ECONOMIC AND POLITICAL ASPECTS OF THE PERSISTING CRISIS IN SOUTHERN EUROPE[1]

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Abstract

'Globalist' discourse became largely hegemonic in our cultural environment, one of the consequences of such hegemony, albeit mostly a performative one, being the crisis of nation-state and sovereignty. This nadir of sovereignty really expresses and reinforces a political process of mass disfranchisement, whereby democratic institutions are rendered irrelevant. The Euro experiment and the correspondent 'Europeanist' discourse ought to be understood fundamentally within this generic frame, although with a number of important specificities.

Meanwhile, a big economic crisis has deeply injured the social fabric of most Southern Europe countries, worsening Euroland's regional discrepancies and producing a situation of seemingly permanent 'zero-growth' for various countries, namely Italy, Greece and Portugal. This can, however, become an occasion to interrupt the dogmatic slumber induced by Europeanism, a discussion that directly implies the consideration of multiple political aspects, relevant not only for the countries more directly impoverished, but really to all Eurozone members.

This paper regards the evolution of various southern European economies since the beginning of this century, with particular emphasis on the Portuguese case, and suggests a confrontation with aspects referring to political attitudes.

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The central ideas argued in this paper are that integration in the Eurozone has been rather injuring, indeed almost catastrophic to Portuguese economy and society; and that there is a high probability that it will continue to be so. The reasons for such state of affairs are manifold, having been argued by a number of authors, among whom a mention is due at least to Lapavitsas *et al.* (2010a, 2010b, 2011), Krugman (2012a, 2012b), Weisbrot and Montecino (2012), Jacques Sapir (2013, 2014), Streeck (2014, 2016) and Stiglitz (2016), besides various Portuguese commentators, namely João Ferreira do Amaral (2013, 2014), Octávio Teixeira, Jorge Bateira, João Rodrigues and Nuno Teles. The perception of facts constitutes, however, a totally different subject-matter. In Portugal, as besides in most southern European countries, a vast, overwhelming political and cultural consensus favorable to the Euro persists, including the so-called 'arch of governance', i.e. the two alternating dominant parties (PS and PSD), plus center-right CDS-PP, adding also the Europeanist Left: mostly Left Block but also a number of smaller groups.

This consensus is nourished by an important number of private associations, think-tanks, clubs, foundations, etc., and above all by the mainstream media, both private and public. In generic terms, this huge constellation of forces has endorsed, and fundamentally still upholds the ideas that European integration, and specifically European currency integration, has predominantly been a good thing for Portugal (the country's presumable situation thus being worse in the hypothetical case of Portuguese previous exit); and/or that *another Europe is possible*, meaning that the possible wrongdoings that European integration may have caused to Portugal have mostly been unintended effects, or merely 'collateral damage', a set of reforms incorporating the fundamental Portuguese interests thus being possible, and indeed feasible with the present institutional European framework.

SOME PROBLEMS WITH ACTUALLY EXISTING EUROPEAN INTEGRATION

To make things clear, our opinion is neatly opposed to those above expressed; in other terms, we sustain that European integration, and especially currency integration, tends to hinder the long run evolution of Portuguese economy, a fact that is sometimes obfuscated by the data referring to very short term evolution, the one that is more often presented and discussed. The reasons are offered with more detail below, but we must mention immediately that the unfeasibility of competitive devaluations is arguably the single most important aspect concerning this problem. However, the impossibility to ensue discretionary polices supporting this or that economic sector is also something to carefully take into consideration. As a matter of fact, the very prevalence of European laws and deliberations over national laws and deliberations, one important constituent part of European integration, frequently tends also to be harmful in the long run to the less develop regions/countries (thus increasing regional discrepancies), and therefore the reduction of the margin of political decision of European nation-states to the one of typical federal states, or indeed mere entities such as administrative regions, is something worth considering with more detail, although that is not the main focus of this paper.

Besides these strictly economic aspects, though, it should also be mentioned that the very spirit of European currency integration is arguably unconstitutional from a Portuguese perspective, and is clearly associated with a generically antidemocratic purpose. Having a rather long pedigree in terms of economic ideas, and particularly referring to the group of cogitations usually known as *public choice*, the main purpose in this case was, from the very incept, to render the European political life somehow 'elections-free', by building a group of central (supranational) institutions openly independent from the so-called 'electoral cycle' of each and every member-country: which refers to both the parliaments of each member-state and also the allegedly 'proto-federal' European Parliament, indeed a mostly decorative, politically all but empty institution.

The important, indeed decisive political disenfranchisement that in practical terms directly results from Eurozone membership, its relevant antidemocratic aspects notwithstanding, would however likely go mostly unnoticed under the frequent *low-profile*, gradual, smooth, slow-motion techniques of procedure that are usually the main characteristic of European integration, if it hadn't been the eruption of the economic crisis starting in 2008. This crisis has really revealed not only the miserable economic condition of various countries of the European southern periphery, but also their/our even more miserable political condition. By this time, via the so-called 'Troika' interventions in countries such as Portugal and Greece, it must be rather obvious that this institutional framework transformed the political systems of these countries in mere holograms of democracies, destined to 'minor' peoples, societies of political castrati as undeniably 'we the European peoples' became, and particularly 'we the Southern European peoples'.

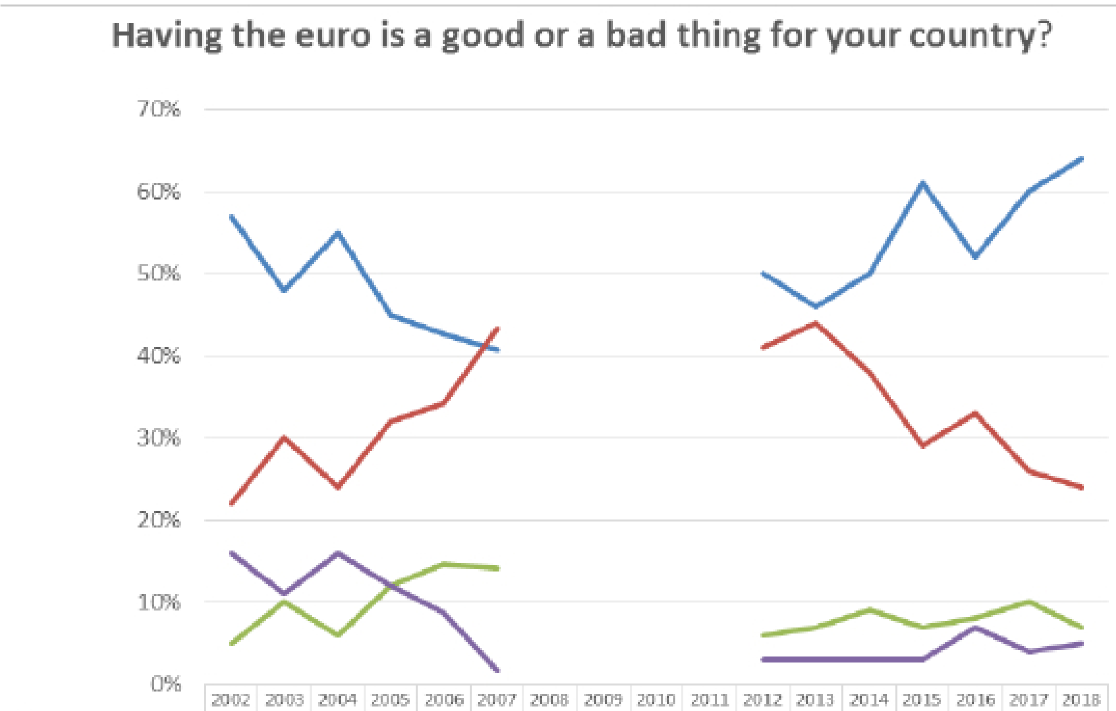
Mainstream perceptions of this state of things are, however, very far from the brief diagnosis we just presented, especially because of the permanent propaganda (or consensus-manufacturing) of EU's alleged virtues, and particularly the notions that it is intrinsically well-intended; that it will take care of 'us' (meaning the southern European nations) and not let 'us' down; that it is quite susceptible of a group of 'reforms' that will suppress its potentially 'nasty' aspects and enhance the 'nice' ones, etc. This broad intellective framework has a clear ideological bias. The essential fact is that the economic, political and academic elites of most of these countries tend themselves to be largely beneficiary (although, as to academic elites, really mere side beneficiaries) of this generic condition. For the sake of argument, imagine, for an average researcher in social sciences or economics, the endeavor of submitting a project on any topic, and doing more or less the same ceteris paribus, but emphatically appealing to 'European' facets: obviously, the chances to obtain a financial support immediately multiply; but on the other hand if the results from research start pointing seemingly into the 'wrong' direction, it will much probably be rapidly downsized, if not completely shut down…

The fact remains, however, that the vast majority of the population of these countries is not in conditions to 'spontaneously' obtain an enlightenment (much less a clairvoyance) that would explicitly induce the formulation of the idea of 'exit' as a solution, rather on the contrary. One of the regrettable side-effects of this state of things has been, in various European countries, the irruption of ultra-nationalistic, xenophobic political tendencies (usually designated under the very ambiguous expression of "populism"), that tend themselves to be mostly a 'part of the problem', but above all must be considered a consequence of mainstream Europeanism and European integration, although simultaneously configuring an equivocated, misguided response to it. In other cases, and more specifically in the Portuguese case, the majority of the population remains captive of a 'dependency’ vis-à-vis the EU that seems to reside in the collective psyche as much as in the economic and political structures; which is at least as much a mental or psychological condition (and of course also a sociological one, at least in the sense that it configures a generalized trait) as it is an economic and political one: somehow a variety of the celebrated 'Stockholm syndrome' that arguably would be more aptly designated in this case as 'Lisbon syndrome'. The way ahead in order to obtain popular information/education constitutes thus a rather long, and presumably also a very rugged trail. The main purpose of this text is, however, to start treading it.

PORTUGAL WITHIN THE SOUTHERN EUROPEAN CONTEXT: A SOCIOECONOMIC PORTRAIT

Let us begin this digression with a typical sociological enquiry. What is the majority's opinion regarding the goodness (or not) of Portugal's belonging to Euroland. Our data were obtained via the Eurobarometer. The main aspects to notice are: the initial (2002) prevalence of "Yes", followed by a progress of negative answers, which become a majority in 2007, but positive answers recovering and prevailing again since 2012 (for the years 2008-2011, somewhat mysteriously, there are no data available), and moreover resuming a predominantly upwards trajectory. Those considering the Euro to be a good thing for Portugal are indeed a higher number in 2018, sixty-four per cent of the inquired, than those producing the same judgement back in 2002, fifty seven per cent (see Graphic 1, cf. also Lunas-Aroca *et al*. 2001; Graça et al 2011).

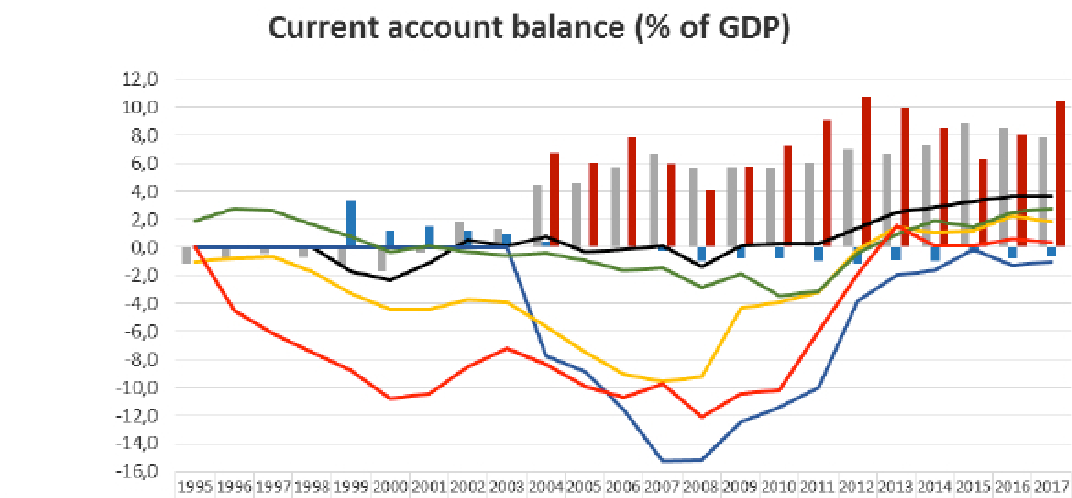
GRAPHIC 1



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A good thing	57%	48%	55%	45%	43%	41%					50%	46%	50%	61%	52%	60%	64%
A bad thing	22%	30%	24%	32%	34%	43%					41%	44%	38%	29%	33%	26%	24%
Can't decide	5%	10%	6%	12%	15%	14%					6%	7%	9%	7%	8%	10%	7%
Don't know	16%	11%	16%	12%	9%	2%					3%	3%	3%	3%	7%	4%	5%

Exchanging the incursions on the realm of perceptions for the analysis of economic factuality, we must start by highlighting, when we consider the European situation since the decade of the 1990s (the period when exchange rates were rendered constant, immediately before the creation of Euro), the consistent trend for the accumulation of deficits in the current accounts of most peripheral countries, the so-called 'PIGS': Portugal, Italy, Greece and Spain. This tendency was practically the exact reverse of the center's trend for the accumulation of surpluses, as evidenced in Graphic 2 (below). On the whole of Euro Area (19 countries) the current account may be said to be balanced. After 2008 (in the case of Italy, after 2010), given the 'austerity' measures inflicted, the peripheral countries obtained a balancing of their accounts, mostly via substantial reductions of imports (induced by the shrinkage of incomes, see below). Globally, after 2011, with the reduction of deficits in PIGS and the persistence of surpluses in the core, the EU apparently reveals a slow trend for a global surplus, arguably indicating the possibility, or even the convenience of a slight appreciation of the common currency vis-à-vis third countries.

Graphic 2

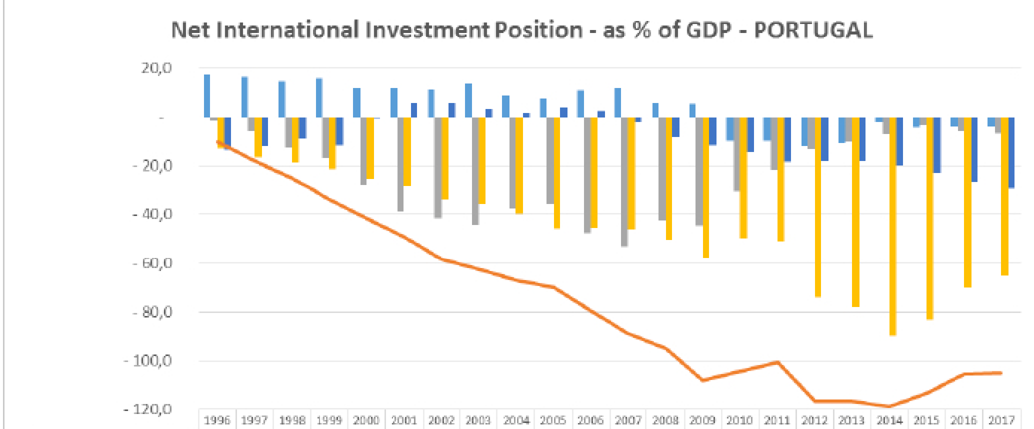


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	-1,2	-0,7	-0,5	-0,7	-1,4	-1,7	-0,4	1,9	1,4	4,5	4,6	5,7	6,7	5,6	5,7	5,6	6,1	7,0	6,7	7,4	8,9	8,5	7,9
France					3,4	1,2	1,5	1,2	0,9	0,4	0,0	0,0	-0,3	-1,0	-0,8	-0,8	-1,0	-1,2	-0,9	-1,0	-0,4	-0,8	-0,6
Netherlands										6,8	6,1	7,9	6,0	4,1	5,8	7,3	9,1	10,8	10,0	8,5	6,3	8,1	10,5
Euro area (19)					-1,7	-2,3	-1,1	0,5	0,1	0,8	-0,3	-0,2	0,1	-1,4	0,1	0,3	0,3	1,4	2,5	2,9	3,3	3,7	3,7
Greece										-7,7	-8,9	-11,	-15,	-15,	-12,	-11,	-10,	-3,8	-2,0	-1,6	-0,2	-1,3	-1,0
Spain	-1,0	-0,8	-0,7	-1,7	-3,3	-4,4	-4,4	-3,7	-3,9	-5,6	-7,5	-9,0	-9,6	-9,2	-4,3	-3,9	-3,2	-0,2	1,5	1,1	1,2	2,3	1,8
Italy	1,9	2,8	2,6	1,7	0,8	-0,3	0,1	-0,3	-0,6	-0,4	-0,9	-1,6	-1,5	-2,9	-1,9	-3,5	-3,1	-0,4	1,0	1,9	1,5	2,5	2,8
Portugal		-4,5	-6,2	-7,5	-8,8	-10,	-10,	-8,5	-7,2	-8,3	-9,9	-10,	-9,7	-12,	-10,	-10,	-6,0	-1,9	1,6	0,1	0,1	0,6	0,4

Small discrepancies aside, the 'big picture' of Euroland thus evidences, previously to the economic crisis starting in 2008, a currency that was overvalued regarding the needs of the periphery, with the correspondent occurrence of big deficits here. In the core countries, oppositely, the trend was for the accumulation of surpluses, arguably the consequence of an exchange-rate that presumably should be corrected via a small appreciation. With the subsequent 'internal devaluation' of the peripheral countries the problems of their imbalances disappeared, but at the same time the surpluses grew in Germany and the Netherlands, with the EU globally getting a neatly positive balance. Regarding this, the most relevant national aspect is probably the fact that France has shifted during this period from a globally positive into a slightly negative position.

The corollary of this situation was the accumulation of an enormous external debt, or net 'international investment position', in the case of peripheral countries, and more specifically Portugal. Synthetically, economic agents have consistently consumed 'above their possibilities' in the accounting sense of the expression, meaning that facing the lack of competitiveness of Portuguese products and the competitiveness of foreigners (both of them a consequence of currency's overvaluation, see above), there was a visible tendency to consume by appealing to credit, which took banks to get indebted abroad, an operation in turn rendered easier by the lowering of the interest rates. Considered under another perspective, this trend for external indebtedness expresses a dislocation of resources from the production of 'tradeable' unto 'non-tradeable' goods, and particularly real estate. Regarding Portugal, let us make this clear: it was not mostly the Portuguese state (and initially not the Portuguese state at all) to get indebted, although in the end that also occurred. Basically, it is fair to say that too many people bought their houses via credit in the decade previous to 2008, that interest rates were reduced and that therefore this branch of businesses was particularly enhanced. Such an 'imbalance' would, under 'normal' circumstances, have been corrected by a therapy mixing currency devaluation and a raising of interest rates. In the absence of such measures, the obvious alternative was the so-called 'internal devaluation' to which the country was explicitly submitted at least since 2011. As to the evolution of Portuguese external 'net debt', see Graphic 3 below).

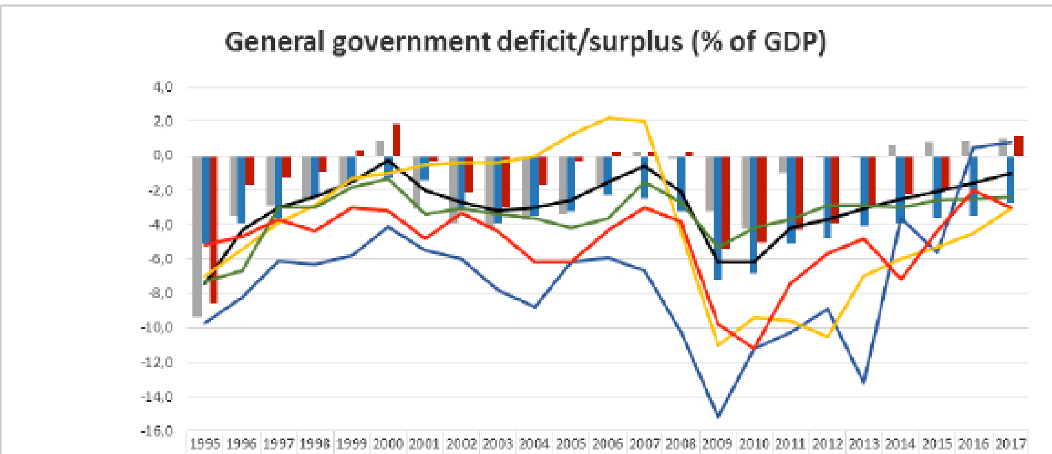
Graphic 3



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Monetary Authority	17,5	16,4	14,7	15,7	12,0	12,1	11,3	14,1	8,9	7,6	11,2	12,1	5,7	5,4	- 9,8	- 9,8	- 11,9	- 10,3	- 1,8	- 4,1	- 3,9	- 3,9
Banks	- 1,5	- 5,7	- 12,4	- 16,7	- 27,8	- 38,8	- 41,6	- 44,2	- 37,5	- 35,7	- 47,7	- 53,2	- 42,2	- 44,5	- 30,5	- 21,6	- 12,9	- 10,0	- 7,2	- 3,4	- 5,5	- 6,7
General Government	- 12,6	- 16,5	- 18,6	- 21,4	- 25,2	- 28,2	- 34,0	- 35,7	- 39,8	- 45,7	- 45,3	- 45,9	- 50,5	- 57,4	- 49,9	- 50,9	- 73,7	- 78,1	- 89,8	- 83,1	- 69,7	- 64,8
Other Sectors	- 13,5	- 11,8	- 8,5	- 11,6	- 0,4	5,8	5,9	3,4	1,6	3,9	2,4	- 1,8	- 8,2	- 11,4	- 14,1	- 18,4	- 18,0	- 17,9	- 19,9	- 22,6	- 26,4	- 29,5
Total	- 10,1	- 17,7	- 24,9	- 34,0	- 41,5	- 49,0	- 58,4	- 62,4	- 66,7	- 69,9	- 79,3	- 88,8	- 95,1	- 107,	- 104,	- 100,	- 116,	- 116,	- 118,	- 113,	- 105,	- 104,

The most important problem of Portuguese economy, at least previously to the international crisis, should therefore be diagnosed as one of low competitiveness and thus an excessive leaning to external deficit. However, the public opinion (both internally and abroad) was instead presented mostly the assertion that there was an allegedly excessive public deficit. As a matter of fact, given the Maastrichtian orthodoxy the Portuguese economy presented deficits above the 'sacrosanct' limit (3% of GDP), thus presumably evidencing a problem. Yet still, that deficit was very far from deserving full condemnation, and it is deemed to be 'unbearable' only within the strict neoliberal mind frame underlying the 'European construction'. Besides, regarding this criterion the Portuguese situation is clearly less dramatic than the ones of various other European countries, such as evidenced by Graphic 4.

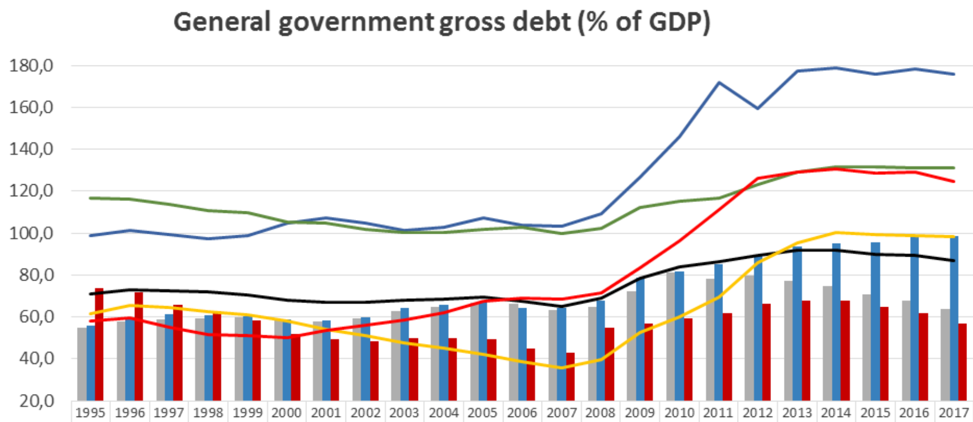
Graphic 4



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	-9,4	-3,5	-2,9	-2,5	-1,7	0,9	-3,1	-3,9	-4,2	-3,7	-3,4	-1,7	0,2	-0,2	-3,2	-4,2	-1,0	-0,1	-0,1	0,6	0,8	0,9	1,0
France	-5,1	-3,9	-3,6	-2,4	-1,6	-1,3	-1,4	-3,1	-3,9	-3,5	-3,2	-2,3	-2,5	-3,2	-7,2	-6,8	-5,1	-4,8	-4,1	-3,9	-3,6	-3,5	-2,7
Netherlands	-8,6	-1,7	-1,3	-0,9	0,3	1,9	-0,3	-2,1	-3,0	-1,7	-0,3	0,2	0,2	0,2	-5,4	-5,0	-4,3	-3,9	-2,9	-2,2	-2,0	0,0	1,2
Euro area (17)	-7,4	-4,3	-3,0	-2,4	-1,5	-0,3	-2,0	-2,7	-3,2	-3,0	-2,6	-1,5	-0,6	-2,1	-6,2	-6,2	-4,2	-3,7	-3,1	-2,5	-2,1	-1,6	-1,0
Greece	-9,7	-8,2	-6,1	-6,3	-5,8	-4,1	-5,5	-6,0	-7,8	-8,8	-6,2	-5,9	-6,7	-10,2	-15,2	-11,2	-10,3	-8,9	-13,2	-3,6	-5,6	0,5	0,8
Spain	-7,0	-5,4	-3,9	-2,9	-1,3	-1,0	-0,5	-0,4	-0,4	0,0	1,2	2,2	2,0	-4,4	-11,0	-9,4	-9,6	-10,5	-7,0	-6,0	-5,3	-4,5	-3,1
Italy	-7,3	-6,7	-3,0	-3,0	-1,8	-1,3	-3,4	-3,1	-3,4	-3,6	-4,2	-3,6	-1,5	-2,7	-5,3	-4,2	-3,7	-2,9	-2,9	-3,0	-2,6	-2,5	-2,4
Portugal	-5,2	-4,7	-3,7	-4,4	-3,0	-3,2	-4,8	-3,3	-4,4	-6,2	-6,2	-4,3	-3,0	-3,8	-9,8	-11,2	-7,4	-5,7	-4,8	-7,2	-4,4	-2,0	-3,0

If the previous graphics immediately evidence the falsehood of the diagnosis pointing to excessive public deficits or public spending previously to 2008, the next ones, referring to public debt, permit to make clear that the Portuguese situation was really less problematic than European Union's average, or at the most in the vicinity of this one. Only after the bursting of the bubble correspondent to the crisis of 2008, public intervention in the rescuing of private financial institutions and the so-called 'crisis of sovereign debts' did Portuguese public indebting decidedly surpass the European average as a percentage of GDP, such as demonstrated by Graphic 5, where the Portuguese case is compared both with the situation of other 'PIGS' and the evolution of core countries.

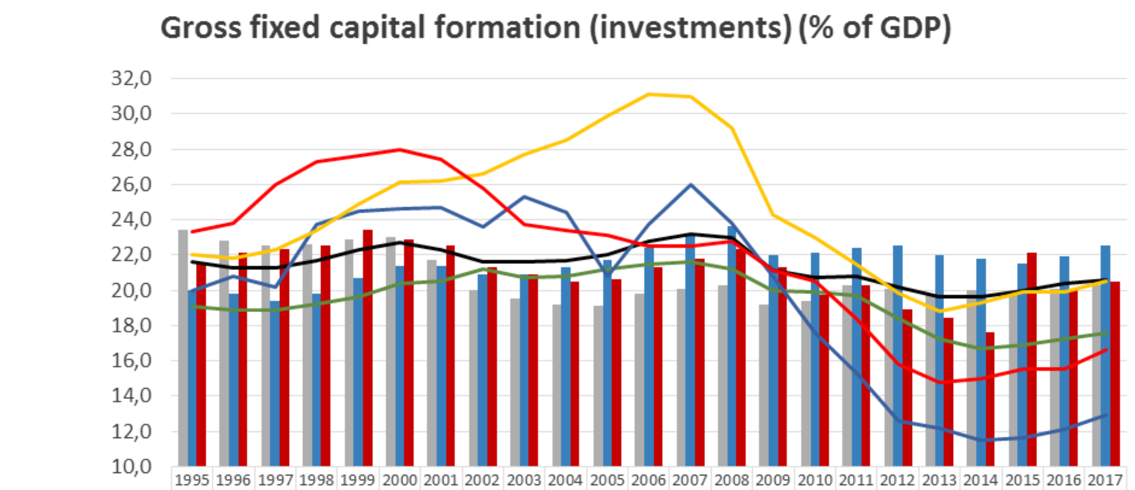
Graphic 5



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	54,8	57,6	58,8	59,4	60,0	58,8	57,6	59,2	62,9	64,7	66,9	66,3	63,5	64,9	72,4	81,0	78,3	79,6	77,4	74,5	70,8	67,9	63,9
France	55,8	59,7	61,1	61,0	60,2	58,6	58,1	60,0	64,1	65,7	67,1	64,4	64,3	68,0	78,9	81,6	85,2	89,5	93,4	94,9	95,6	98,2	98,5
Netherlands	73,6	71,6	65,9	62,8	58,5	51,8	49,2	48,5	49,7	49,9	49,3	44,8	42,7	54,8	56,9	59,3	61,6	66,4	67,7	67,9	64,6	61,9	57,0
Euro area (18)	70,9	72,8	72,3	71,9	70,7	68,1	67,1	67,0	68,2	68,6	69,3	67,5	65,1	68,8	78,5	84,0	86,3	89,6	91,7	92,0	90,0	89,2	87,0
Greece	99,0	101,3	99,5	97,4	98,9	104,9	107,1	104,9	101,5	102,9	107,4	103,6	103,1	109,4	126,7	146,2	172,1	159,6	177,4	178,9	175,9	178,5	176,1
Spain	61,7	65,6	64,4	62,5	60,9	58,0	54,2	51,3	47,6	45,3	42,3	38,9	35,6	39,5	52,8	60,1	69,5	85,7	95,5	100,4	99,3	99,0	98,1
Italy	116,9	116,3	113,8	110,8	109,7	105,1	104,7	101,9	100,5	100,1	101,9	102,6	99,8	102,4	112,5	115,4	116,5	123,4	129,0	131,8	131,6	131,4	131,2
Portugal	58,3	59,5	55,2	51,8	51,0	50,3	53,4	56,2	58,7	62,0	67,4	69,2	68,4	71,7	83,6	96,2	111,4	126,2	129,0	130,6	128,8	129,2	124,8

Briefly, the assertion is true that until 2008 Portugal had no problem of excessive public spending. It was the period of the furious 'austerity', not the previous one of the alleged and much defamed 'spending orgy' that generated the present dramatic situation. Another aspect worth separate consideration, and with more detail, is the one of the negative evolution of the 'gross fixed capital formation', a variable very closely associated with the economy's levels of productivity in future periods. In the Portuguese case, GFCF as a percentage of GDP has declined in a worrisome way: see Graphic 6.

Graphic 6

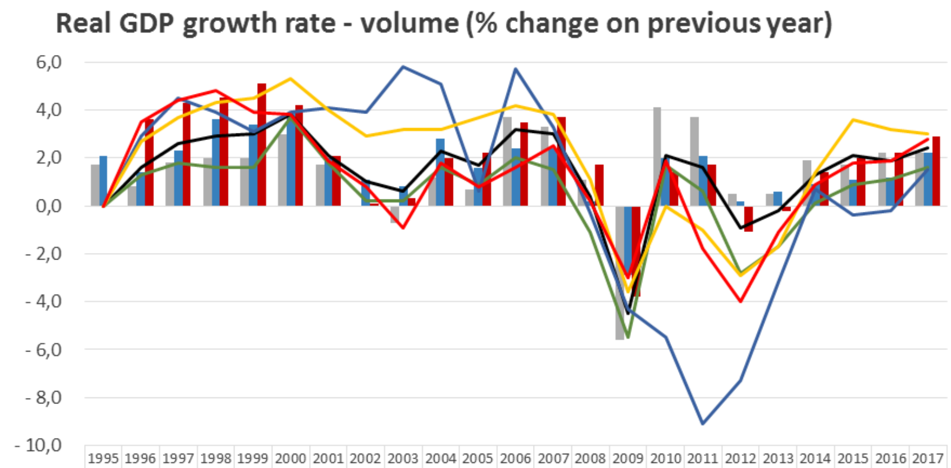


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	23,4	22,8	22,5	22,6	22,9	23,0	21,7	20,0	19,5	19,2	19,1	19,8	20,1	20,3	19,2	19,4	20,3	20,1	19,7	20,0	19,9	20,1	20,3
France	20,0	19,8	19,4	19,8	20,7	21,4	21,4	20,9	20,9	21,3	21,7	22,4	23,1	23,6	22,0	22,1	22,4	22,5	22,0	21,8	21,5	21,9	22,5
Netherlands	21,6	22,1	22,3	22,5	23,4	22,9	22,5	21,3	20,9	20,5	20,6	21,3	21,8	22,3	21,3	19,7	20,3	18,9	18,4	17,6	22,1	20,0	20,5
Euro area (19)	21,6	21,3	21,3	21,7	22,3	22,7	22,3	21,6	21,6	21,7	22,0	22,8	23,2	23,0	21,1	20,7	20,8	20,2	19,6	19,6	20,0	20,4	20,6
Italy	19,1	18,9	18,9	19,2	19,6	20,4	20,5	21,2	20,7	20,8	21,2	21,5	21,6	21,2	20,0	19,9	19,7	18,4	17,2	16,7	16,9	17,2	17,6
Greece	20,0	20,8	20,2	23,7	24,5	24,6	24,7	23,6	25,3	24,4	20,8	23,7	26,0	23,8	20,8	17,6	15,3	12,6	12,2	11,5	11,6	12,1	12,9
Spain	22,0	21,8	22,3	23,4	24,9	26,1	26,2	26,6	27,7	28,5	29,9	31,1	31,0	29,2	24,3	23,0	21,5	19,8	18,8	19,3	19,9	19,9	20,5
Portugal	23,3	23,8	26,0	27,3	27,6	28,0	27,4	25,8	23,7	23,4	23,1	22,5	22,5	22,8	21,1	20,5	18,4	15,8	14,8	15,0	15,5	15,5	16,6

In the case of GFCF we are referring to investments to be rendered profitable within a considerably long time spam, and therefore the repercussions in future levels of productivity are, we repeat, a very serious subject-matter. Again, austerity's official 'therapy' has mostly made problems worse, and in a considerable degree: regarding this variable, Portugal is below the European average since 2010, when instead its condition as a relatively poor country renders levels above the European average desirable, and indeed expectable. Considering the evolution of GFFC in volume we obtain a generic confirmation of this trend.

The repercussions of all this in the rhythms of growth of GDP are undeniable. Moreover, membership of the imaginary 'rich people's club' that Euroland would supposedly constitute has revealed to be a sharply negative, indeed disastrous thing, if we consider the fact that until de Euro experiment Portuguese economy grew systematically quicker than the European average, with the situation experiencing a permanent inversion ever since. Until the Euro Portugal systematically 'catches up' with those ahead, but since then it gradually lags behind: see Graphic 7.

Graphic 7



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	1,7	0,8	1,8	2,0	2,0	3,0	1,7	0,0	- 0,7	1,2	0,7	3,7	3,3	1,1	- 5,6	4,1	3,7	0,5	0,5	1,9	1,7	2,2	2,2
France	2,1	1,4	2,3	3,6	3,4	3,9	2,0	1,1	0,8	2,8	1,6	2,4	2,4	0,2	- 2,9	2,0	2,1	0,2	0,6	0,9	1,1	1,2	2,2
Netherlands		3,6	4,3	4,5	5,1	4,2	2,1	0,1	0,3	2,0	2,2	3,5	3,7	1,7	- 3,8	1,4	1,7	- 1,1	- 0,2	1,4	2,0	2,2	2,9
Euro area (19)		1,6	2,6	2,9	3,0	3,8	2,1	1,0	0,6	2,3	1,7	3,2	3,0	0,4	- 4,5	2,1	1,6	- 0,9	- 0,2	1,3	2,1	1,9	2,4
Italy		1,3	1,8	1,6	1,6	3,7	1,8	0,2	0,2	1,6	0,9	2,0	1,5	- 1,1	- 5,5	1,7	0,6	- 2,8	- 1,7	0,1	0,9	1,1	1,6
Greece		2,9	4,5	3,9	3,1	3,9	4,1	3,9	5,8	5,1	0,6	5,7	3,3	- 0,3	- 4,3	- 5,5	- 9,1	- 7,3	- 3,2	0,7	- 0,4	- 0,2	1,5
Spain		2,7	3,7	4,3	4,5	5,3	4,0	2,9	3,2	3,2	3,7	4,2	3,8	1,1	- 3,6	0,0	- 1,0	- 2,9	- 1,7	1,4	3,6	3,2	3,0
Portugal		3,5	4,4	4,8	3,9	3,8	1,9	0,8	- 0,9	1,8	0,8	1,6	2,5	0,2	- 3,0	1,9	- 1,8	- 4,0	- 1,1	0,9	1,8	1,9	2,8

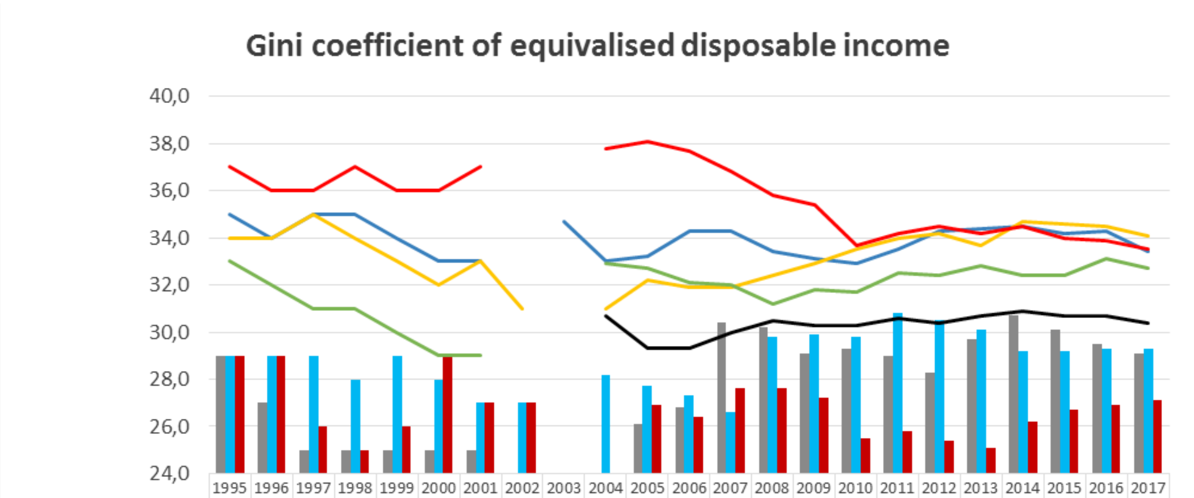
Confrontation with various European countries confirms the diagnosis exposed above. In the case of 'PIGS', Portugal shows up in close proximity with Italy, Greece first growing faster than average, but after 2010 experiencing an 'adjustment' more brutal than the Portuguese one. Comparison with core countries underlines the dramatism of the Portuguese backwardness, which Euroland membership and 'austerity' made really much worse: see the group made of Portugal, Italy and Greece, and confront it with the trio composed by Germany, France and the Netherlands. Spain, however, configures a different situation, a process of 'catching up' continuing until 2009 and resuming since 2014.

Considering a longer time spam, the diagnosis referring to Portugal is emphatically confirmed. Previously to Euro, Portuguese GDP (with and without democracy, with and without colonial empire, with and without early European integration) grows usually more than the European average, in spite of cycles being more pronounced, with occasionally bigger downwards shifts. After the Euro, and in a context where Europe's global economic growth rhythm is itself in decline, Portuguese economy sinks faster, registering values that are systematically below those of European average: see Graphic 8.

Graphic 8

As to inequalities referring to distribution of income, measured under the form of Gini coefficient, we must notice: a) Portugal is traditionally a country more unequal than the European average, and even more unequal than the other 'PIGS' (with these in turn being more unequal than the European core); b) the lag between Portugal and the European average was however suffering a slow reduction until 2010; c) the starting of the furious 'austerity' since the 'Memorandum of Understanding' has annihilated this small novelty, with Gini coefficient growing from 2010 to 2014, but d) after that, with the attenuation of austerity, it returned to the levels of 2010); e) the difference between Portugal and the average of EU remained more or less stable since 2010: see Graphic 9.

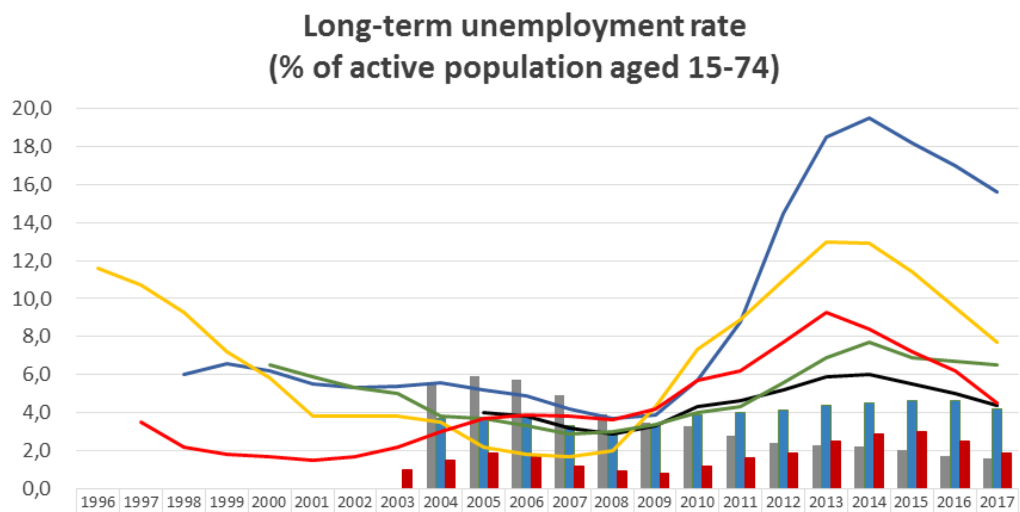
Graphic 9



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	29,0	27,0	25,0	25,0	25,0	25,0	25,0				26,1	26,8	30,4	30,2	29,1	29,3	29,0	28,3	29,7	30,7	30,1	29,5	29,1
France	29,0	29,0	29,0	28,0	29,0	28,0	27,0	27,0		28,2	27,7	27,3	26,6	29,8	29,9	29,8	30,8	30,5	30,1	29,2	29,2	29,3	29,3
Netherlands	29,0	29,0	26,0	25,0	26,0	29,0	27,0	27,0			26,9	26,4	27,6	27,6	27,2	25,5	25,8	25,4	25,1	26,2	26,7	26,9	27,1
Euro area (18)										30,7	29,3	29,3	30,0	30,5	30,3	30,3	30,6	30,4	30,7	30,9	30,7	30,7	30,4
Greece	35,0	34,0	35,0	35,0	34,0	33,0	33,0		34,7	33,0	33,2	34,3	34,3	33,4	33,1	32,9	33,5	34,3	34,4	34,5	34,2	34,3	33,4
Spain	34,0	34,0	35,0	34,0	33,0	32,0	33,0	31,0		31,0	32,2	31,9	31,9	32,4	32,9	33,5	34,0	34,2	33,7	34,7	34,6	34,5	34,1
Italy	33,0	32,0	31,0	31,0	30,0	29,0	29,0			32,9	32,7	32,1	32,0	31,2	31,8	31,7	32,5	32,4	32,8	32,4	32,4	33,1	32,7
Portugal	37,0	36,0	36,0	37,0	36,0	36,0	37,0			37,8	38,1	37,7	36,8	35,8	35,4	33,7	34,2	34,5	34,2	34,5	34,0	33,9	33,5

Simultaneously with this group of trajectories, the levels of unemployment, traditionally low in Portugal, and indeed regularly below the European average until 2006 or 2008 (according to the data used), have grown vary rapidly from 2009 to 2012 (or 2013, again according to data), consistently shifting above EU's average, and they remained above European levels until 2017, although now on a downwards trajectory, and converging with the EU in this year: see graphics 10 and 11. This additional element regarding the portrait of the Portuguese socioeconomic situation is rather important, especially considering that public social supports, and more broadly the Portuguese 'welfare state', is indeed a very weak, fragile reality.

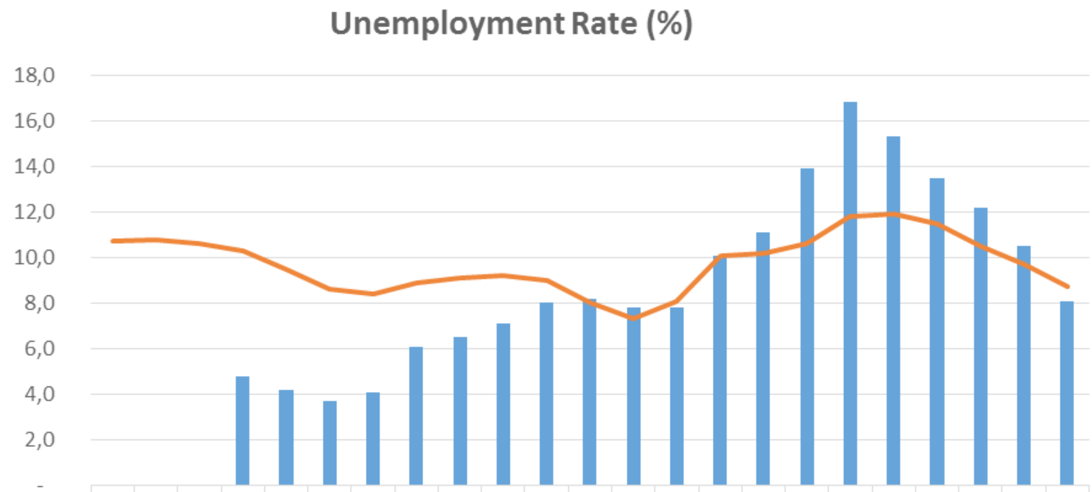
Graphic 10



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany									5,5	5,9	5,7	4,9	3,9	3,5	3,3	2,8	2,4	2,3	2,2	2,0	1,7	1,6
France									3,7	3,7	3,8	3,3	2,9	3,3	3,9	4,0	4,1	4,4	4,5	4,6	4,6	4,2
Netherlands								1,0	1,5	1,9	1,7	1,2	0,9	0,8	1,2	1,6	1,9	2,5	2,9	3,0	2,5	1,9
Euro area (19)										4,0	3,8	3,2	2,9	3,3	4,3	4,6	5,2	5,9	6,0	5,5	5,0	4,4
Greece			6,0	6,6	6,2	5,5	5,3	5,4	5,6	5,2	4,9	4,2	3,7	3,9	5,7	8,8	14,5	18,5	19,5	18,2	17,0	15,6
Spain	11,6	10,7	9,3	7,2	5,8	3,8	3,8	3,8	3,5	2,2	1,8	1,7	2,0	4,3	7,3	8,9	11,0	13,0	12,9	11,4	9,5	7,7
Italy					6,5	5,9	5,3	5,0	3,8	3,7	3,3	2,9	3,0	3,4	4,0	4,3	5,6	6,9	7,7	6,9	6,7	6,5
Portugal		3,5	2,2	1,8	1,7	1,5	1,7	2,2	3,0	3,7	3,9	3,8	3,6	4,2	5,7	6,2	7,7	9,3	8,4	7,2	6,2	4,5

If we use data from a different source, numbers for Portugal only and referring to the last trimester of each year, we basically confirm the portrait previously made: unemployment values are below the European average until 2008, above that level ever since, but on a downwards trajectory after 2012 and converging with the EU. In 2017, finally, Portugal is again slightly below the European average, with values very close to the ones of the immediately pre-crisis period: see Graphic 11.

Graphic 11



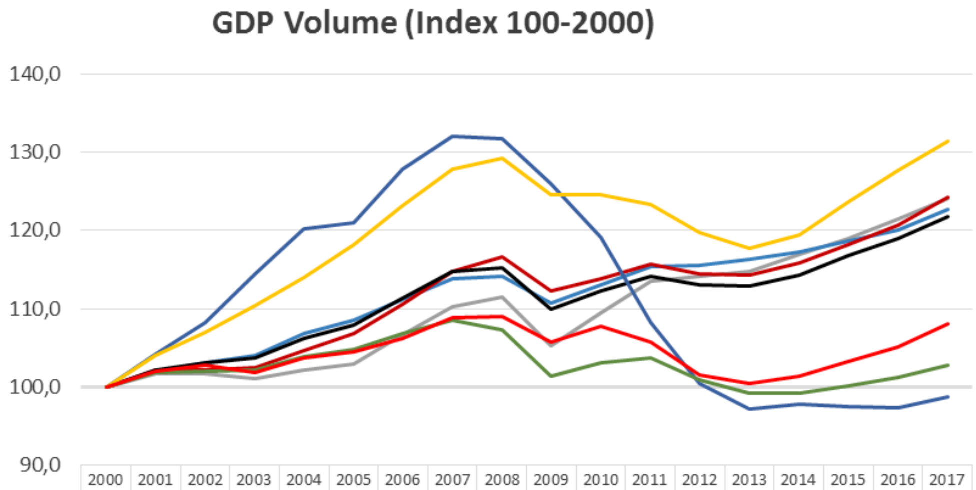
	T4 1995	T4 1996	T4 1997	T4 1998	T4 1999	T4 2000	T4 2001	T4 2002	T4 2003	T4 2004	T4 2005	T4 2006	T4 2007	T4 2008	T4 2009	T4 2010	T4 2011	T4 2012	T4 2013	T4 2014	T4 2015	T4 2016	T4 2017
Portugal				4,8	4,2	3,7	4,1	6,1	6,5	7,1	8,0	8,2	7,8	7,8	10,	11,	13,	16,	15,	13,	12,	10,	8,1
Euro Area	10,	10,	10,	10,	9,5	8,6	8,4	8,9	9,1	9,2	9,0	8,0	7,3	8,1	10,	10,	10,	11,	11,	11,	10,	9,7	8,7

Other general trends are detectable in the evolution of Portuguese economy. Amongst those we should notice the tendency of imports and exports to converge in rhythms of growth, and in the present decade also of imports to experience a significant reduction, mostly because of austerity measures, an aspect that propitiated the correction of deficits in current account balances, as we have seen above. However, instead of such a correction occurring predominantly via the promotion of exports, which would arguably have been the case with a hypothetical currency devaluation, the actual evolution expresses a collective impoverishment of the country, inevitably producing a reduction of imports. 'Internal devaluation' indeed corrects the external deficit problem, but apparently does so in a rather more miserable way. (Again: the alternative to this 'internal devaluation'/'austerity' trajectory would have implied leaving Euroland.)

This evolution is confirmed by the generic trend of prices to a pattern of zero growth: as a matter of fact, instead of inflation there was even (in the period 2011-2013) a tendency for deflation, which could really constitute an additional reinforcing factor of generalized economic crumbling. Simultaneously, industrial production, which was already practically stagnated since the adhesion to Euro, suffered also an additional set back, going into 'negative growth' in this period. Private consumption and public spending, always very far from the imaginary orgy of expenses that was emphatically propagated by the usual 'pro-austerity' rhetoric, verified also a substantial decrease during the same period, a factor inducing a considerable reduction of the aggregate effectual demand and thus (via 'cumulative circular causality') a generalized economic collapse that seriously threatened the Portuguese economy during these years.

The true character and the dimension of this process are traceable, above everything else, by the graphical representation of the evolution of GDP, instead of its growth rates (see infra, Graphic 12). Starting with base values of 100 for the year 2000, it is clearly perceptible that in the period 2008-2013 three European countries, Portugal, Italy and Greece, have seen their accumulated economic growth of this century completely destroyed. There are, however, relevant differences even within the trio: Greek economy having a sharply 'cyclothymic' behavior (initially growing very fast and 'catching up' with the European average, only to afterwards suffer a catastrophe of epic proportions), whereas the Italian one is probably more adequately described saying that this is a 'depressed' economy, and Portugal is situated somewhere in between, but closer to the Italian model. The Spanish case is however rather different from all of these, its economy registering a higher growth than the European average, and thus a continued convergence with EU.

Graphic 12



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	100,0	101,7	101,7	101,0	102,2	102,9	106,7	110,2	111,5	105,2	109,5	113,6	114,2	114,7	116,9	118,9	121,5	124,2
France	100,0	102,0	103,1	103,9	106,9	108,6	111,2	113,8	114,1	110,8	113,0	115,3	115,6	116,3	117,3	118,6	120,0	122,7
Netherlands	100,0	102,1	102,2	102,5	104,6	106,9	110,6	114,7	116,6	112,2	113,8	115,7	114,4	114,2	115,8	118,1	120,7	124,2
Euro area (19)	100,0	102,1	103,1	103,7	106,1	107,9	111,4	114,7	115,2	110,0	112,3	114,1	113,1	112,9	114,3	116,7	118,9	121,8
Greece	100,0	104,1	108,2	114,4	120,3	121,0	127,9	132,1	131,7	126,0	119,1	108,3	100,4	97,2	97,8	97,4	97,3	98,7
Spain	100,0	104,0	107,0	110,4	114,0	118,2	123,2	127,8	129,2	124,6	124,6	123,3	119,8	117,7	119,4	123,7	127,6	131,5
Italy	100,0	101,8	102,0	102,2	103,8	104,8	106,9	108,5	107,3	101,4	103,1	103,7	100,8	99,1	99,2	100,1	101,2	102,8
Portugal	100,0	101,9	102,7	101,8	103,6	104,5	106,1	108,8	109,0	105,7	107,7	105,8	101,6	100,4	101,3	103,2	105,1	108,1

RECENT DEVELOPMENTS

In the subsequent period of 2014-2017, though, the Portuguese economy somehow recovered, especially thanks to a new economic policy (by a government of the Socialist Party, critically supported by smaller parties on the Left), expressing a conscious deliberation of attenuating 'austerity' measures. This tempering of austerity induced a modest enhancement of internal demand, unequivocally with very positive repercussions in the evolution of GDP. However, even with the retrieval of recent years the Portuguese economy verifies an extremely low economic growth: a level of 108.1 was registered in 2017, still below the all-times-best of 109.0 recorded in 2008, with roughly 0.4 per cent of average yearly growth during the entire period since 2000, and still rather divergent from the European average. Moreover, recent small progresses regarding GDP have immediately jeopardized the situation referring to the current account balance, because of the rapid upsurge of imports and the permanent difficulties in promoting exports, given the excessively evaluation of Euro (from the perspective of Portugal's needs).

This is, therefore, a rather precarious situation, that could only continue until now given a number of a rather favorable group of conditions, including the persistence of a low level of interest rates, the good panorama concerning oil prices (one of the country's crucial imports), and also the boost of real estate induced by the auspicious evolution of tourism, Lisbon and other Portuguese cities apparently having become rather *à la mode* internationally. However, it should also be noted that this panorama coexists with the exacerbation of Portugal's regional asymmetries (the touristic bonanza obviously not reaching most of the country), and that such a pattern of growth fundamentally replicates, albeit in an attenuated form, the events occurred in the early years of the century, immediately before the crisis. Finally, in the long run this appears to be a rhythm of growth remaining below Europe's average, and therefore we may say that Portugal seems to consistently diverge from richer countries, instead of catching up. Besides, the basic European institutional constraints have in recent years globally experienced a reinforcement, which from a Portuguese perspective mostly spells increased coercion. Some authors have, with a considerable amount of reasonability, recently voiced opinions even more severe and more drastic regarding the European integration than the ones expressed here, both regarding the interpretation of the past and the present, and the future prospects. Such is the case of, for instance, João Rodrigues:

> "What was really a crisis of competitiveness, of external accounts, was transformed into a problem of public debt, since it was via the (due to the crisis) more difficult and more expensive financing of growing public deficits that the turbulence found expression in the European periphery. A huge program was then set of socialization of losses of the European core's banks. The Troikas were thus born, and the Euro revealed its nature. In countries having abandoned basic instruments of economic policy, the costs of adjustment are paid by direct and indirect salaries, welfare state and the rules protecting those who work. To conventional wisdom, 'reforms' are a synonym of systematic income transfers from labor into capital, as those occurred during the Troika.
>
> In the meantime, hundreds of thousands [of Portuguese citizens] have voted with their feet, emigrating. The country sold strategic assets at sales prices. Lots of productive capacity was destroyed by a counterproductive austerity. The substantial attenuation of austerity and the conduct of ECB permitted a slow and fragile recovery. Portugal reinvented herself: a sort of European Florida, based on tourism and lots of precarious and relatively cheap labor, discovering that real estate is rendered a tradeable good by hitch-hiking a bubble. The reforms of Euro reinforced the loss of budget sovereignty, without solving the fundamental problems. The so-called Banking Union was instrumental to apply the principle 'you Portuguese pay, we in the European political center tell you how to do it': foreign banks are ever more imperative. Meanwhile, the Eurozone exports instability into the international system, now that the deficits of the peripheries have disappeared, without attenuation of the surpluses of the center. There you have Trump, his finger pointed at Germany. The Euro was and will be a factor of instability, division and lack of protection" (Rodrigues 2019, our translation).

European average of GDP growth, in turn, is far from having had what we might name a bright evolution, with the level of 115.2 being reached in 2008, followed by a decline to 110.0 in 2009, full recovery occurring only in 2015, with a mark of 116.7 (see Graphic 12, supra). Within this scenery, though, 'cyclothymic' Greece and 'depressed' Italy are unquestionably the champions of misery, Portugal coming third, not exactly something to be proud of. All these three 'PIGS' were unquestionably victims of Euro belonging, but the collective reactions have mostly approached the model of 'escape from freedom', a deep mistrust in each country's capacity to survive based on its own energies and resources, and instead the massive persuasion that salvation was somehow to be expected from heavenly Brussels, even after the facts having massively shown otherwise. It is fair to say that the Portuguese public opinion has something like a neurotic phobia of leaving Euroland, somewhat similar to the popular belief, promoted during the last decade and a half of existence of 'Estado Novo' (the 1960s and early 1970s), that the country would simply not be *able to survive without its colonies*. If this popular belief was during those times promoted (and simultaneously exploited) in order to pursue a policy of die-hard colonialism, now we are arguably facing an analogous promotion and exploitation of similar fears in order to promote a die-hard 'Europeanism' that insists and persists in stubbornly going ahead against all advice and in contradiction of all evidences.

In case we confront the Portuguese evolution in the years 2000-2017 with the one of European core countries, such as Germany, France and the Netherlands, the previously expressed diagnosis is immediately reinforced by the fact that in this period all these countries have behaved slightly better than EU's average, that is to say, they diverged upwards, notwithstanding the important fact that until the crisis of 2008 both France and Germany seemed to be slowly losing speed: only after 2008 they recovered, and specially Germany, thus surpassing European average. These comparisons, yet still, regard a 'championship' of poor performers, within a generic frame characterized by economic mediocrity. Evidently, Euroland is globally rather far from constituting a model of economic health, but within it the three poor 'PIGS' (Greece, Italy and Portugal) are definitely and obviously a trio of losers. That much, at least, may be taken for granted beyond any reasonable doubt.

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