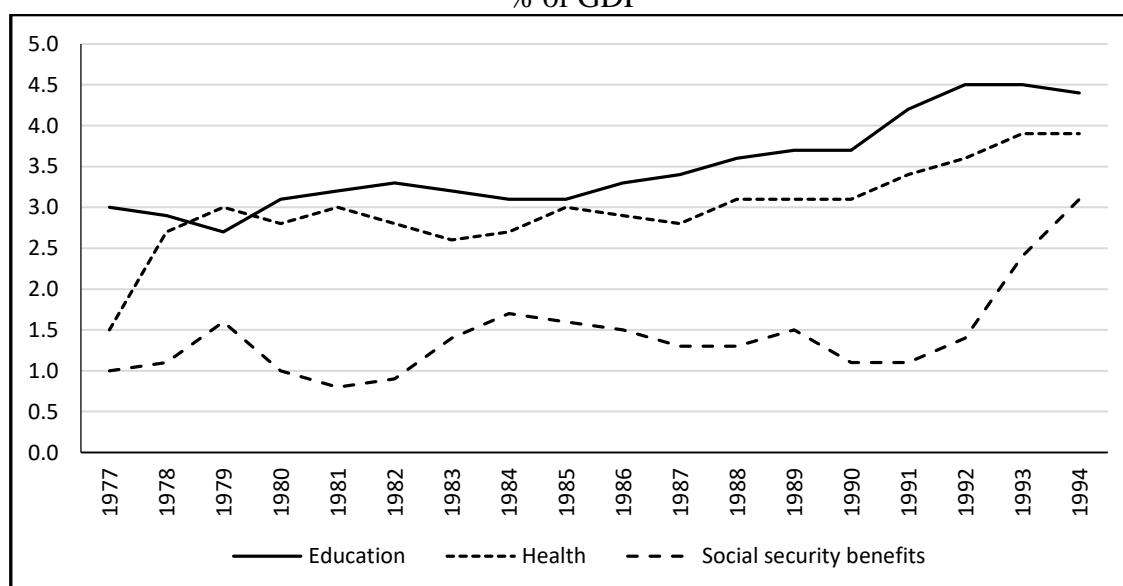
1. Portuguese fiscal policy and the adjustment to the contemporary capitalism model

1.1 Between the welfare state and the liberalization of the economy

In the late 1970s, the intention to link political democracy with social democracy was clear, thus marking the beginning of Portugal's benefitting — with a twenty-year delay — from a welfare state. At this time, the country was far from having health services, education, and social protection that could match the European average. In 1979, a National Health Service (NHS) was established, and the state assumed full responsibility for providing this service universally and freely by replacing the basic sanitary support that the population had had until then. In relation to education, there has been a gradual broadening and deepening of the education system, which is mostly public, and the number of students enrolled in secondary and higher education almost doubled throughout the 1980s. In the field of social protection, by the end of the 1980s a

universal system was created that allowed the generalisation of social security benefits to all the Portuguese. It was also in this decade that the interventionist role of the state began to assert itself in the provision of social work services, definitively replacing the supplementary role of social assistance that existed before 1974. For this, the state from the beginning used the installed capacity of the organizations of the social economy, which were “allowed” to help fulfil the social security objectives. Throughout the 1980s an increase in government expenditure in these areas was observed (Figure 1), which can be explained initially by the creation and development of these systems, which increased the beneficiaries and the level of coverage. This trend appears less clear in the area of social protection, only emerging in the early 1990s. In the second half of the 1980s, there was a decrease in unemployment, which was reflected in government expenditure on unemployment benefits. Additionally, in 1990, it was decided that all retirees and pensioners should be remunerated with a 14th month.

Figure 1. Functional classification of government expenditure, some budgetary lines, % of GDP



Notes: Public accounting (Break in time series in 1995 due to changes in functional classification).

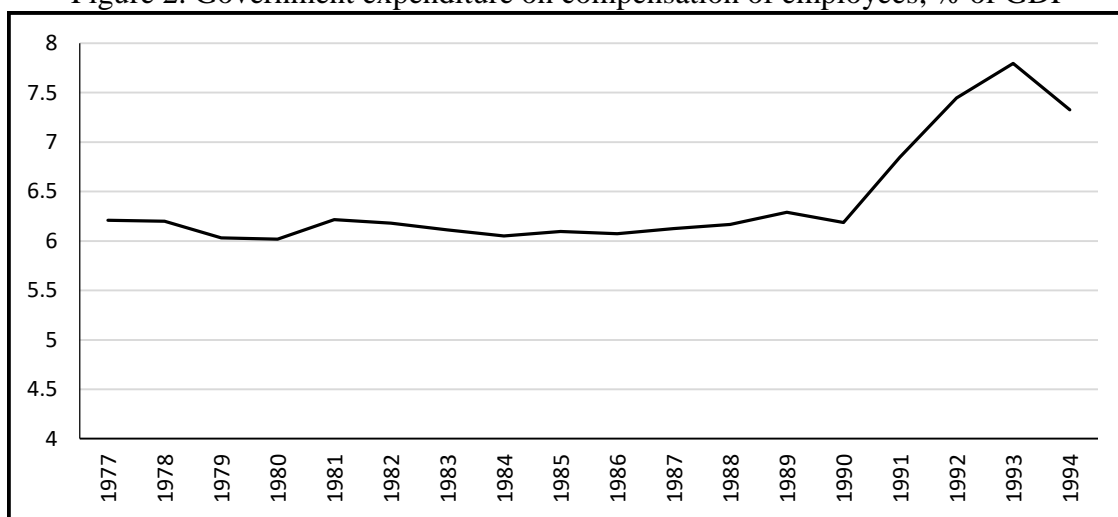
Source: PORDATA; data source: INE | BP - Contas Nacionais Anuais (Base 2011); DGO/MEF - Relatório/publicação “Conta Geral do Estado”.

Despite the developments in the public health and education systems, the weight on GDP of government expenditure on compensation of employees has not evolved in parallel. It only increased by 1.6 p.p. in the early 1990s, as a result of a change in the remuneration system of civil servants — which was decided upon in 1989 as part of the “modernization of the state”, which led to an increase in respective nominal wages of

12% — and also the end of the economic expansion period that led to a moderate GDP increase (Figure 2).

It was the high economic growth that occurred in the second half of the 1980s and the functioning of the economic stabilizers that largely justified the public debt-to-GDP ratio reduction, which even led some authors (Afonso, 2013) to identify a case of fiscal consolidation success. Lopes (1996) also suggests the possibility that there was an intention on the part of the government to reduce government expenditure, in particular that related to subsidies (to public and private companies and subsidies on prices or the production of essential goods and services), which in itself may indicate a political intention to liberalize the economy.

Figure 2. Government expenditure on compensation of employees, % of GDP



Note: Public accounting, economic classification.

Source: PORDATA; data source: INE | BP - Contas Nacionais Anuais (Base 2011); DGO/MEF - Relatório/publicação “Conta Geral do Estado”.

The development of the welfare state in Portugal in the 1980s and the associated increase in government expenditure do not mean that Portugal was delaying — compared to other European countries — the implementation of the contemporary capitalism model. In 1986, the year that Portugal joined the EEC, the adaptation process of this economic model became more explicit in government policy. However, there is no clear causal link, as not all economic policy decisions that led to the subsequent adoption of this model resulted from the EEC obligations. As in 2011, the process of European economic integration was also used as a reason to reinforce the implantation of the contemporary capitalism model. It is important to stress the fact that, from that moment, there was a redefinition of the functions of the state and economic policy. In

1987, the Program for Structural Correction of the External Deficit and Unemployment was presented, which assumed the redefinition of the state's role in the economy, aiming to successively replace its function as a producer for the function of promoter of the private sector. We should remember that, after 25 April 1974, there were nationalizations in different sectors — banking, transport, communication, and energy, among others — meaning the state controlled the equivalent of a quarter of Portuguese GDP at that time. After almost a decade of preparation for the necessary legislative conditions, in 1989 the process of privatization began with a focus firstly on the financial sector (banking and insurance). This was later extended to other sectors, even reaching companies that in the dictatorial regime period were public. Also in the mid-1980s, the liberalization of the financial market began, resulting in part of the European single market programme, which imposed the liberalization of capital movements abroad, and also proceeded to revitalize the stock exchange. A strengthening of the market mechanisms in the labour market was also observed, with an amendment in 1989 to the labour law in terms of its flexibility.

1.2 The new national macroeconomic regulation: the “governance by numbers”

The year of 1989 is a year of reference for Portuguese macroeconomic policy, due to the change in design that was introduced. In the EEC, the idea to create a monetary union was introduced, and in the following year, the Portuguese government opted for participation in the European Monetary System, which became effective in 1992. This step was considered fundamental to Portugal's participation in the founding group of the single currency. In this sense, in 1990, the National Framework of Adjustment to the Transition towards Economic and Monetary Union, known as QUANTUM, was launched, which reaffirmed the redefinition of the state functions, by referring explicitly to “less state and better state”. Wages were also assumed to be a key instrument for reducing the inflation rate and for the nominal convergence with the other member states.

An anti-inflationary policy continued through escudo appreciation, a rise in interest rates, and wage moderation. The choice of a competitive disinflation policy meant, in fact, a change in macroeconomic regulation, in favour of economic policies oriented to the supply side. As Lordon says (1997: 33), “[i]nstead of weighing on the making of the demand components, the competitive disinflation aims now to assure a

general context of stability — of exchange rates, of prices — within a framework in which it is supposed that economic activity will find the best conditions for its spontaneous development (...) Where the Keynesian regime aimed the expansion, the competitive disinflation has the stability as a new imperative”.

The welfare state, even before reaching stabilization, arising from its creation in the late 1970s, was also the subject of adaptations to the new economic model in the late 1980s. In 1990, the state’s role in the NHS decreased, and the exclusive responsibility of the state in providing these services was replaced by joint responsibility of the state and citizens, giving space to the private and social sector, which made it possible to introduce user fees. Since 1989, under the provision of social work services and within a logic of state weight and government expenditure reduction, the possibility of transferring responsibility to the organizations of the social economy has been widened.

In 1989, there was a reform of the tax system on income, which led to a significant reduction in top marginal rates of income tax, on the grounds of avoiding the disincentive to work. This reform led to an increase in tax revenue, but with a relatively greater increase in dependent work.

Following what was being done at the microeconomic level, in 1989 the process of adaptation to a contemporary capitalist model began in terms of macroeconomic policy. Fiscal policy lost its instrumental nature and became oriented to the fulfilment of an “indicators-objective”, taking into account the defined criteria for accession to the monetary union: public deficit-to-GDP and public debt-to-GDP ratios not exceeding 3% and 60% respectively. We continue to see an increase in the share of health spending, education and social protection in Portugal’s GDP. Initially, the slowdown in GDP growth in the early 1990s and its fall in 1993 explain part of this evolution. Another explanatory factor is the development and maturation of systems. In the health system health care indicators continued to improve and the logic of private management in public hospitals began to be introduced, starting a commodification process of the public provision of health care. In the public education system, the number of students continued to increase, in particular in higher education. As for social protection, in addition to the system’s development, there was an increase in expenditure on unemployment benefits, since unemployment increased successively until 1996. It is worth noting that in the 1990s, there was no economic policy decision that led to increased government expenditure on social protection, except for the creation of the minimum guaranteed income in 1996, but that had only annual marginal effects — less

than 0.2% of GDP and the establishment of the convergence principle of minimum pensions to the minimum wage in 1998, with an annual effect of approximately 0.65% of GDP, which was later reversed after 2007. Over the decade, measures were taken to contain government expenditure in this area, mainly in the pension system, by restricting access and the amount by changing the warranty period and the calculation formula. Also the civil service pension system began to be subject to restrictive changes, when it was decided in 1993 that this system should converge with the general social security pension system, to the detriment of the former.

The financial liberalization, banks privatizations, and the opening of this sector to foreign capital that began in the late 1980s, created the conditions for the emergence of a financial sector that was decisive in the increase of the debt held by the private sector in the second half of the 2000s, which more than doubled as a percentage of GDP, and clearly marked the macroeconomic development of the country. This was associated with the changes either in monetary policy, which started to use market-based methods and led to the end of the limits to credit and politically determined interest rates, and the regulation of the banking sector that facilitated the amount of credit granted due to the significant decline in the obligatory reserve requirements (Lopes, 1996). The decrease in interest rates, also due to the liberalization of capital movements, and the financial and fiscal incentives given by the government to housing loans were two other key factors. An increase in debt was observed among families, which led to relatively higher growth in the construction and real estate sectors as well as in non-financial corporations, which, due to the high returns in these sectors, used them to expand their activity. This, together with the escudo overvaluation policy, biased the economic activity towards the production of non-tradables. In this period, the financial sector and the non-tradables sector were living through a process of self-feeding rentier, allowed by the governments, which greatly justifies the macroeconomic imbalances that were created: the current account reached a deficit of 10.7% of GDP in 2000, that is, an increase of 7 p.p. in five years.

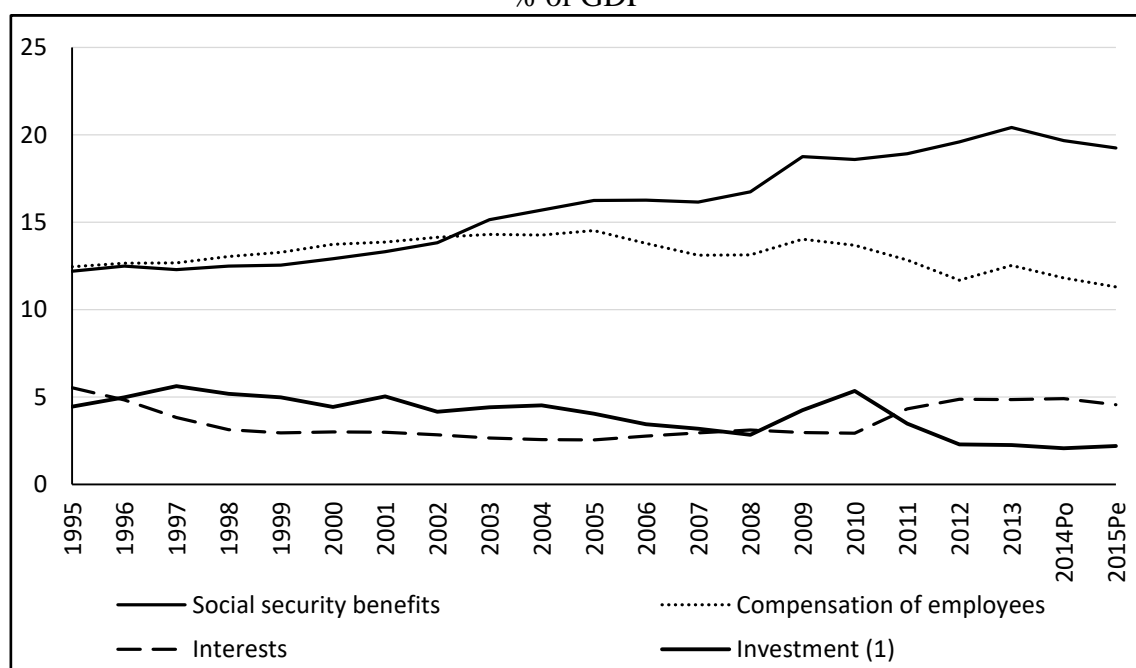
The development of the financial sector also facilitated a second phase of privatization, justified either by the rules of the common market or by the need to reduce the public debt. The aim was compliance with the appropriate membership criteria, an objective that was achieved, since privatization reduced the public debt-to-GDP ratio by 6.5 p.p. between 1995 and 2000. In this case, it is worth noting that two structural aspects of the contemporary capitalism model — a liberalized financial sector

and “governance by numbers” — converged in the same process of the reduction of the state, in favour of the private sector and market mechanisms. This privatization phase essentially covered the basic services such as energy, telecommunications, and roads, which also belong to the non-tradables sector.

With similar contours, public investment also appeared at this point in time. In the 1980s, Portugal also presented in terms of public infrastructure a significant delay compared to other European countries. The European structural funds of the 1980s enabled the creation, expansion, and modernization of many of them, which led to an increase in the public investment-to-GDP ratio (from 2.9% in 1985 to 3.7% in 1995). After 1990, with the new macroeconomic regulation and the political intention to achieve an “indicators-objective” concerning the public deficit and debt, Portugal, in 1995, began to use public-private partnerships (PPPs), firstly in the road sector and later in the water sector, followed by the health sector. This was extended to other sectors in the following years. Portugal is one of the member states of the European Union that was most appealing to PPP between 1990 and 2009 and it is the country with the highest percentage of GDP in terms of PPPs (Kappeler and Nemoz, 2010; Sarmiento and Reis, 2013). The justification given by the governments was related to the efficiency increase in government expenditure and the improvement in the quality of public services, but the main reason was to put public investment outside the budget perimeter, since PPPs are not considered in the calculation of government expenditure and public debt (Sarmiento and Reis, 2013: 4). This partly justifies the drop in the public investment-to-GDP ratio after 1997 (Figure 3). The PPPs example also shows the meaning of “governance by numbers”, in this case with the support of the private sector. In order to control government expenditure, schemes were created to transfer state power to the private sector, both financial and non-financial, which was accompanied by private rents, so high that they can be questioned if they are bigger than the investment cost that would be supported by the state itself (Sarmiento, 2010). With this, the creation and delivery of public services or public interest services is transferred to the private sphere, without necessarily a reduction in government expenditure. In other words, PPPs allow the achievement of three logics simultaneously: the logic of the “governance by numbers”, which uses the control of government expenditure and has caused a decline in the state’s weight; the logic of opening the provision of public services to the private sector, which is associated with the previous; and the logic of the construction of public works or works of public interest. What seems to have resulted is

that the “governance by numbers” turned against itself due to the consequent negative effects that PPPs had on government expenditure, giving the idea of strengthening the role of the state when precisely the opposite happened. It is also worth noting that the use of PPPs was supported by the European institutions. The European Investment Bank participated as a sponsor in many of these projects with more favourable interest rates than the market.

Figure 3. Economic classification of government expenditure, some budgetary lines, % of GDP



Notes: Po – provisional; Pe – preliminary. (1) Includes Gross capital formation and Acquisitions less disposals of non-financial non-produced assets.

Source: INE, Contas Nacionais (Base 2011). Contabilidade nacional.¹

The decline in the public deficit-to-GDP and public debt-to-GDP ratios that occurred at the end of the 1990s allowed the entry of Portugal into the founding group of the single currency. The decline in the public deficit-to-GDP ratio was mainly due to the decrease in the interest paid (Figure 3) and the fact that in the second half of the 1990s Portugal experienced a period of economic expansion with the GDP growth rate being relatively high. The public debt-to-GDP ratio was achieved mainly by the deficit-debt adjustments arising from privatization and the favourable snowball effect (Marinheiro, 2013).

¹ The interpretation of the compensation of employees should take into account the fact that, from 2002, with the corporatization of some hospitals, the compensation of employees of those hospitals are no longer included in that budgetary line. For the same reason, social benefits now include social benefits in kind due to the payments of the services contracted to these hospitals.

2. The “governance by numbers” in the Euro Zone

2.1 The end of the national design of Portuguese fiscal policies

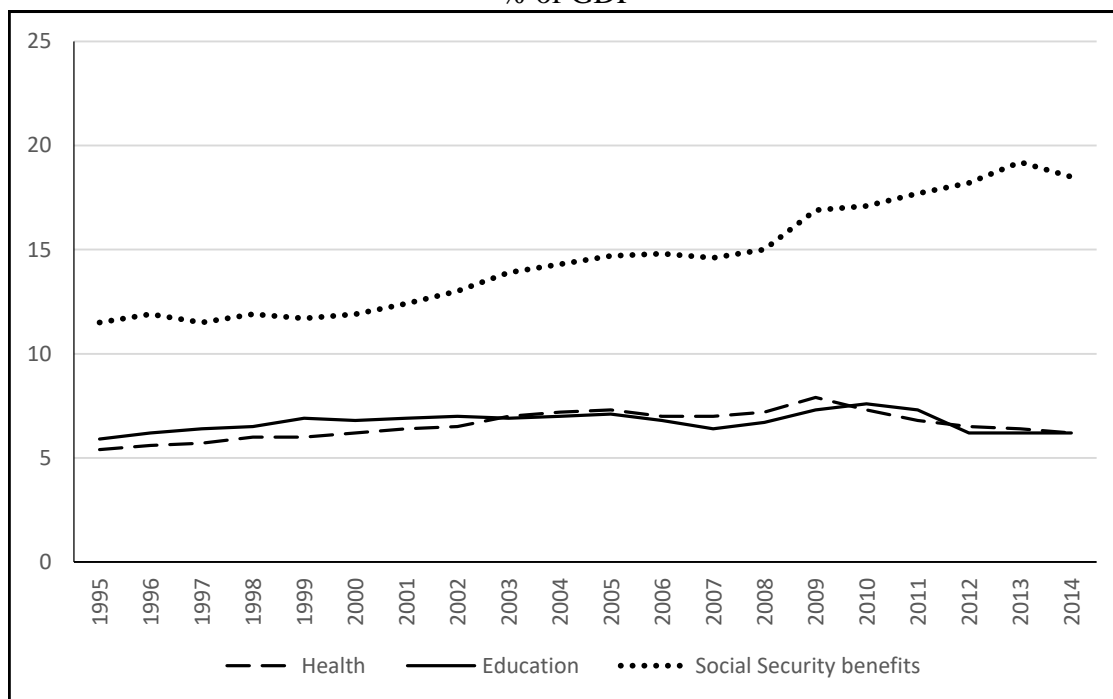
The “governance by numbers” after the creation of the Euro Zone has intensified. The Stability and Growth Pact (SGP) was an additional instrument of pressure on member states that has conditioned them in that direction. The “indicators-objective” continues to set fiscal policy. The Portuguese government has pursued policies either to contain government expenditure or to increase government revenue. In 2003, restrictive policies were initiated to limit the admission of civil servants and their wages above 1000 euros. Between 2000 and 2009 (that is, the period before the cuts were imposed by the financial assistance programme), the real wages of those who were receiving less than 1000 euros decreased by 3.4%, while the remaining wages decreased by 6.7%, and, at the same time, wages in the private sector grew by 9.6% (Mamede, 2015: 58). This helps to explain the declining trend in the compensation of employees as a percentage of GDP since 2005 (Figure 3). The restrictive changes in the civil service pension system continued and were intensified in 2006 due to convergence with the general social security pension system. These included the postponement of retirement, the reduction of the amount of pensions for most subscribers, and the introduction of a factor of sustainability, which reduces the amount of a pension as life expectancy increases or increases the working life period (Campos and Pereira, 2008).

In this period, despite some restrictive measures in the areas of health and education, government expenditure on them (in terms % of GDP) did not show a decreasing trend (Figure 4).

In health, as in all public administration, the principles of competition and greater efficiency of the private sector are taken as a reference, which was an argument for the opening of this sector in providing public services and the application of private management principles in managing public services, which has resulted in what is called the “rationalization” of government expenditure. In this sense, there is a clear political intention to move from a national health service to a national health system, meaning an accent on complementarity logic between the public sector and the private sectors. This has led to the strengthening of the corporatization process of public hospitals, the launch of several PPPs either in construction or in the operation of

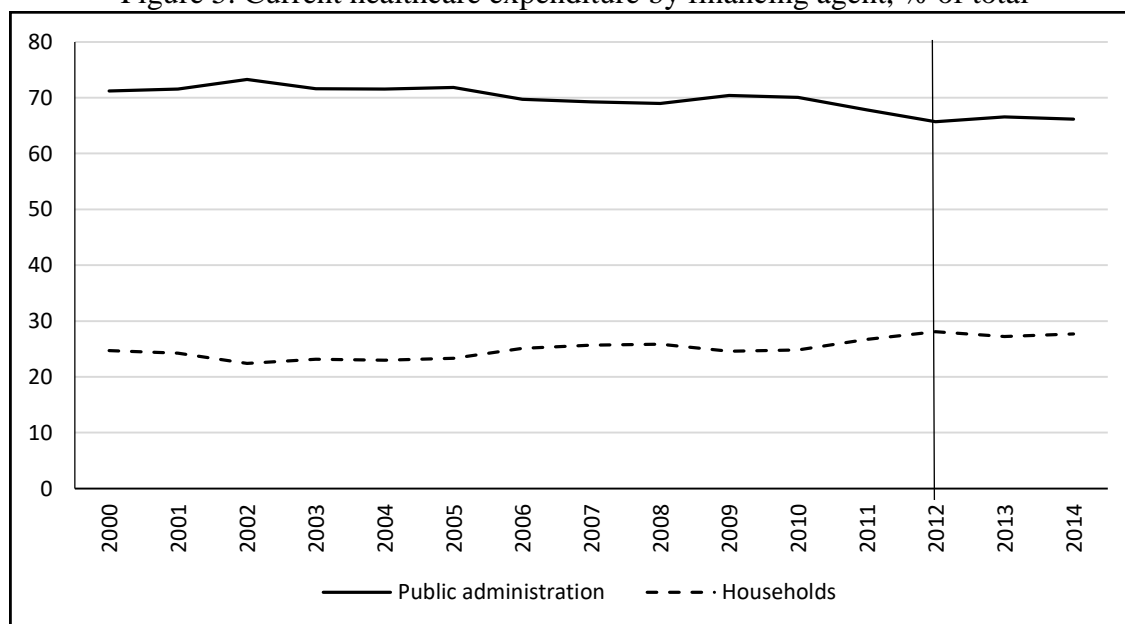
hospitals and greater openness to the private sector in health care. If the consequence is a reduction in the state's role as the service provider, the same goes for the financing of health expenditure. In fact, a downward trend has been observed since 2002 in public funding to the detriment of families (Figure 5).

Figure 4. Functional classification of government expenditure, some budgetary lines, % of GDP



Source: EUROSTAT.

Figure 5. Current healthcare expenditure by financing agent, % of total

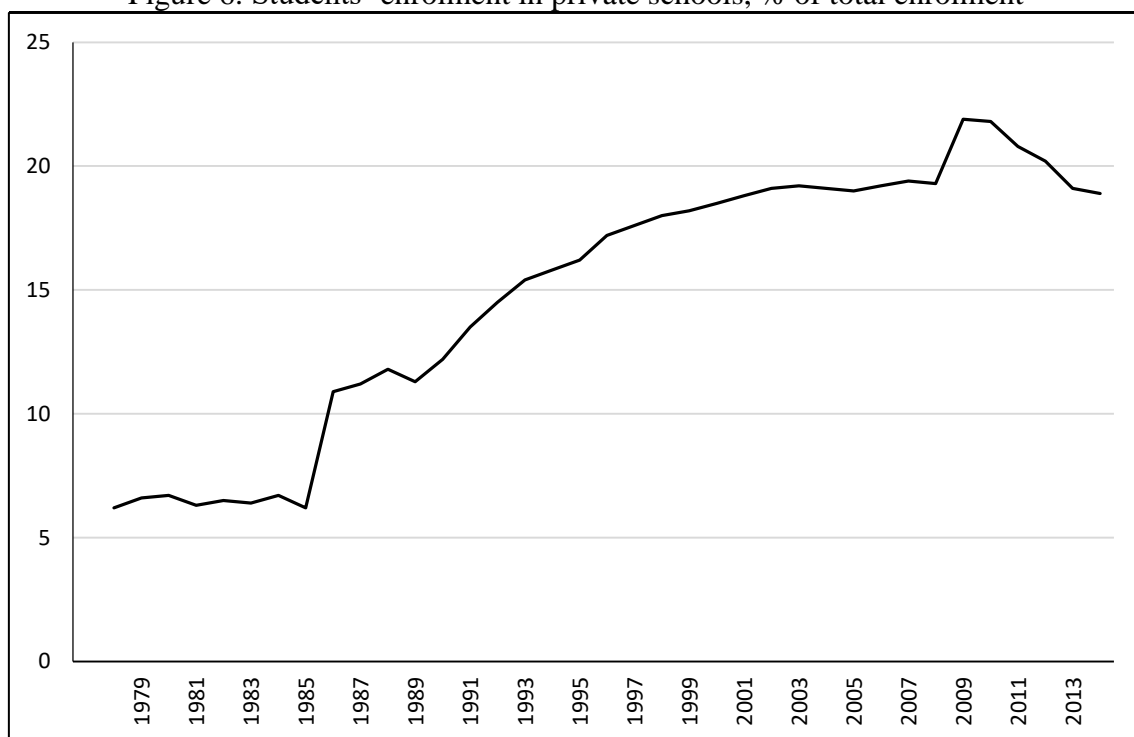


Note: New series in 2012. The values for 2013 and 2014 are forecasts.

Source: PORDATA, data source: INE - Conta Satélite da Saúde, annual national accounts (Base 2011).

In education, despite some measures to recover public schools and to improve educational levels, measures restricting government expenditure in terms of equipment and employees, teaching and non-teaching, characterize this period. Above all, the consequent negative effects on the quality of public education have caused a negative perception of the quality of public schools among the population and the media, and created the conditions for the defence of private education and the freedom of choice in this field. There was no explicit measure to promote private education, the State being constitutionally responsible to create and to guarantee a public education system, but the number of students in private education as a percentage of the total grew successively up to 2009 (Figure 6). Only a small part of this is the result of association agreements between the state and private schools, which have been used by the state since the 1980s to meet the needs of the public education network.

Figure 6. Students' enrolment in private schools, % of total enrolment



Source: PORDATA, source data: DGEEC/MEd - MCTES - Recenseamento escolar (Ensino Não Superior) | DIMAS/RAIDES (Ensino Superior).

In relation to social protection, the increase in government expenditure justifies largely the rise in government expenditure as a percentage of GDP between 2000 and 2008 (except for 2006-2007) (Figure 4). That increase is mainly explained by the growth in expenditure on public pensions. This is a result of the improvement in the average life expectancy as well as the maturation of the system, which has been more

intense due to the increase in the number of pensions and the growth in the average amount of pensions, which arises from the fact that the wage base is increasingly high.

This evolution does not mean that the Portuguese governments did not pursue restrictive policies during this period. In 2007, there was a reform of the general social security pension system with the clear aim of reducing government expenditure on this item.² Sustainability factors and new formula to calculate the pensions were introduced and both have led to a decrease in the average pension. In regard to the provision of social work services, this was intensified by the transfer of responsibility for non-public institutions such as organizations of the social economy. Government expenditure through cooperation agreements with these entities increased by 43.4% between 2002 and 2008. As for PPPs, this is another example to show that we should be careful in our reading and interpretation of the evolution of government expenditure.

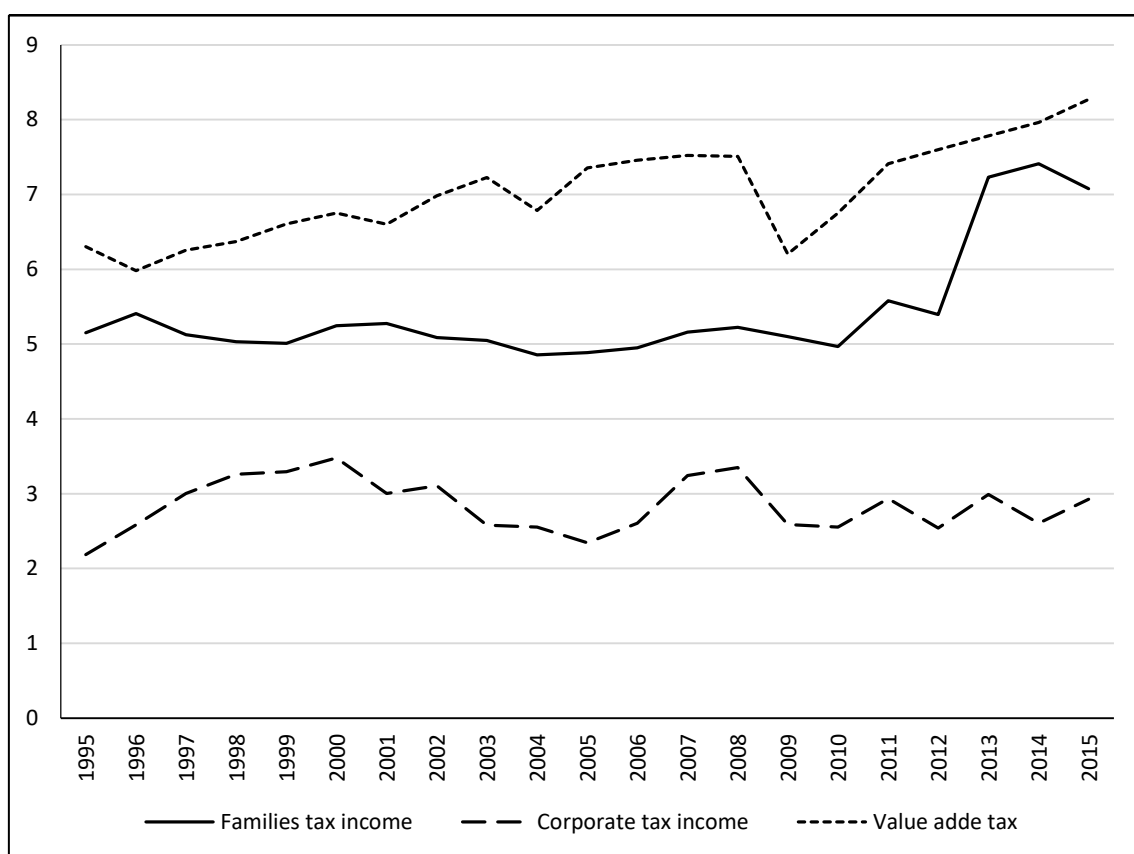
As for the measures to increase government revenue, they focused mainly on an increase in VAT or operations that led to an increase in extraordinary revenue. In regard to the former, the normal rate rose twice in 2002 and 2005, which led to a cumulative increase of 4 p.p. These measures caused a growth in government revenue from this tax (Figure 7).

In relation to extraordinary revenue, the state has sometimes resorted to schemes that have increased this, but this may lead in the future to an increase in government expenditure or to the non-receipt of tax revenue.³ This is the case with regard to the integration of pension funds from the public bank and public firms in the civil service pension system and the sale of tax credits to financial institutions.

² This reform was applauded by international institutions. It was considered “revolutionary” and “innovative” by Monika Queisser, an adviser to the OECD Secretary-General in 2007 (Madeira, 2007). For the European Commission (2009: 5), “[i]n Portugal, a recent pension reform has done much to improve sustainability”.

³ However, the rules of the National Accounts system do not require the registration of these negative impacts on future government expenditure and revenue (Marinheiro, 2013).

Figure 7. Tax revenue, some budgetary lines, % of GDP



Source: Banco de Portugal, source data: Direção Geral do Orçamento.

The Portuguese “governance by numbers” in the first years of the Euro Zone meant that before the outbreak of the financial and economic crisis of 2008 the Portuguese budgetary situation was not significantly different from the Euro Zone average. In 2007, the public debt-to-GDP ratio was below 3% and it subsequently increased due to the methodological changes introduced.⁴ Since 2005, there has been a decrease in the weight of government expenditure in GDP. The public debt-to-GDP ratio has remained just a bit above 60%. The improvement in GDP growth in the final phase of the period also contributed to this.

2.2 The primacy of the “indicators-objective” and the financial assistance programme

After the economic and financial crisis of 2008 the Portuguese budgetary situation clearly deteriorated causing a rise in public debt interest rates, which increased the

⁴ In 2011, there was a review of the General Government account since 2007, to include its perimeter three public transport companies, and a reclassification of three PPPs contracts.

sovereign debt risk perceived by the financial markets. In 2009, the public deficit-to-GDP ratio rose to 9.4% (afterwards it was corrected to 10.1% due to subsequent methodological changes) and the public debt-to-GDP ratio rose to 83% (increasing by 11.4 p.p.) despite Portugal being one of the Euro Zone countries with a smaller fall in GDP, due to the public counter-cyclical policies. These policies and the slowdown in GDP justified 70% of this deterioration. It is worth remembering that the European institutions recommended that member states at the end of 2008 undertake these policies to relaunch European aggregate demand.

The degradation in the budgetary situation triggered the request for a financial assistance programme in April 2011. This request was made after three stability and growth programmes, approved between March 2010 and September 2010, which had as their objective a decrease in government expenditure, a focus on the reduction of public wages, social protection, health, education, and the postponement of public investment as well as the rise of government revenue through an increase in direct and indirect taxes. This programme clearly meant the interference of the European Commission, ECB, and IMF in the Portuguese policy-making process. It was also clear that the explications of the economic problems were mainly centred on individual (national) causes and as a consequence an individual (national) responsibility principle was applied, a principle that lies at the heart of the contemporary capitalism model. Thus, it was assumed that the situation in which Portugal found itself in 2011 was due to the fiscal and economic policies of national governments that had left public deficits to worsen and worsened the competitiveness of Portuguese exports. No responsibility was attributed to external factors such as the architecture of the macroeconomic policies of the Euro Zone. If these were an issue at all, it would only be necessary to improve surveillance at the European Union level and eliminate some imperfections in its realization. But, contrary to what that principle may imply, they did not let Portugal delineate the economic strategy necessary to revive its economy. The European institutions took advantage of Portugal's vulnerability to impose a programme of economic policies according to their ideological matrix, based on a diagnostic that was taught specifically for the implementation of these policies. So, the consequent assistance programme was of the type "one-size-fits-all", which by definition does not take into account the needs of Portugal.

But in the specific case of Portugal, we cannot forget that the European institutions and IMF met a government that has agreed ideologically and without

constraints to their outlined policies. For the government itself, the assistance programme was an opportunity to pursue some economic policies that it would never dare to implement in another context and that the ordinary citizen never thought would be undertaken. The government, since the beginning, assumed that it wanted to “go beyond the memorandum” in order to further accentuate its liberalizing matrix (Mota *et al.*, 2012). In this sense, one cannot say that the Portuguese government has recognized the presence of European institutions and the IMF as external interference. They have been considered as normal, with the argument that the economic situation of the country makes their contribution necessary.

This “coalition of the willing” implemented in a three-year period a programme of liberalization and reduction of the weight of the state that was probably more intense (in terms of the number of measures, the sectors covered, and the degree attained) than the one that had occurred since the 1980s. This is an exemplary case of how fiscal policy in the context of “governance by numbers” can be used as a channel of implementation and as a justification to reinforce the liberalization of the economy. The fundamental measures that were taken at the level of fiscal policy had two well-defined purposes: to attain a specific number of some “indicators-objectives” (public deficit-to-GDP and public debt-to-GDP ratios) and in parallel to liberalize the economy.

The major explicit objective of the assistance programme was the “consolidation of public accounts”. In this respect, what has been achieved? The public deficit-to-GDP ratio decreased from -11.2% in 2010 to -4.5% in 2014 and -3% (4.4% if we include the financial support to the BANIF, a small bank in the Portuguese financial system) in 2015, figures that are far from the early estimations of -2.3%. As for the public debt-to-GDP ratio, a substantial increase was observed. At the end of 2010, this ratio was 96% and at the end of 2015 it was 129% (130% in 2014), which is very different from the estimate in the memorandum: a rise of 22 p.p. During the programme the public debt interest rates fell sharply, but this was due more to the ECB’s intervention in the secondary market than to the sense of any improvement by financial operators and rating agencies. Currently, in the sovereign debt market, 10-year Portuguese government bond yields have reached 3%, when they were around 16% and 17% in the years 2010 and 2011 respectively.⁵ Therefore, Portugal presently has luxury public debt interest rates but a junk rating, and this is a major contradiction in the current

⁵ According to Trading Economics: <http://www.tradingeconomics.com/portugal/government-bond-yield>.

framework of the functioning of financial markets — a contradiction that is neither mentioned nor questioned.

Before analysing the consequences of the process of “consolidation of public accounts”, the budgetary effects of the financial sector and of the PPPs must be considered. These two elements are always present in Portuguese “governance by numbers”. The accumulated impact on the public deficit of the support measures to the financial sector between 2007 and 2015 corresponds to the -7% of GDP in 2015 and in public debt corresponds to the 12% of GDP in the same year (Banco de Portugal, 2016). As the situation in the banking sector was not appropriately assessed by the European institutions and IMF, government expenditure on those measures was also not properly estimated at the beginning. Thus, some of these measures were taken without them having been provided in the budget, which has undermined the improvement in the “indicators-objective” and the conduct of Portuguese fiscal policy. Relating to the PPPs, the accumulated impact in the public deficit in the same period was -6.3% of GDP and in next four years it will be -4.2% of GDP (Sarmiento and Renneboog, 2014: 17). Once again, “the governance by numbers” has turned against itself.

A more careful reading of the results of the assistance programme easily identifies serious economic and social consequences. Labour income was severely penalized, not only because of the civil servants wage cuts since 2011, but also because of the internal devaluation policy. The labour income share, which had not decreased significantly in the past two decades, reduced by 3.6 p.p. between 2010 and 2014. The weight of employees with the minimum wage almost doubled. The worsening of wage insecurity stems partly from increased contractual precariousness. A panoply of employment contracts has emerged, many of them from employment policies whose logic is to mobilize benefits and social minimums to facilitate the creation of jobs of low quality and low-wage, even lower than the equivalent wage before 2008. Despite the income instability due an increasing number of employees, they all saw their employment protection reduced by the reformulation of the individual dismissal concept to make it easier and the reduction in severance payments. With regard to labour income, it is important to highlight another aspect of the austerity policies implemented in Portugal. Tax revenue from personal income tax has increased substantially during the assistance programme, while the revenue from corporate income tax has remained approximately the same (Figure 7). Firstly, this indicates another factor in the degradation of families’ disposable incomes: the rise in the tax burden, coming from a high increase in tax rates.

Secondly, but no less importantly, this shows that these austerity policies are not neutral ideologically. They do not equally affect the two types of incomes; there is a clear benefit to corporate income. Corporations have even benefitted from the reduction in the rate of corporate income tax in 2014 and 2015.

The labour devaluation can also be analysed through unemployment. The unemployment rate increased from 12.7% in 2011 to 12.4% in 2015, with a peak of 16.2% in 2013. However, if the unemployment rate is measured in hours and if the inactive population who is available but not seeking employment is also considered as well as the unemployed hours due to involuntary part-time employment, the unemployment rate would have been about 21% in 2014. The average duration of unemployment also marks the difficulties of access to employment. This indicator deteriorated in such a way that the percentage (of total employment) of the population seeking employment for more than 12 months had risen more than 10 p.p. from 2011 to 2014 and the percentage of this population who is seeking employment for more than 24 months rose by about 15 p.p. The situation has worsened even more as unemployment protection was severely hit by the measures of the assistance programme, with unemployment benefit being dependent on a double conditionality: the fact that the benefit is a government expenditure that should be reduced and the assumption that the benefit should be an allowance for job search and not an income replacement for those who lose a job.

Another consequence of the assistance programme is the devaluation of the state as an institution, which has been felt on several levels. One of these is the level of public investment, whose share in GDP after 2011 fell by half compared to 2009 (Figure 3). Until 2010, due to the PPPs, this indicator does not show effective public investment or public interest investment. However, after 2010 it can be used because the PPPs were suspended between 2011 and 2014.⁶ Another is the privatization level, which was considered essential to reduce the weight of the state in the economy and to increase competition and efficiency, and whose final receipts were almost twice the value estimated in the assistance programme. At the level of public services, like health and education, the budgetary constraints, which have reduced government expenditure in these areas (in percentage of GDP) (Figure 4), deteriorated noticeably in terms of their quality of access and provision. This was done simultaneously with the

⁶ Due to the Juncker plan, Portugal can now already use PPPs again.

strengthening of the commodification of public services and the transfer of responsibilities to the private sector. We may even think that there was a political intention to degrade the state as an institution among citizens in order to more easily impose the presence of the private sector on these services.

At the social protection level, the rise in government expenditure (in percentage of GDP) does not mean that there was an improvement in these services; far from it. This rise is explained mainly by the evolution of pension spending, despite the cuts in higher pensions, and the negative evolution of GDP. Regarding the cooperation agreements with social economy entities, there was a change in the paradigm in the cooperation model in 2013. Until then, the government had responsibility for defining priorities, and national social objectives and programmes as well as the surveillance power to assure the fulfilment of the agreed objectives. In 2013, the government adopted a principle of sharing responsibility with these entities and it has only assumed support and incentive functions. Moreover, at the same time and as a pilot experiment in the European Union, the Portuguese government created a new financial instrument to the service of society covered by cooperation agreements: social impact bonds, which may mean that these services could one day be opened to the corporate sector.

The measures that were imposed, many of which were presented as exceptional, caused hysteresis effects on the Portuguese economy, which have undermined the economic growth capacity due to the effects on public infrastructure and public services, long-term unemployment, and private investment. In terms of private investment, during the period of the assistance programme, it decreased by around 20% and in the short term the possibilities for growth and economic recovery explained by private investment are not encouraging, since firms are in a deleveraging process, as they hold more than half of Portuguese debt.

These structural effects add to the existing structural problems of the Portuguese economy, which was of no concern to the European institutions and the IMF. The most obvious case is the production structure, which retains the same vulnerabilities or worse when compared to the global economy. In 2015, high-tech industries' product exports accounted for only 7.1% of the manufacturing industries' product exports, while they represented 12.4% in 2004 (Ministério da Economia e Ministério das Finanças, 2016). Ten years ago, more than a third of the manufacturing industries' product exports were from low-tech industries.

Thus, for three years, Portugal was under an assistance programme designed and supervised by the European institutions and the IMF and implemented faithfully by the Portuguese government. The main purpose was the “consolidation of public accounts”. In the end, the results relating to the “indicators-objective” fell short of the estimates or increased more than the estimates. But more significantly, the hysteresis effects on the Portuguese economy are such that it will be difficult to improve these indicators in the short and medium term.

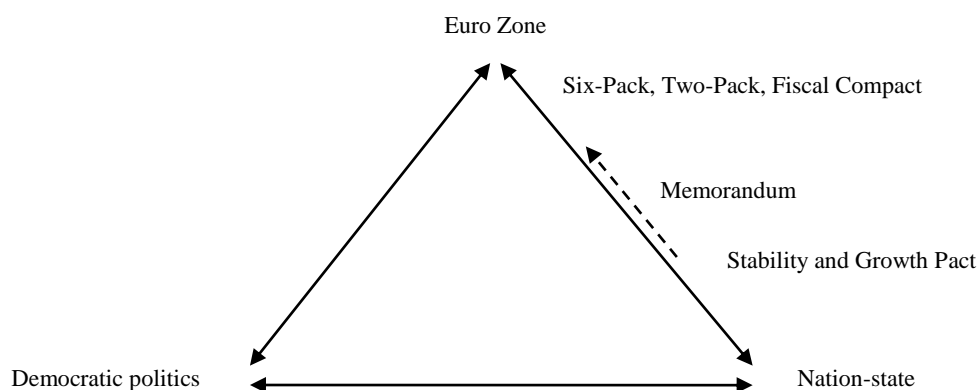
2.3 Portuguese fiscal policy in 2016: an assessment of the national leeway allowed by the Stability and Growth Pact

After the formal end of the assistance programme, a clear majority of the Portuguese electorate rejected the austerity policies, in the parliamentary elections of October 2015.⁷ The government that was formed is defending and applying economic policies to expand the income of the Portuguese, primarily restoring income to the levels seen before the crisis. With these stimulus measures on the demand side, the government is clearly distinguished from the European context. Moreover, the Portuguese government has always said that it aims to comply with the European commitments. This is probably the first time that a national government in the Euro Zone has aimed to conciliate both things. So, it is also an occasion to discuss the limits of the SGP and the maximum leeway that it concedes to the member states to develop their own economic policies, taking into account a concrete case.

For the discussion we can adapt to the Portuguese case the political trilemma of the world economy presented by Rodrik (2011: 200) (Figure 8). So, Portugal cannot simultaneously have a democratic politics, being a nation state and belonging to the Euro Zone. It can achieve only two of them simultaneously. As Portugal took a position on the right side of the triangle, we can say that Portugal has left some aspects of democracy behind.

⁷ In the parliamentary elections, the colligation of political parties that have been in the government have been the political force most voted. But as the Socialist Party and the other three left parties (Left Bloc, Portuguese Communist Party, and the Ecologist Party “The Greens”) had the majority of the votes, this created the conditions to form a government of the Socialist Party with the parliamentary support of these parties.

Figure 8. Portugal's trilemma in the Euro Zone context



Regarding specifically the national fiscal policies and taking into account the SGP, its “indicators-objective”, and the rules to comply with them, it is clear that from the beginning the national macroeconomic management has been conditioned, which limits the possibility for the government to answer the citizens’ demands concerning public goods and the formation and redistribution of income, as well as economic stabilization. In Portugal, this is what happened before the economic and financial crisis of 2008, as we explained in point 2.1. With the assistance programme, the European institutions and the IMF defined the criteria to be treated as a “conditionality” even if they preferred to do so in consultation with national institutions, knowing that in the case of any disagreement the bargaining power of the national government would be minimal (Scharpf, 2011: 26). Consequently, Portugal remains on the right side of the triangle, but increasingly distant from the nation-state corner.

While Portugal was applying the measures of the assistance programme, the European institutions created more tools — Two-Pack, Six-Pack, and Fiscal Compact — to supervise the national governments and to reduce their leeway. For Portugal, this meant that some policies defined by this programme, that would be transitory, have become permanent. Furthermore, Portugal is currently, in 2016, subject to the corrective arm of the SGP.

With this institutional framework, the 2016 Portuguese budget is the first since 2010 to be used as an instrument of anti-cyclical policy and, in this sense, the present Portuguese fiscal policy differs from the European context. The demand side measures, among others, include: (i) more rapid replacement of civil servants’ wages; (ii) faster elimination of the surcharge on the income of households launched in 2011 and not

foreseen in the memorandum; (iii) the adjustment of certain pensions that had been suspended in 2010; (iv) the repositioning of the 2011 value of some social benefits and the restoration of conditions of access and the provision of public services. Outside the budget, the government has already increased the minimum wage, which currently 19% of workers earn. With regard to privatization and concessions to the private sector, these were suspended and the procedures for public transport companies' concession contracts that were in progress have been cancelled. The privatization process of the Portuguese airline TAP has also been reversed.

However, the draft budgetary plan proposed to the European Commission last January was highly criticized because it does not allow for reducing the structural public deficit-to-GDP ratio by 0.6 p.p., the value chosen by the European institutions. This, and the threat of a rating downgrade in government bonds at the same time, prompted the Portuguese government to negotiate and take some steps back, having still achieved a decrease of only 0.2 p.p. To be able to accommodate this change, the government had to come up with new restrictive measures, such as an increase in indirect taxes and other contributions, a reduction of 10,000 civil servants, savings in some government current expenditure, and the elimination of some expansionary measures such as reducing the social contributions of employees with wages below 600 euros. With the pressures from European institutions, the government was obliged to raise some taxes, similarly to what happened with the assistance programme, but with a clear difference. Besides the increased fuel taxes, the government chose essentially to raise some taxes for the banking sector and investment funds, leaving personal income taxes untouched, which is just the opposite to what was done during that programme.

Although the demand side measures have remained, the final result has raised some doubts about the expansionist feature of the 2016 budget. However, it continues to generate mistrust in the European institutions and the Eurogroup, which, by itself, creates instability in terms of expectations about the Portuguese economy. The European Commission approved the draft of the document, but it considered that it “is at risk of non-compliance with the provisions of the Stability and Growth Pact. (...) [T]he Commission therefore invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2016 budget will be compliant with the Stability and Growth Pact” (European Commission, 2016a). The Eurogroup has already expressed some reservations about the reasonableness of the budgetary targets proposed by Portugal and “welcomes the commitments of the Portuguese

authorities to prepare as of now additional measures to be implemented when needed to ensure that the 2016 budget will be compliant with the Stability and Growth Pact” (Eurogroup, 2016). The IMF has followed the same line of pressure and support in terms of the austerity policy that has been implemented so far. According to this institution, “the 2016 budget proposal appears insufficiently ambitious to put public debt on a firmly downward trajectory, with significant risks to execution”. Therefore it highlights “the importance of developing contingency plans to ensure that the 2016 budget targets are met, rationalizing government expenditure to contain pressures from public wages and pensions, and maintaining fiscal buffers” (IMF, 2016: 2 and 4). As Portugal is currently in the corrective arm of the SGP and thus subject to sanctions, this has been another reason for permanent doubts by the European institutions about Portugal and its government. One example is a press release of the European Commission issued on 18 May 2015, where it recommended to Portugal and Spain a “durable correction of the excessive deficit in 2016 and 2017 respectively, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction” (European Commission, 2016b). In a press conference, in relation to the possibility of sanctions, the European Commissioner for Economic and Financial Affairs, Taxation, and Customs Pierre Moscovici added: “We have concluded that this is not the right moment economically or politically to take this step” (Holehouse, 2016). However, the European Commission also stated it would come back to the situation of these member states in early July.

The current case of Portugal has shown that the SGP does not give leeway to member states to use the state budget as a policy instrument with an expansionary feature. In this case, a policy objective, which is merely to restore the income levels seen before the crisis, is being consistently questioned by the European institutions and the Eurogroup. Sometimes this is because of the “indicators-objective” of the fiscal policies, and at other times it is due to the fact that the principal economic policy is a demand side policy, which is at odds with the supply side measures like the “structural reforms”. With regard to these reforms, in accordance with the newspaper *Público* (Botelho, 2016), Mario Draghi suggested in Portugal last April a change in the Constitution of some countries, although not referring to Portugal specifically, because they can sometimes be an obstacle to some reforms such as labour market reforms.

The latest numbers regarding the Portuguese economy indicate that this demand side policy has been very important in sustaining economic growth. During the first

quarter of 2016, the growth rate was 0.2% (compared with the previous quarter) and 0.9% (compared with the same period in the previous year). In the first case, the domestic demand contributed 0.9 p.p. — in the last quarter it had been 0.2 p.p. — reflecting essentially a rise in private consumption, and external demand with -0.7 p.p., justified by a decrease in exports and a rise in imports. In the second case, the contribution of domestic demand was 2 p.p., resulting from growth in private consumption that accelerated relative to the first quarter of 2015, and a decline in investment. The contribution of external demand was -1.1 p.p., due a rise in imports that was relatively more intense (Instituto Nacional de Estatística, 2016).

Therefore, it is worth looking to Portugal. It can be a useful example to assess the maximum leeway in terms of national fiscal policies allowed by SGP rules, when a government aims to direct fiscal policy along a different path than that proposed by the European institutions, but wants to comply with the European budgetary rules. The current Portuguese case has been revealing in terms of how the leeway is very narrow in these circumstances.

Final considerations

The Portuguese case has shown that “governance by numbers transforms [the states] to ‘subjects-objectives’, not acting freely, but reacting to the encrypted signals” (Supiot, 2015: 260). In fact, the transformation of the Portuguese state budget to an object of “indicator-objective” has been accompanied by a transformation in the governance of the country at two levels, although in the same direction of a devaluation of the state as an institution. Firstly, the Portuguese government has decided to reduce its role in the economy and society, which is normally directed to a reduction in government expenditure (as a percentage of GDP) even if this brings into question some aspects of the welfare state that governments have wanted to safeguard in the past. In Portugal this is visible at the level of government expenditure on health, education, and public investment. Secondly, the Portuguese government has lost its decision-making power with regard to the European institutions. As with the other governments of the member states, the Portuguese government is losing its policy design space while being gradually pressed by the same institutions to assume an implementation function. The current situation of the Portuguese government reveals this very well. It designed a macroeconomic policy not inspired by the European framework and the answer of the

European institutions is the conditioning and imposition of economic policies, and arguing with the budgetary rules.

It can be said that Portugal is currently in the corrective arm of the SGP and because of this the fiscal policy leeway is restricted. But the problem is precisely the SGP and the institutional framework of the Euro Zone. The idea of another Euro Zone has been increasingly advanced. We have defended this idea (Mota *et al.*, 2012, 2014), but now we are starting to think that it is more effective to discuss the different aspects separately.⁸ In this sense, we think it is necessary to revisit an issue that has practically disappeared from the debates: the discussion on the public deficit-to-GDP ratio and its reference value, two essential elements of “governance by numbers”.⁹ Nowadays, the major debates about European budgetary rules, even some more critical debates, rarely put into question the indicator itself and the 3% figure.

The article by Abeille (2010) is enlightening on the origins of both. Guy Abeille was a project manager in the French Ministry of Finances when François Mitterrand won the presidency in 1981. After successive increases in the French public deficit, the Budget Department requested that he find a budgetary rule that was simple and practical, but marked with the “chrism of experts”, which transmitted the idea of fiscal discipline. While recognizing that the public deficit-to-GDP ratio has many nuances and shortcomings, he also recognizes that the question was political, not economic. Regarding the 3%, Abeille (2010) is also illustrative. The figure had “no other foundation than the circumstances of the day”. The 1% figure would be very restrictive and unsustainable in terms of the situation of the French economy; 2% would also be too restrictive. 3% corresponded approximately to the estimated public deficit-to-GDP ratio for the following year. In an interview with the *La Parisien*, Abeille confesses that, “we imagined the 3% figure in less than an hour (...) without any theoretical reflection” (Abeille, 2012; Mitchell, 2014: 125). A few years later, the public deficit-to-GDP ratio and the 3% figure were adopted in the Maastricht Treaty. It was considered a victory for France in relation to Germany, which would prefer a “golden rule”.¹⁰

The political circumstances of the birth of the public deficit-to-GDP ratio and the 3% target are sufficient to put into question all of the framing of the national fiscal

⁸ On a proposal for the same purpose, see Lopes (2015).

⁹ Recently, a paper has been published that discusses some problems of the European budgetary rules, among them some aspects on this issue. See Claeys *et al.* (2016).

¹⁰ For further developments about the political negotiations around the Maastricht Treaty, see Mitchell (2014).

policies in the Euro Zone. But it is worth remembering in a synthetic form some economic shortcomings of the functioning of the European budgetary rules relating to this ratio. First, as the ratio depends on the economic cycle, because of the functioning of automatic stabilizers, the fiscal policy will have to be pro-cyclical during economic downturns. The assistance programs are a clear example of this. Second, considering all types of government expenditure effects (investment or any current expenditure), it assumes that each one has the same macroeconomic effects. The golden rule for public investment proposed by Truger (2015) can be a way to solve this problem. Third, all member states are dealt with in the same way, independently of their economic and social situation, their adjustment capacity to the economic shocks, or their income per capita. There is a regional policy in the European Union, precisely because there are significant differences in per capita income between countries or regions, but this fact was not taken into account in the design of the European budgetary rules. Fourth, it is difficult to interpret the evolution of the ratio. For example, an increase in the ratio can result from a growth in budgetary balance that is relatively higher than the growth in GDP or from a decline in GDP. And the growth of budgetary balance can result from a rise in government expenditure, a decline in government revenue, or both, or from a relatively higher increase in expenditure or a relatively higher drop in revenue. Or the ratio may increase simply because the economy is in a downturn. This question is advanced by Abeille (2010) himself. These shortcomings reinforce the necessity to debate the public deficit-to-GDP ratio not only as an “indicator” but also as a “number objective”.

These shortcomings of the “indicators-objective” and generically the features of “governance by numbers” give strength to Supiot (2015: 233) when he states that “the fetishism by the number who use our governments [condemn them to] loss of contact with the real state of the economy”.

References

- Abeille, G. (2010). A l'origine du déficit à 3% du PIB, une invention 100%... française. *La tribune*. October 1. Retrieved from <http://www.latribune.fr>.
- Afonso, A. (2013). Anatomy of a fiscal debacle: the case of Portugal. *Working Paper 01*. School of Economics and Management (Technical University of Lisbon).
- Banco de Portugal (2016). Dívida pública - Abril de 2016. Nota de informação estatística 56|2016. June 1.
- Botelho, L. (2016). Draghi sugeriu revisão da Constituição e das leis eleitorais. *Público*. April 9. Retrieved from <https://www.publico.pt>.
- Campos, M. M.; Coutinho, M. C. (2008). Impact of the recent reform of the Portuguese public employees' pension system. *Banco de Portugal Economic Bulletin*, summer, 109-131.
- Claeys, G.; Darvas, Z.; Leandro, A. (2016). A proposal to revive the European fiscal framework. *Bruegel Policy Contribution 07*.
- Eurogroup (2016). Eurogroup Statement on the Draft Budgetary Plan of Portugal for 2016. February 11.
- European Commission (2009). *Sustainability Report 2009*. Luxembourg: European Communities, European economy 9.
- European Commission (2016a). European Commission adopts Opinion on Portugal's 2016 Draft Budgetary Plan. Press release. Brussels. February 5.
- European Commission (2016b). Spring 2016 European Semester package: Commission issues country-specific recommendations. Press release. Brussels. May 18.
- Holehouse, M. (2016). EU delays deficits sanctions on Spanish and Portugal until after election. *The Telegraph*. May 18. Retrieved from <http://www.telegraph.co.uk/>.
- IMF (2016). Third post-program monitoring discussions — press release; staff report; and statement by the executive director for Portugal. *IMF Country Report No. 16/97*.
- Instituto Nacional de Estatística (2016). Produto Interno Bruto aumentou 0,9% em volume no 1º trimestre de 2016. Destaque. May 31.
- Kappeler, A.; Nemoz, M. (2010). Public-private partnerships in Europe - before and during the recent financial crisis. Luxembourg: European Investment Bank, Economic and Financial Report 04.
- Lopes, J. S. (1996). *A Economia Portuguesa desde 1960*. Lisboa: Gradiva.

- Lopes, L. (2015). The European Crises and a Need for a Euro Reconfiguration. Paper presented at the 21st Annual Conference of EuroMemo Group on Alternative Economic Policy in Europe. *Addressing Europe's Multiple Crises: An agenda for economic transformation, solidarity and democracy*. Roskilde, Denmark.
- Lordon, F. (1997). *Les quadratures de la politique économique: Les infortunes de la vertu*. Paris: Éditions Albin Michel.
- Madeira, J. P. (2007). Portugal “revolucionário” no sistema de pensões. *Jornal de Notícias*. November 14. Retrieved from <http://www.jn.pt/>
- Mamede, R. P. (2015). *O que fazer com este país – do pessimismo da razão ao optimismo da vontade*. Queluz de Baixo: Marcador.
- Marinheiro, C. (2013). Política Orçamental em Portugal entre Duas Intervenções do FMI: 1986-2010. *Estudos do GEMF* N.º 25.
- Ministério da Economia e Ministério das Finanças (2016). *Boletim Mensal de Economia Portuguesa* N.º 05. Gabinete de Estratégia e Estudos e Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais.
- Mitchell, W. (2014). *Eurozone Dystopia – Groupthink and Denial on a Grand Scale*. Cheltenham: Edward Elgar.
- Mota, J.; Lopes, L.; Antunes, M. (2012). The Portuguese economy at the crossroads of the euro and globalization. In H. Herr; T. Niechoj; C. Thomasberger; A. Truger; T. Van Treeck (eds.), *From crisis to growth? The challenge of debt and imbalances*. Marburg: Metropolis Verlag, 463-483.
- Mota, J.; Lopes, L.; Antunes, M. (2014). As encruzilhadas da economia portuguesa: da economia global ao memorando de entendimento. In J. Mota; L. Lopes; M. Antunes (eds.), *Perspectivas para uma outra zona euro*. Coimbra: Coimbra Editora.
- Rodrik, D. (2011). *The Globalization Paradox: Democracy and the Future of the World Economy*. New York: WW Norton & Co.
- Sarmiento, J. M. (2010). Do Public-Private Partnerships Create Value for Money for the Public Sector? The Portuguese Experience. *OECD Journal on Budgeting*, 10(1). <http://dx.doi.org/10.1787/budget-10-5km8xx3fgws5>.
- Sarmiento, J. M.; Reis, R. F. (2013). Buy back PPPs - An arbitrage opportunity. *OECD Journal on Budgeting*. Published online first. <http://dx.doi.org/10.1787/budget-12-5k47tb293czq>.

- Sarmiento, J. M.; Renneboog, L. D. R. (2014). The Portuguese Experience with Public-Private Partnerships. *CentER Discussion Paper* 2014-005. Tilburg: Finance.
- Scharpf, F. (2011). *Monetary Union, Fiscal Crisis and the Preemption of Democracy*. LEQS Annual Lecture. London School of Economics. May 12.
- Supiot, A. (2015). *La Gouvernance par les nombres*. Cours au Collège de France (2012-2014). Paris: Fayard.
- Truger, A. (2015). Implementing the Golden Rule for Public Investment in Europe: Safeguarding Public Investment and Supporting the Recovery. *Working Paper-Reihe der AK Wien/Materialien zu Wirtschaft und Gesellschaft* 138.

Imprint

Editors:

Sigrid Betzelt

Trevor Evans

Eckhard Hein

Hansjörg Herr

Birgit Mahnkopf

Christina Teipen

Achim Truger

Markus Wissen

ISSN 1869-6406

Printed by

HWR Berlin

Berlin December 2016