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Article

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economic sociology_the european electronic newsletter

Provided in Cooperation with:

Max Planck Institute for the Study of Societies (MPIfG), Cologne

Suggested Citation: Graça, João Carlos; Lopes, João Carlos; Marques, Rafael (2011) : The European sovereign debt crisis: The Portuguese case, economic sociology_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 12, Iss. 3, pp. 38-47

This Version is available at:

<https://hdl.handle.net/10419/155976>

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The European Sovereign Debt Crisis: the Portuguese Case

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Introduction

In Portugal, like in the rest of the Southern European countries that were part of the so-called third wave of democratization of the 1970s (Greece and Spain), the Euro was seen as a symbol of modernization, economic growth and stability. Its introduction was considered the culmination of a successful process of European integration accomplished in a very short period and against all odds. The ugly ducks were, at last, recognized by their capacity of adjustment. Accepting the Euro was a proof of work well done and that, at last, the Portuguese could be considered true European citizens. Being part of the monetary union and fulfilling all the economic and financial requirements previously established became a reason of pride, easily explored by all the political parties that supported the integration. The idea of catching up with the rest of Europe and economically converging with the rich neighbors became more or less credible. Some politicians went as far as using a cycling metaphor, underlining that the Portuguese were now a part of the leading European pack, meaning they were well prepared and could be considered good students of the European integration.

Unlike the northern European countries where the economic achievements are an important part of nationalistic pride and patriotism, in Portugal the allegiance to the country is much more memorial, cultural and linguistic

than economic (Luna-Arocas *et al.*, 2001). This means that the attachment to the Escudo was more a practical issue or a question of habit than a matter of national pride. This lack of currency fidelity avoided any sense of loss and created a strong impetus in favor of the Euro. The new monetary unit also represented a strong currency that would eventually avoid the return of the high inflation rates experienced in the 80s, and stop the rise of unemployment. For the middle class, the Euro also epitomized a renewed chance of traveling abroad, without being caught in the traps of a devalued Escudo. Being part of a solid economic block was now more than a promise. Reinforcing this trend, most of the economist's discourses stood for the virtues of Euro adoption. The warning voices were few and far between. Just a handful of economists made some cautionary remarks on the possible downsides of the Euro introduction in a country with a fragile economy and an ongoing practice of competitive devaluations.

If the symbolic dimension is certainly a cause for the lack of resistance to the abandonment of the "Escudo", it is not less important to mention that the easy calculation of the conversion rate created a smooth currency transition. Even those who were considered less receptive to the transition (old people and the illiterate) were able to make the necessary calculations and adjustments. For practical reasons, everyone used a rule of thumb by which one Euro was considered equal to two hundred Escudos.

Values, Beliefs and Attitudes towards the Euro

In the Eurobarometer fl 165 of 2004, Portuguese, Spanish and Greek were the European citizens with fewer difficulties in the recognition of Euro coins. Even considering the easy acceptance of the new currency and the apparent simplicity of the conversion calculation, it has been noted that the Portuguese were caught in a trap of miscalculation or monetary illusion. In the last years of the Escudo, people were using the 100 Escudos coin as a sort of basis for the calculation of many expenses, what

we can call the “tip reference”. It was noted by many observers that the introduction of the Euro led many to substitute the basis of this elementary calculation by the Euro coin that actually doubled the value. Since the Dutch and the German are the ones expressing more difficulty, we can hypothesize that this problem is correlated with the levels of resistance towards the new monetary unit. The acceptance of the Euro is not followed by the use of the new currency as a benchmark for calculation. The Portuguese kept using the old Escudo for mental calculations and making inter temporal comparisons of expenses. Again, this was made possible by the easy mathematics involved in the conversion. Still, in most of the questions connected with information about the dynamics of the European Union, the Portuguese ranked at the bottom – the presence of coordination mechanisms, the existence of fees on the use of credit cards on other EU countries, the value of the Euro against the Dollar, or the adoption of the Euro by new members. Taking this data into account we can say that support for the Euro by Portuguese citizens resulted more from an ideological leaning and an aspiration than from a well informed choice. The lack of information can also be seen in the fact that Portugal showed the highest levels of no response in many questions. At the same time, the levels of pessimism in Portugal were the highest among the countries that were already part of the Euro. 83% of the Portuguese considered that the economic situation in the country was worse than in the other Euro partners and only 4% expressed the opposite view.

By 2010 (see Flash EB 306 of 2010), the attitudes of the Portuguese had changed a lot and the lowest level of support of the Euro occurred in Portugal, with only 61% of those interviewed declaring that the Euro was a “good thing”. Despite this feeling that grew in parallel with the degradation of the economic situation, the Portuguese were still at the top in what concerns the easiness of handling euros and adopting them in the day to day life. After eight years of dealing with the new currency, the Portuguese were still the most likely to make calculations in the national currency. The lack of information remained an issue and the inability to answer several questions remained strong. The same can be said about the recognition of the existence of budget deficits, a situation that eluded an important part of the respondents. The inflation rate was also unknown for many Portuguese citizens. It is interesting to notice that the Portuguese showed the highest level of “hearing about the Stability and Growth Pact” (71%) and confi-

dence of that knowledge (32%). This is certainly a by-product of the ongoing worries about the economic situation. The same can be said on the recognition of the need for strong economic reforms. The reforms that ranked on the top of Portuguese preferences were education and health. The respondents saw the inevitability of these reforms but also expressed that they will have a negative impact on their livelihood. This information should also be considered at the light of the low institutional confidence levels expressed by the Portuguese in other polls. In countries where levels of financial literacy are very low, most of the allegiances, attitudes, beliefs and values are very much dependent on the socio-political climate and vary deeply according to the perceptions of the economic situation, filtered by your own private condition at a specific moment. Data and objective results play a less important part in the shaping of the citizen’s reactions, rates of approval and general feelings.

Macroeconomic imbalances

Trading perceptions for realities, and with some hindsight, we can enunciate the basic problem of the Portuguese economy as corresponding to a substantial overvaluation of Escudo by the time Euro was created, with subsequent loss of competitiveness of exports and excessive growth of imports, thus leading to a repetitive pattern of trade deficits. This situation, which, were it not for Euro’s existence, would quite probably have been dealt with by means of a “competitive devaluation” of Portuguese currency, remained untreated. This way, the problem persisted, and indeed was aggravated, producing a situation that is *à la longue* unsustainable. Simultaneously, recurrent accumulated current account deficits (see Appendix, Table 1) have produced a growing external debt: private external debt, first, and afterwards also public external debt, the so-called “sovereign debt” (see Appendix, Table 2).

It’s worth mentioning the fact that the European institutional framing of problems or, if you will, EU’s official wisdom, has repeatedly formulated the basic problem as consisting of excessive budget deficit, in the name of the rule of “budget consolidation”, demanded by the central goal of price stability. In what concerns this other subject, Portugal has kept a level of deficits consistently above the prescribed 3 per cent of GDP, in all years except 2003, but one ought to notice that the Portuguese

pattern of non-compliance is clearly below other more serious cases, as it is obviously the example of Greece. Portugal walked a path comparable to Spain and Italy, at least until 2008 (see Appendix, Table 3 and Table 4).

In order to tackle current account problems, the Portuguese authorities had previously, and more than once, carried out competitive devaluations. Devaluation, of course, is not in itself intrinsically good, since it can also bring problems, namely rampant imported inflation via “rigid” imports, such as oil (which is important in an energy-dependent economy). But in general terms it is acknowledged that it does contribute to the balancing of external accounts.

The main assumption, when Portugal entered the Euro zone – that it was possible to live without the “artillery” of competitive devaluations –, was that interest rates would become considerably lower, creating a boost effect on the productive investments, and therefore an increase in the “intrinsic” quality of Portuguese products. That effect would, in turn, keep external competitiveness alive. Still, the fact is that the lowering of interest rates did occur, but it has boosted much more a speculative real estate bubble (although not at the level of Spain or Ireland) than anything else. The intended stimulus on exporting sectors was feeble. More broadly, and associated with the lowering of inflation, the expenditure patterns shifted in such a way as to provoke a growing indebtedness of all sectors of the economy (families, firms, and the state). It is worth noticing that these growing levels of indebtedness occurred in a country that, until the mid-70s, had very low levels of money owing and where the virtues of parsimony, capacity to save and avoiding risk were part of the public credo of the dictatorship. At this level, it can easily be said that the aggiornamento of the Portuguese to the modern world and to a credit society happened at a very fast pace. What was once anathema became suddenly trendy and commendable, in order to establish an expenditure pattern emulating the significant others. Keeping up with the Joneses was now the rule.

Simultaneously, the evolution of unit labour costs in Portugal and the corresponding real effective exchange rate, relative to its competitors in EU (mainly Germany) and non EU countries (such as China), led to the stimulation of non-tradable sectors at the expense of the tradable ones. Some of these non-tradable sectors are not exposed to competition, with firms enjoying a quasi-

monopolistic status (gas, petrol, electricity, water, telecoms). On the whole, these traits must have contributed to a rhythm of price growth that was bigger than the average of EU until 2008, and this feeds back upon the loss of competitiveness.

On the other hand, the very fact of belonging to the Euro zone does inhibit or prevent the adoption of active industrial policies aiming at the “positive discrimination” of exporting sectors. Taking into account this lack of competitiveness and the structural vulnerabilities, namely a sluggish productivity growth, the performance of the Portuguese economy during this period was indeed poor, with a rhythm of economic growth below EU’s average, and in a trajectory of divergence.

This poor economic performance (see Appendix, Table 5) could not be compensated by the state, given the budget-balancing constraints, characteristic of the last decade, and the purpose of “public finance consolidation” induced by the EMU rules. Indeed the Euro and its institutional design meant the avoidance of possible tendencies to excessive price-growth, therefore also public deficit, presumably a big inducer of inflation. That was the main theory, and the main doctrine: price stability *über alles*. The rest, it was assumed, if stability allows agents to proceed rationally (according to reciprocal expectations), will come out of necessity, as a corollary. Of course, it was also cavalierly assumed that the private sector, and mainly private investment, would substitute with advantage what the state was inhibited from doing. Pulling the state out of the economy – or at least preventing its allegedly unmeasured growth – was supposed to be fundamentally a good option. What was probably a wise move in the case of northern European countries did falter in Portugal.

All the listed problems were made much more serious with the impact of the international economic and financial crisis of 2008-2009. Although the financial sector in Portugal was not excessively exposed to the toxic assets, it is however true that two minor banks (BPP, BPN) required public intervention. The last one was nationalized, with losses of Eur 4 billion assumed by the state, through the action of CGD (the public bank).

Regardless of the emergence of a financial crisis, we ought to remember that there is a basic imbalance (the external account), which must be tackled directly. That fact imposes some form of devaluation, either by an

“internal devaluation”, that is to say, reduction of nominal wages, pensions, etc., or via getting out of Euroland, adopting a strict devaluation. But this, of course, doesn’t tell it all. In what concerns the EU, diagnosis may assume the “excessive growth” of salaries in PIGS (Portugal, Ireland, and Greece) as much as the “insufficient growth” of salaries in Germany, and indeed the “excessive growth” of capital gains, in Germany or elsewhere. Obviously, this discussion has an inescapable distributive dimension, and also represents the omnipresence of the pressures exerted by “sound money” Euro policies on the labor/capital divide. Another element to take into consideration is the fact that the ratio US Dollar/Euro has passed from 0.9 to 1.4, approximately, during the decade. In other terms, this represents the existence of a huge “competitive devaluation” of the US Dollar, in face of which the European authorities didn’t proceed with the expectable “Tit for Tat”. That is a direct consequence of the Euro being a candidate to a position of world-money, and so having to be indisputably “sound money”, whereas US Dollar is the incumbent world-money. And, of course, also of Germany disposing of a productive structure capable of enduring the mentioned persistent overvaluation, whereas PIGS obviously don’t. In the case of Portugal, there is also to consider, in what concerns the possible “internal devaluation”, the specificities of a situation that already corresponds to levels of inequality that are bigger than in the average of the EU (see Appendix, Table 6).

The social costs of the sovereign debt crisis in Portugal

After several years of sluggish economic growth since 2001, with a mild recession of minus 0,9% in real GDP in 2003, the recent economic and financial crisis had a severe effect on economic activity, with null growth in 2008 and a 2,5% fall in 2009.

Despite the slight recovery of 2010 (+1,3%) the most significant social cost of this crisis was the large increase of the unemployment rate, attaining 9,6% in 2009 and a record high of 11,1% in 2010. But the stimulus measures of 2009 (an electoral year in Portugal), namely the 2,9% nominal growth in public wages (representing a real gain of 3,8%), the reduction of value added tax (VAT) standard rate from 22 to 21% and a huge package of public investment (in infrastructures and the renovation of hundreds of public schools), combined

with a positive trend in private sector’s wages, resulted in private consumption falling only 1,1% in 2009 and increasing 2,2% in 2010.

The serious deterioration of fiscal deficits, from 3,5% in 2008 to a record high of 10,1% in 2009, the unsustainable current account deficits (12,6% in 2008 and 10,9% in 2009) and the contagion of the sovereign debt crises of Greece and Ireland, with the corresponding external aid requests in May and November 2010 respectively, changed the macroeconomic policy approach of the Portuguese government.

Under the auspices of the European Union institutions and partners (Eurogroup and the German government) a successive chain of austerity packages (PEC1, PEC2, PEC3 and the rejected PEC4¹, leading to the resignation of the government, but subsequently incorporated in the EU and IMF external aid Program of May 2011) started a *via sacra* of policy measures and economic events that, searching to ensure fiscal and external consolidation and attaining a solid growth potential for the medium and long terms, have interrupted the fragile recovery of 2010 and will for sure be responsible for a serious and historically new double dip recession. So, after the mentioned contraction of 2,5% in 2009, the implementation of this draconian program is expected to cause a real GDP fall of 2,2% in 2011 and 1,8% in 2012, according to the (probably overoptimistic) projections of his own proponents.

The social costs of an economic adjustment of this magnitude have been and will continue to be profound. The main victims are the large thousands of persons losing jobs and those facing accrued difficulties in finding a new one, 619.000 according to the last numbers available (end of 2010) and around 750.000 or even more in the near future (the IMF projects an unemployment rate of 13,4% for 2013, a value never seen before in Portugal).

In 2010, or better still, until 17 May 2011, when the agreement for external financial support with the so called *troika* (EU, ECB and IMF) was signed, the austerity measures were relatively mild and, besides an increase in VAT’s standard rate from 21 to 23%, affected mainly civil servants. The most emblematic measures in this context were a reduction of nominal public wages between 3,5 and 10% for salaries above EUR 1.500 per month, with projected savings of 5% in the overall wage bill and a freezing of all public pensions and wages un-

der EUR 1.500. With a Consumer Price Index (CPI) of 1,4% in 2010, these measures represented a large real income loss for active civil servants (between 4,9 and 11,4%) and a small loss for retirees.

The Memorandum of Economic and Financial Policies and the corresponding Technical Memorandum of Understanding, signed by the representatives of the *troika* and the Portuguese authorities (the center-left government of Partido Socialista), with the support of the main opposition parties (Partido Social Democrata and Centro Democrático Social), of the right political spectrum, that a few days later would come to win the general elections and will in fact apply the program in coalition) contain a far reaching set of fiscal and structural adjustment measures that constitute all of a government program (curiously, and unfortunately, almost never discussed and scrutinized during the electoral campaign).

With a financial support amounting to EUR 78 billion, the program focuses on the ambitious goals of enhancing competitiveness and growth, restoring confidence and fiscal sustainability and safeguarding financial stability. The growth-enhancing reform agenda has the usual tone of increasing competition, reducing labor costs and privatizing. The financial stability requests an increase in the capital position of banks through market-based solutions, supported by a fully funded capital backstop facility, as well as safeguards to support adequate banking system liquidity and for strengthening the supervisory and regulatory framework.

The fiscal policy, however, has the most relevant impact on the living conditions of the Portuguese citizens, and deserves a more careful examination. The fiscal adjustment for the period 2011-2013 is violent, particularly in the current year, aiming at a deficit reduction of 3,2% of GDP (from 9,1 to 5,9%), followed by cuts of 1,4% and 1,5%, in order to meet the Stability and Growth Pact requirement of 3% in 2013.

On the expenditure side, the public sector employees, active or retired, are again one of the most sacrificed groups. Following the mentioned 5 percent cut in public sector nominal wages included in 2011 budget, wages and pensions will be frozen in nominal terms in 2012 and 2013, and promotions severely constrained. The corresponding real wage losses average, for the active workers, 12% in 3 years and attain 17% for nominal wages above EUR 4.200 (according to the CPI projec-

tions of the IMF). This group will also be affected by the significant reduction in the overall health benefits schemes for government employees, lowering the employer's contribution and adjusting the scope of health benefits, with savings of EUR 200 million in 2012 and 2013.

Seriously affected are also the retirees (from all sectors of activity, public or private) receiving pensions above EUR 1.500, that will suffer an income reduction according to the progressive rates applied to the wages of the public sector in 2011, with the aim of yielding at least EUR 445 million. It was also decided to suspend the application of pension indexation rules and freeze pensions, except for the lowest pensions, in 2012. The concrete terms of this exception, aiming to protect the more vulnerable persons, are not specified, being an incognita if it applies to the minimum pensions around EUR 200 (800.000 pensioners) or pensions until EUR 419 (the value of so called Index for Social Support), affecting 1.600.000 persons.

Other expenditure measures with great social impact, but not concretely defined in the program, relate to the purpose of controlling costs in the provision of public goods and services, namely in health and education systems (augmenting co-payments) and in State Owned Enterprises of the public transport sector (increasing tariffs). But the intention of protecting more vulnerable groups (with exemptions and subsidies) is also mentioned for these cases. The significant reduction of transfers to local and regional authorities, however, may impact on the living conditions of these groups and the population in general. It is worth mentioning that many services and social support are provided by local authorities.

On the revenue side, several measures will impact on the real disposable income of the Portuguese tax payers, namely: the reduction of personal income tax benefits (health, education, rents, and mortgage interest payments for owner-occupied housing, etc.); changes in property taxation, reducing the temporary exemptions for owner-occupied dwellings and updating the notional property value of real estate assets; raise VAT revenues, not by changing the rates but by reducing exemptions and moving categories of goods and services from the reduced (6%) and intermediate (13%) VAT tax rates to higher ones (a very sensitive measure, for the more vulnerable groups of society); increase excise taxes (car sales, tobacco products and electricity, this last as yet not subjected to excise taxation).

On the structural adjustment side, it was decided to prepare an action plan to reform the unemployment insurance system, along the following lines:

- reducing the maximum duration of unemployment insurance benefits to no more than 18 months (not applied to those currently unemployed);

- capping unemployment benefits at 2.5 times the social support index (IAS) and introducing a declining profile of benefits after six months of unemployment (a reduction of at least 10% in the benefit amount, only for those becoming unemployed after the reform);

- reducing the necessary contributory period to access unemployment insurance from 15 to 12 months. And a large menu of measures follows, focusing on increasing the flexibility of working time, wage setting and individual dismissals.

One of the most controversial measures of the program is the so called fiscal devaluation (a major reduction in labor costs, by means of the employers' contribution to the Social Security system – *taxa social única*, currently at 23,75% – fiscally neutral, that is to say, compensated by other taxes (on consumption?) or expenditure reductions. The competitiveness impact of this measure is small (at least for the value of 4% that was mentioned, around EUR 1,6 billion) and the risk for the sustainability of Social Security is high.

Many other measures could surely be mentioned (the Memorandum of Understanding with the *troika* – the MoU, the acronym that nowadays, and for the worst reasons, is in the mouth of everybody, not only the economists – has 37 pages), as the unprecedented cut in public investment and reevaluation of all major projects (the so called PPP – *Parcerias Público-Privadas*³) the most emblematic being the high speed train connection Lisboa-Madrid.⁴ Or the demand of accelerating the privatization program of public companies (airline, the freight branch of railways, petrol, electricity, post, and the insurance sector of CGD, “as well as a number of small firms”...). Despite the sheer violence of the recipe, we should notice that the Portuguese voters conceded 78% of their votes to the parties that signed the agreement.⁵

However, the projected trends for real GDP and the components of demand in 2011 and 2012 seem overoptimistic. Looking at previous experiences of recessions in

Portugal (see Appendix, Table 7) it is absolutely amazing the slowdown expected for private and public consumption. Were it not for the optimistic forecasts concerning export growth and import reduction, the global scenario would look much worse. And that these are indeed very complex and peculiar times for the macro economy of the peripheral countries of Euroland is the least we can say.

Concluding Remarks

Considering the depth and the persistence of the aforementioned structural weaknesses of the Portuguese economy, we can ask ourselves whether they may be overcome with a three year adjustment programme, even though draconian. Up to the present time, many attempts have been made to solve these problems internally, but with low levels of success. The current situation differs radically from the past, given the external ruling and close monitoring by the troika. With more than two hundred specific measures, the programme is not only very detailed but also imposes quarterly goals that should be strictly reached by the Portuguese authorities. However, the fact remains that the interest rate associated with the loan taken by Portugal is probably too high to be payable, since it corresponds to a level above the sum of foreseeable inflation and GDP growth. That is to say, the debt service has a crescent relative importance, meaning an also crescent burden on the economy in its whole. Therefore, we can wonder whether this shock therapy will cure the disease at the cost of killing the patient. As we know, these measures can provoke serious strain in a society that already ranks among the most unequal in all of the European Union, leading to social protest movements, political unrest (even in a scenario of a coalition government enjoying a majority support) and also – and crucially – the deepening of the current brain drain, especially youngsters, with its reinforcing looping effects on the declining competitiveness.

We must add to those traits the fact that in the case of previous IMF “interventions” in Portugal, during the 70s and the 80s, the main road to overcome problems has precisely consisted of monetary devaluation, and therefore of export enhancing, which is of course a strict impossibility within the present context. Alternatives to the prescribed medicine seem, however, for the moment, very far away, to say the least:

■ Be it the deepening of European integration, with the partial freeing of peripheries from present liquidity strictures by the emission of Eurobonds or some equivalent measures – which in turn would probably compromise the global position of Euro as a candidate to world-money, arguably inducing the raising of both interest and inflation for the whole of the European space.

■ Be it the fast growth of the relative weight of a truly European budget, allowing transfers capable of compensating EMU present imbalances – which would obviously cause various legal problems that would have to be dealt via a profound reform of the European institutions and forms of governance.

■ Be it, finally, an exit from Euroland (with a potential domino effect on a considerable part of Euro area) with the correspondent competitive devaluation – which would pose several problems, such as the likely reactions of both exports and imports to the exit, the need to carry on with capital controls as a way of avoiding or minimizing speculative vortexes, the need to go into default and proceed to several debt haircuts, the question of the “long” or “short” memory of creditors concerning Portugal’s return to markets in order to obtain financings, etc. (As to this, see Lapavitsas et al. 2010a and 2010b, Krugman and Weisbrot 2011).

A less radical scenario, would be a voluntary renegotiation (not default) of sovereign debts, whether in maturities or/and interest rates, that would alleviate the financial burden, giving time to allow a smooth adjustment and reform of the real component of the concerned economies, particularly fiscal consolidation and competitiveness restoring. This is probably a strategic move that is being delayed beyond what is reasonable, for the protection of creditors (mainly banks) and at the expense of the sacrificed populations of the Euro zone periphery.

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Endnotes

1PEC is the acronym of *Programa de Estabilidade e Crescimento*, i.e. Stability and Growth Program, a request for every EMU member country to regularly communicate to the European Union authorities the policy measures undertaken to assure macroeconomic stability, if not necessarily (sustained) economic growth.

2This was one of the few measures of the program extensively discussed in the electoral campaign, but in an inconclusive way (besides the firm rejection from the left and the resolute apology from the right, but not with a single number).

3Public Private Partnerships.

4Another hot subject of political debate in the campaign, with the fierce opposition of the right that now on the government will have to decide on the matter.

5In the general elections of June 5, 2011, the political parties supporting the program (PSD, PS and CDS) obtained 78% of

the votes and the right wing parties caught more than 50% of the votes, forming a coalition in the incoming government).

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Appendix

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	-0,4	0,6	0,3	0,8	0,1	-0,1	0,1	-1,5	-0,3	-0,4
Portugal	-10,3	-8,3	-6,5	-8,4	-10,4	-10,7	-10,1	-12,6	-10,9	-9,9
Greece	-7,2	-6,5	-6,6	-5,9	-7,4	-11,2	-14,4	-14,7	-11,0	-10,4
Ireland	-0,6	-1,0	0,0	-0,6	-3,5	-3,6	-5,3	-5,7	-3,0	-0,7
Spain	-3,9	-3,3	-3,5	-5,3	-7,4	-9,0	-10,0	-9,7	-5,5	-4,5
Italy	-0,1	-0,8	-1,3	-0,9	-1,7	-2,6	-2,4	-2,9	-2,1	-3,5
Germany	0,0	2,0	1,9	4,7	5,1	6,5	7,6	6,7	5,0	5,3

Table 1 Current Account Balance: Portugal and other Euro zone countries (% of GDP)

Source: AMECO – Annual Macro-economic Database, EU

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total economy	46,9	55,2	57,2	61,8	67,9	78,6	89,0	96,1	110,4	107,5
Monetary Authorities	-12,3	-11,2	-13,8	-8,1	-6,3	-9,6	-10,0	-2,8	-2,3	13,3
State	27,2	32,8	33,1	36,7	42,7	42,0	42,7	47,9	54,5	46,2
Banks	39,2	42,1	44,6	37,7	36,7	49,1	55,0	43,8	46,2	32,8
Other Financial Inst.	-18,6	-18,9	-14,7	-13,3	-16,8	-19,3	-16,1	-2,5	-3,6	-2,4
Households + firms	11,3	10,3	8,0	8,8	11,5	16,5	17,3	9,6	15,6	17,6

Table 2 Net International Investment Position: Portugal (% of GDP)

Source: Banco de Portugal, Annual Report, 2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	-1,9	-2,6	-3,1	-2,9	-2,5	-1,4	-0,7	-2,0	-6,3	-6,0
Portugal	-4,3	-2,9	-3,0	-3,4	-5,9	-4,1	-3,1	-3,5	-10,1	-9,1
Greece	-4,5	-4,8	-5,6	-7,5	-5,2	-5,7	-6,4	-9,8	-15,4	-10,5
Ireland	0,9	-0,3	0,4	1,4	1,6	2,9	0,1	-7,3	-14,3	-32,4
Spain	-3,1	-2,9	-3,5	-3,5	-4,3	-3,4	-1,5	-2,7	-5,4	-4,6
Italy	-3,1	-2,9	-3,5	-3,5	-4,3	-3,4	-1,5	-2,7	-5,4	-4,6
Germany	-2,8	-3,7	-4,0	-3,8	-3,3	-1,6	0,3	0,1	-3,0	-3,3

Table 3 General Government Fiscal Balance (% of GDP)

Source: AMECO

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Euro zone	68,2	68,0	69,1	69,5	70,1	68,5	66,3	70,0	79,4	85,3
Portugal	51,2	53,8	55,9	57,6	62,8	63,9	68,3	71,6	83,0	93,0
Greece	103,7	101,7	97,4	98,6	100,0	106,1	105,4	110,7	127,1	142,8
Ireland	35,6	32,2	31,0	29,7	27,4	24,8	25,0	44,4	65,6	96,2
Spain	55,5	52,5	48,7	46,2	43,0	39,6	36,1	39,8	53,3	60,1
Italy	108,8	105,7	104,4	103,9	105,9	106,6	103,6	106,3	116,1	119,0
Germany	58,8	60,4	63,9	65,8	68,0	67,6	64,9	66,3	73,5	83,2

Table 4 General Government Fiscal Debt (% of GDP)

Source: AMECO

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Aver
Euro zone	1,9	1,0	0,8	1,9	1,8	3,2	2,8	0,3	-4,1	1,7	1,1
Portugal	2,0	0,7	-0,9	1,6	0,8	1,4	2,4	0,0	-2,5	1,3	0,7
Greece	4,2	3,4	5,9	4,4	2,3	4,5	4,3	1,3	-2,3	-3,4	2,4
Ireland	5,7	6,6	4,4	4,6	6,0	5,3	5,6	-3,6	-7,6	-1,0	2,5
Spain	3,6	2,7	3,1	3,3	3,6	4,0	3,6	0,9	-3,7	-0,1	2,1
Italy	1,7	0,5	0,1	1,4	0,8	2,1	1,4	-1,3	-5,2	1,2	0,2
Germany	1,4	0,0	-0,2	0,7	0,9	3,6	2,8	0,7	-4,7	3,5	0,8

Table 5 Real GDP Annual Growth Rate (%)

Source: IMF (2011), Country Report No. 11/127 – Portugal

	2005	2006	2007	2008	2009
Euro zone	29.2	29.1	29.9	30.1	30.0
Portugal	38.1	37.7	36.8	35.8	35.4
Greece	33.2	34.3	34.3	33.4	33.1
Ireland	31.9	31.9	31.3	29.9	28.8
Spain	31.8	31.2	31.3	31.3	32.3
Italy	32.8	32.1	32.3	31.0	31.5
Germany	26.1	26.8	30.4	30.2	29.1

Table 6 Inequality of Income Distribution – Gini Coefficient

Source: AMECO

Years	GDP	Personal Consumption	Public Consumption	Investment	Exports	Imports
1984	-1	0	0	-11,8	14,3	-2,1
1993	-0,7	0,6	0,5	-8,8	1,5	-1,8
2003	-0,9	-0,2	0,4	0,4	3,6	-0,4
2009	-2,5	-1,1	3,7	-11,2	-11,6	-10,6
2011	-2,2	-4,3	-6,8	-9,9	6,2	-5,3
2012	-1,8	-4,4	-4,8	-7,4	6	-3

Table 7 Real GDP and Demand Components on Recession Years: Portugal (year on year percent change)

Note: Source for values until 2009 – AMECO and own calculations;

source for values of 2011 and 2012 – projections of IMF (2011), Country Report No. 11/127 – Portugal