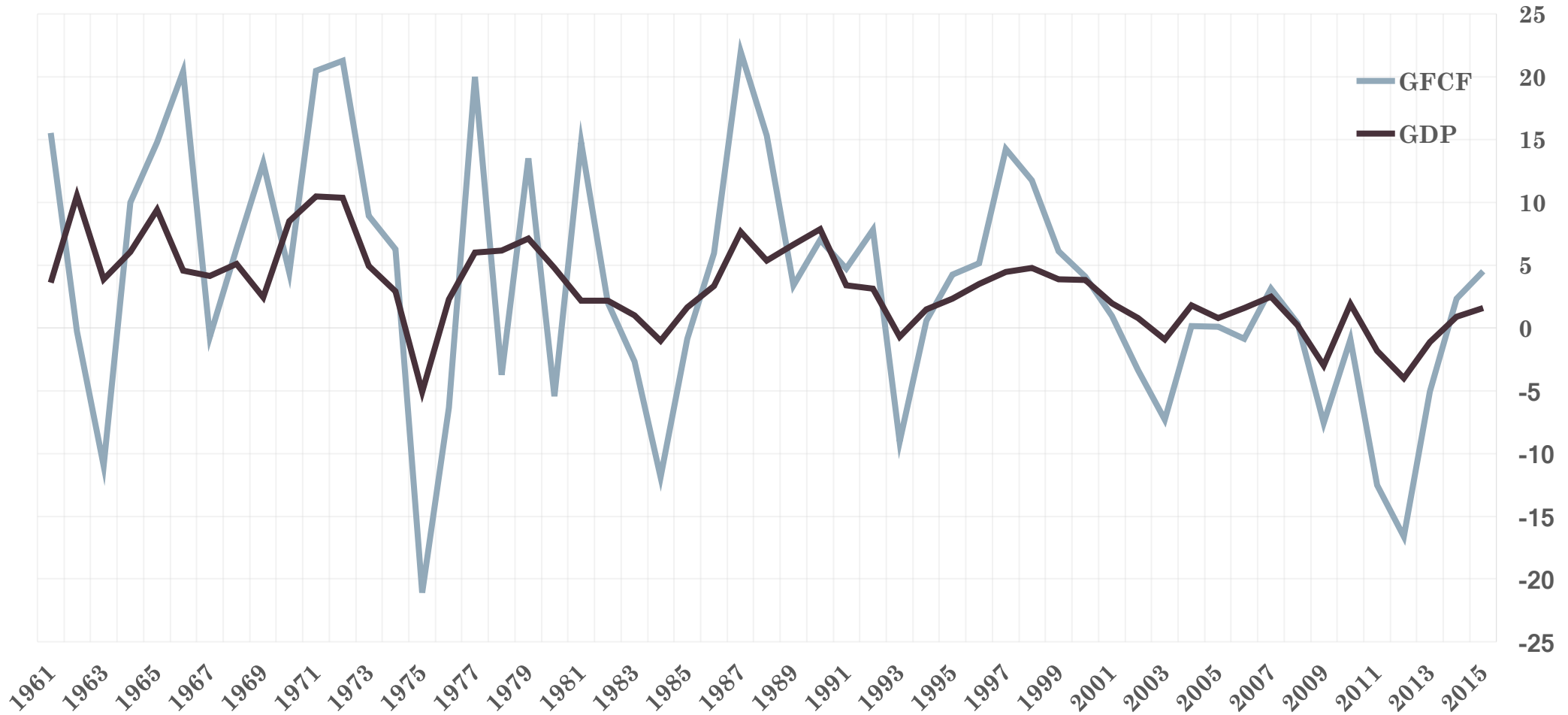


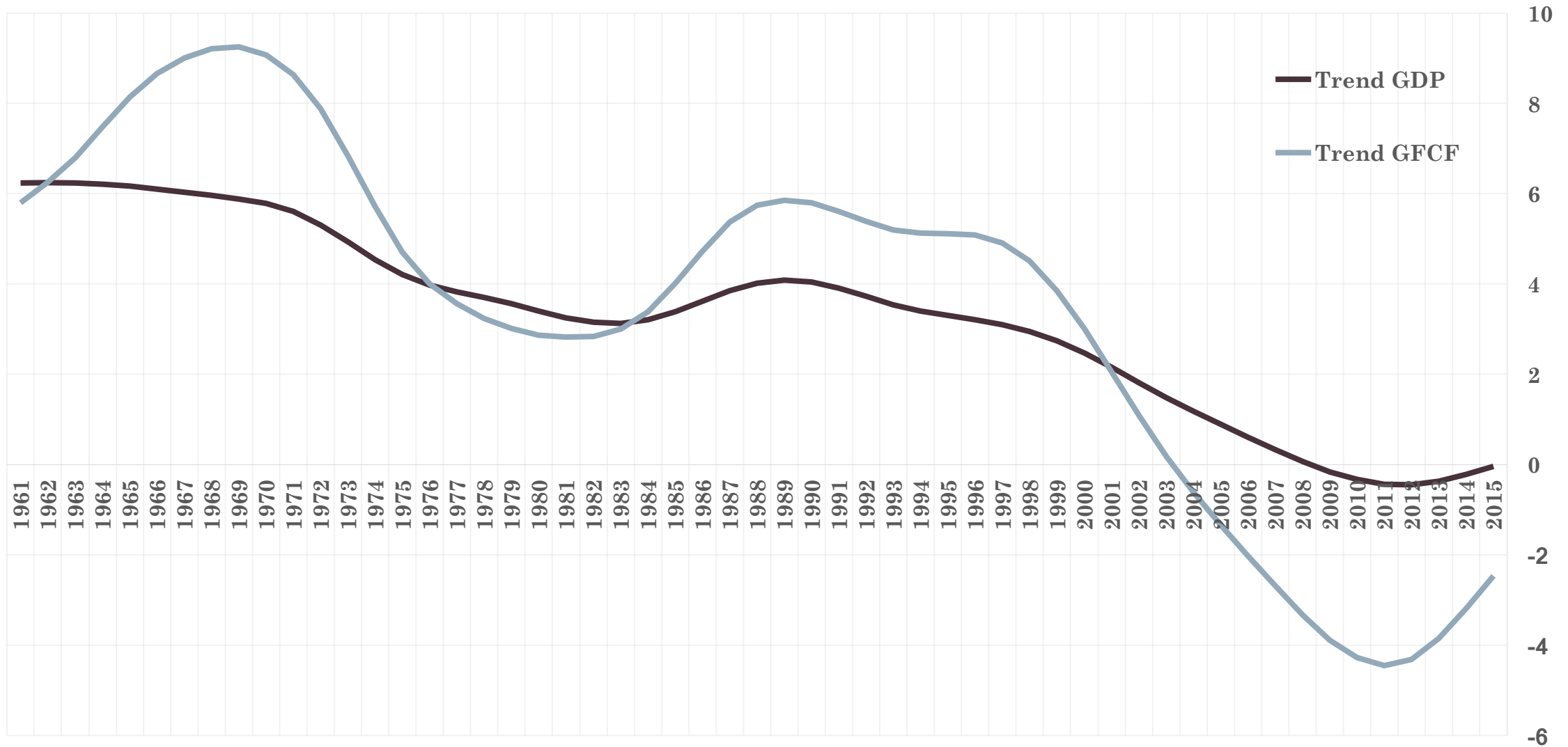
Capital Accumulation and Stagnation in Portugal

ASSA, January 2018

DECLINING GROWTH AND THE 'LOST DECADE'



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MAINSTREAM STAGNATION THEORIES

Wicksellian – ‘zero lower bound’

Supply Side – exogenous technology

WHAT IS STAGNATION?

Sick recoveries and depressions that feed themselves (Hansen)

Changes that diminish the ability to growth (Guthrie and Tarascio)

A decline **in capital accumulation** (Steindl)

WHAT IS CAPITAL?

Bringing back the capital controversies:

Not (just) a production factor of impossible measurability (Robinson)

Socio political concept with two dimensions (Nitzan and Bichler)

- Substance: capital is power
- Form: capital is money measured through capitalisation

ACCUMULATION AND STAGNATION

Accumulation and concentration of capital are not equivalent to fixed investment and economic growth

HETERODOX STAGNATION THEORIES

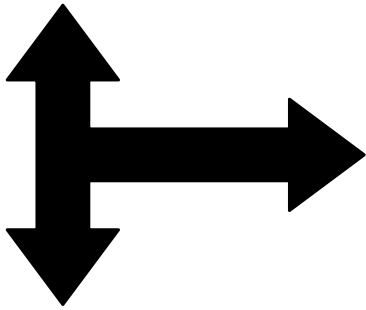
Veblen – sabotage

Hansen's Secular Stagnation – half exogenous

Kalecki/Steindl – monopoly power

Monthly Review – monopoly capitalism

Finance
State
Family
Fraud



SABOTAGE

- Kalecki – the political business cycle
- Excess capacity/inefficient structures
- Appropriation of public resources
- Financial Instability
- Investment priorities

Accumulation of Capital in Portugal: secular sabotage

**ACCUMULATION
CONCENTRATION**



**STAGNATION
TENDENCIES**

- Distribution of profits
- Increasing Risk
- Excess Capacity

The Lost Decade: A Kaleckian and Steindlian approach

**Accumulation and
Concentration of Capital
in Portugal:
Secular Sabotage**

“In the absence of an authentic capitalistic and entrepreneur bourgeoisie, what was not mobilised in rents and loans to the State was wrecked in excessive and ostentatious consumption, leaving a final balance for productive investment that was too small to take the country out of its ancestral misery”

(Fonseca and Reis, 1997, p.867).

1910 – 1950: Unproductive Accumulation

1950 – 1974: The Great Accumulation

1980 – 2000: Privatisation, liberalisation and accumulation

2000's: Accumulation and stagnation

1910 – 1950: Unproductive Accumulation

Fascism as the response to the aspiration of the existing bourgeoisie:

- Fiscal Stability
- Economic self-sufficiency: protection of industries and colonial markets
- Social stability
- Mediation between Agrarians, Industrials, Banking and Trade

Captains of Industry: Mello (CUF), Champalimaud (CCL), Espírito Santo (SACOR)

1910 – 1950: Unproductive Accumulation

“It was like a vicious cycle: the country was kept poor and the national market narrow and unattractive because the wealth holders invested little in the modernization of its production apparatus; and the wealthier didn’t apply their capital in the national economy because this economy was backward and the investment was risky and little rewarding in relation to the income offered by exporting the capital. (...) **Their [the banking and trade capital] biggest resistance weapon [to the threat of importing substitution industries] – besides the persistent political opposition to economic reformism – is the non-investment**, either by hoarding or by its flight to foreign markets”
(Costa et al., 2010, p. 103)

1950 – 1974: The Great Accumulation

PRO CONCENTRATION POLICIES

Price control in industry and agriculture

Installed capacity

Concentration

Colonial markets

Compression of labour rights

Legal protection to capitalists

Five year investment plans

FINANCE: THE PRIVILEGE OF THE CAPTAINS

Ownership of Banks

Privileged access to loans

Privileged access to capital
markets

1950 – 1974: The Great Accumulation

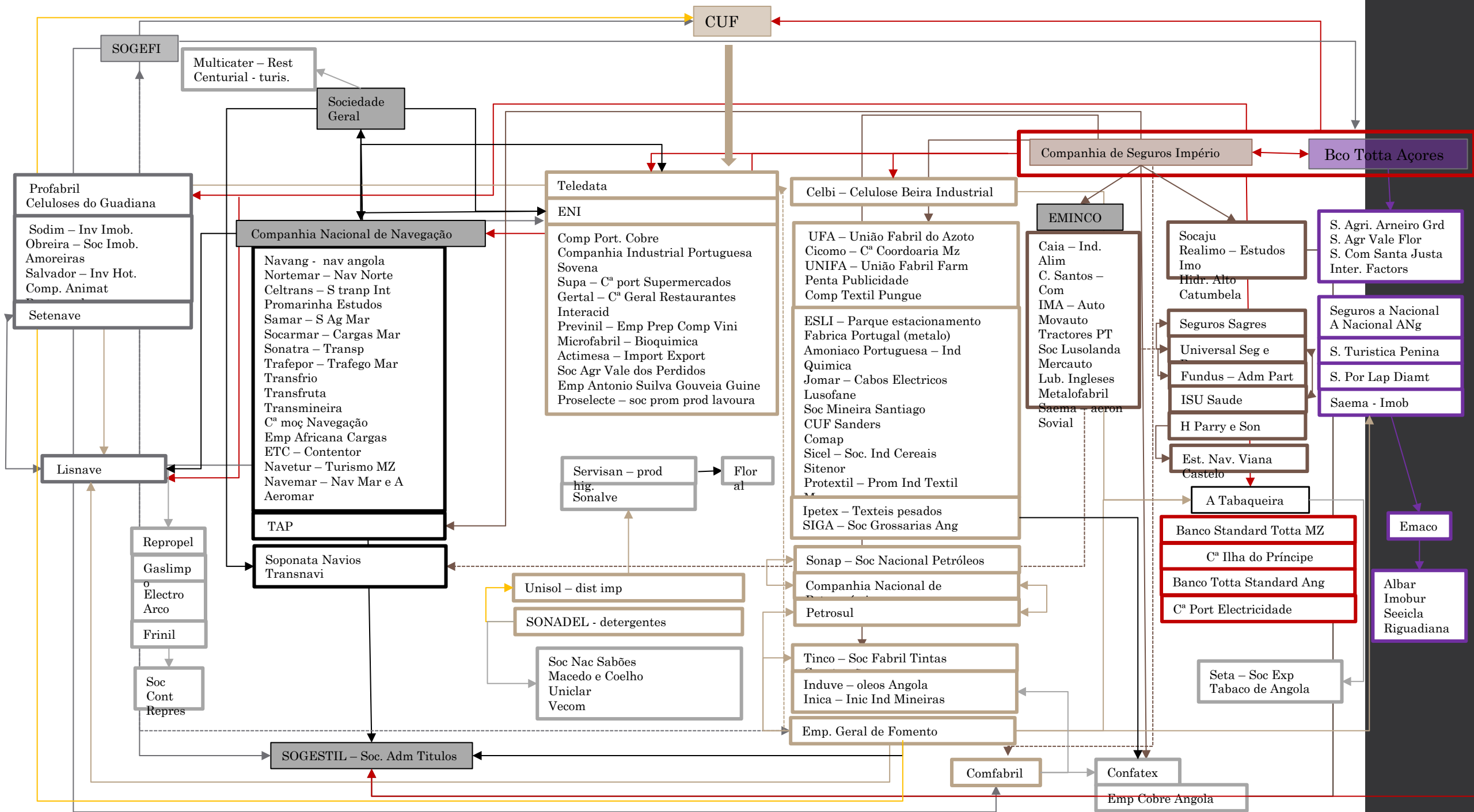
INDUSTRIAL GROUPS

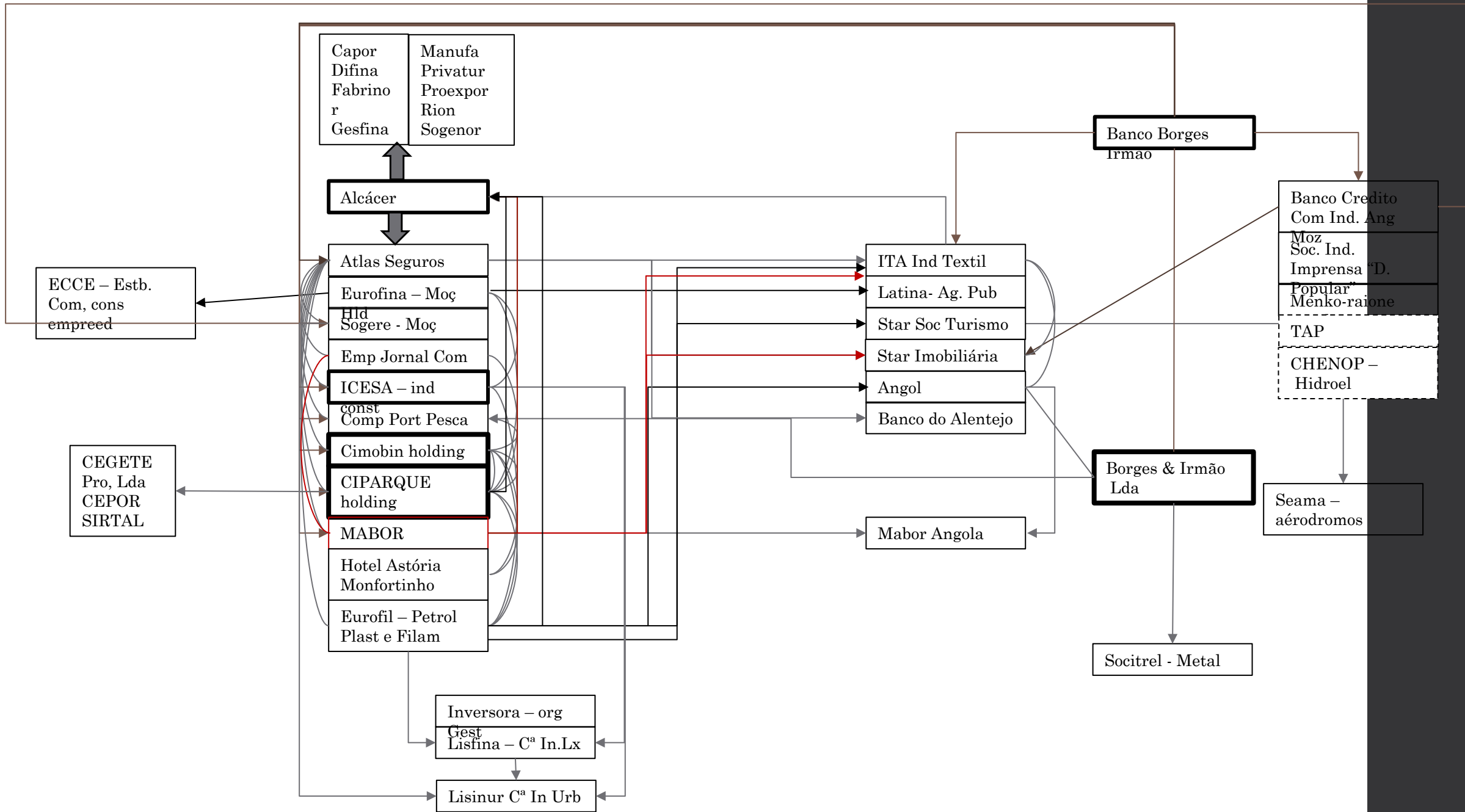
Complex Structures
Acquisition of Banks and
Insurance companies

FINANCIAL GROUPS

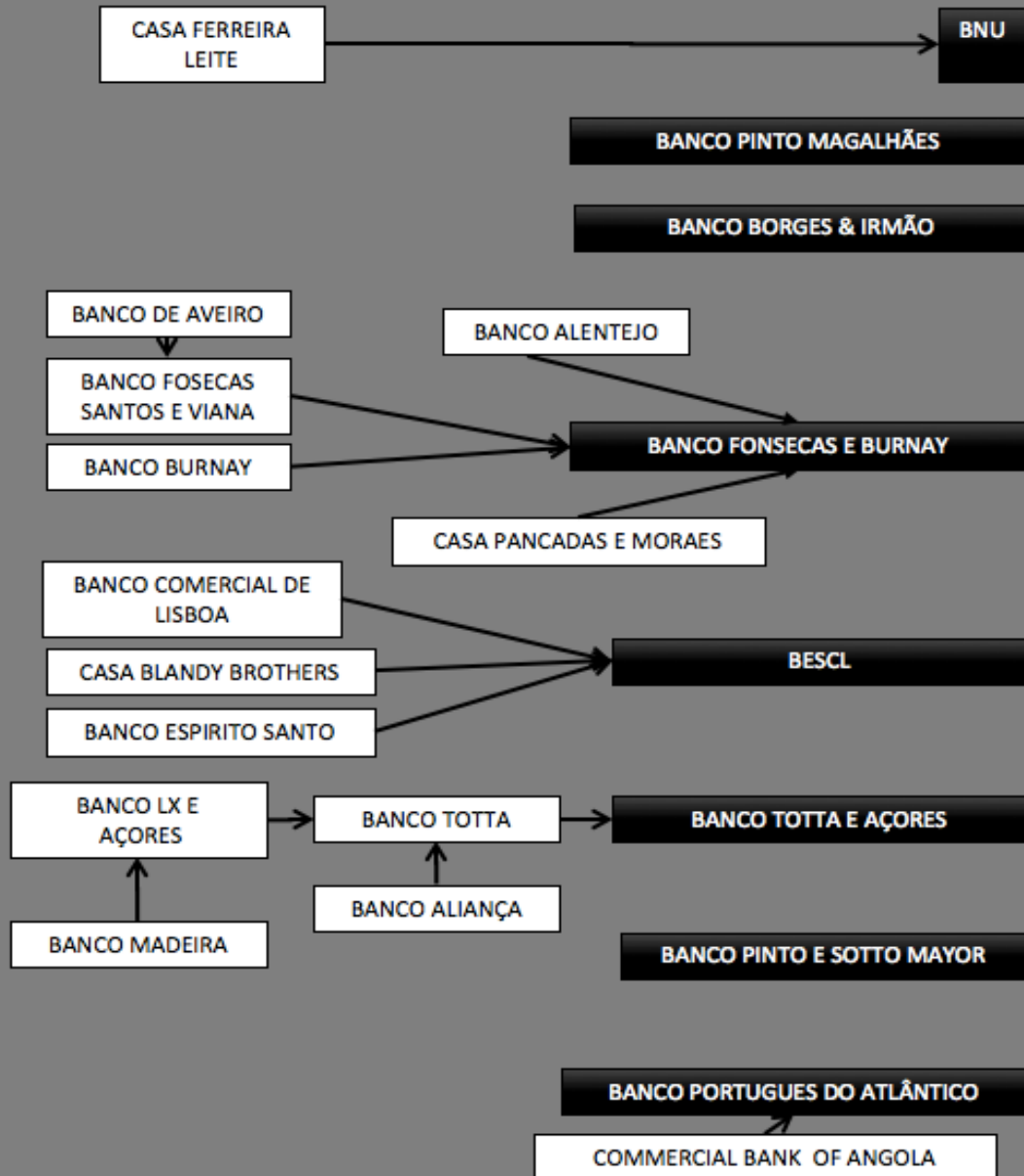
Complex Structures
Acquisition of industrial
companies

LARGE MIXED CONGLOMERATES

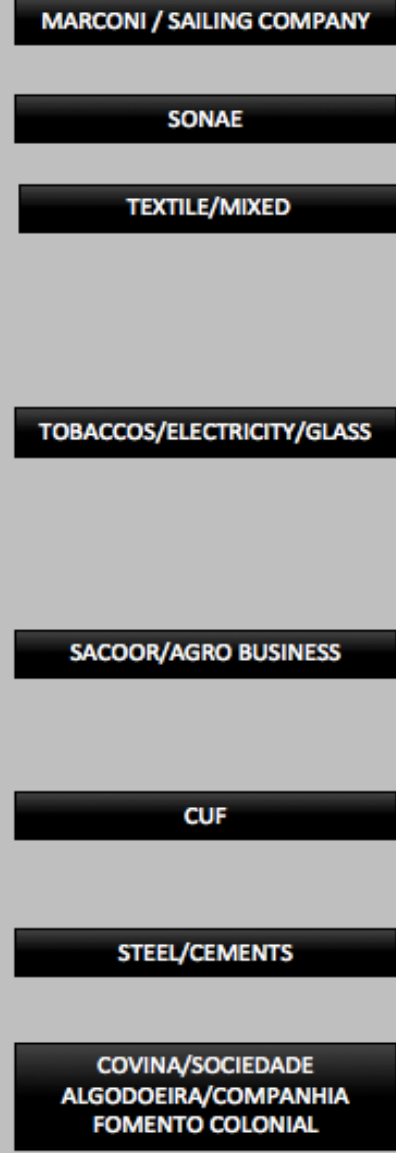




BANKING GROUPS



INDUSTRY



FAMILY



1980 – 2000: Privatisation and Liberalisation

	Group	Assets	Equity	Turnover	Workers
1	Salvador Caetano	8.809.053	797.627	2.725.920	1.271
2	Vaz Guedes	8.058.991	704.945	2.258.667	568
3	Amorim	4.974.779	2.437.819	2.541.904	644
4	Sonae	1.424.810	1.791.853	3.298.874	1.465
5	BES	2.228.698	1.003.887	1.280.608	337
6	RAR	1.271.227	865.032	2.336.711	1.833
7	COLEP	2.460.107	485.036	1.321.455	1.069
8	S.N.S	1.424.810	343.485	2.076.303	2.933

1980 – 2000: Privatisation and Liberalisation

Privatisations: the reconstitution of the capitalist class

“We will have to promote the economic groups in Portugal. They were destroyed during the Revolution, with the nationalisation process. We need them or, otherwise, foreigners will control our strategic companies and the economic strategy will be determined from outside”
(Cavaco Silva, Euromoney, 1988).

1980 – 2000: Privatisation and Liberalisation

FINANCIAL SECTOR

NON-FINANCIAL SECTOR

Expansion
Concentration

Diversification
Stock Market Growth

PRIVATISATIONS

Insurance



Banks



Natural Monopolies

2000's: Accumulation and Stagnation

FINANCIAL SECTOR

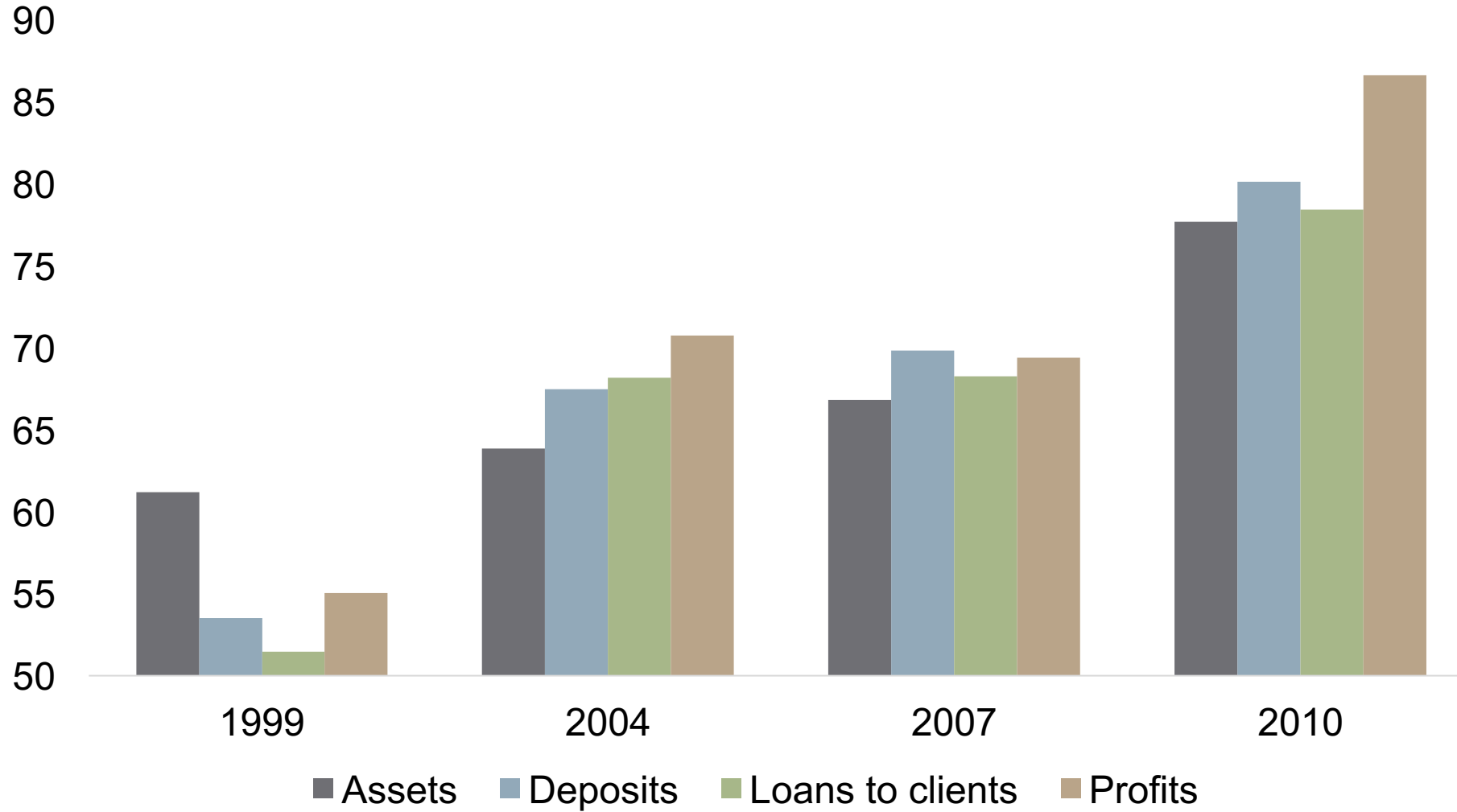
Concentration
Credit activities
Stock market operations
Project Finance

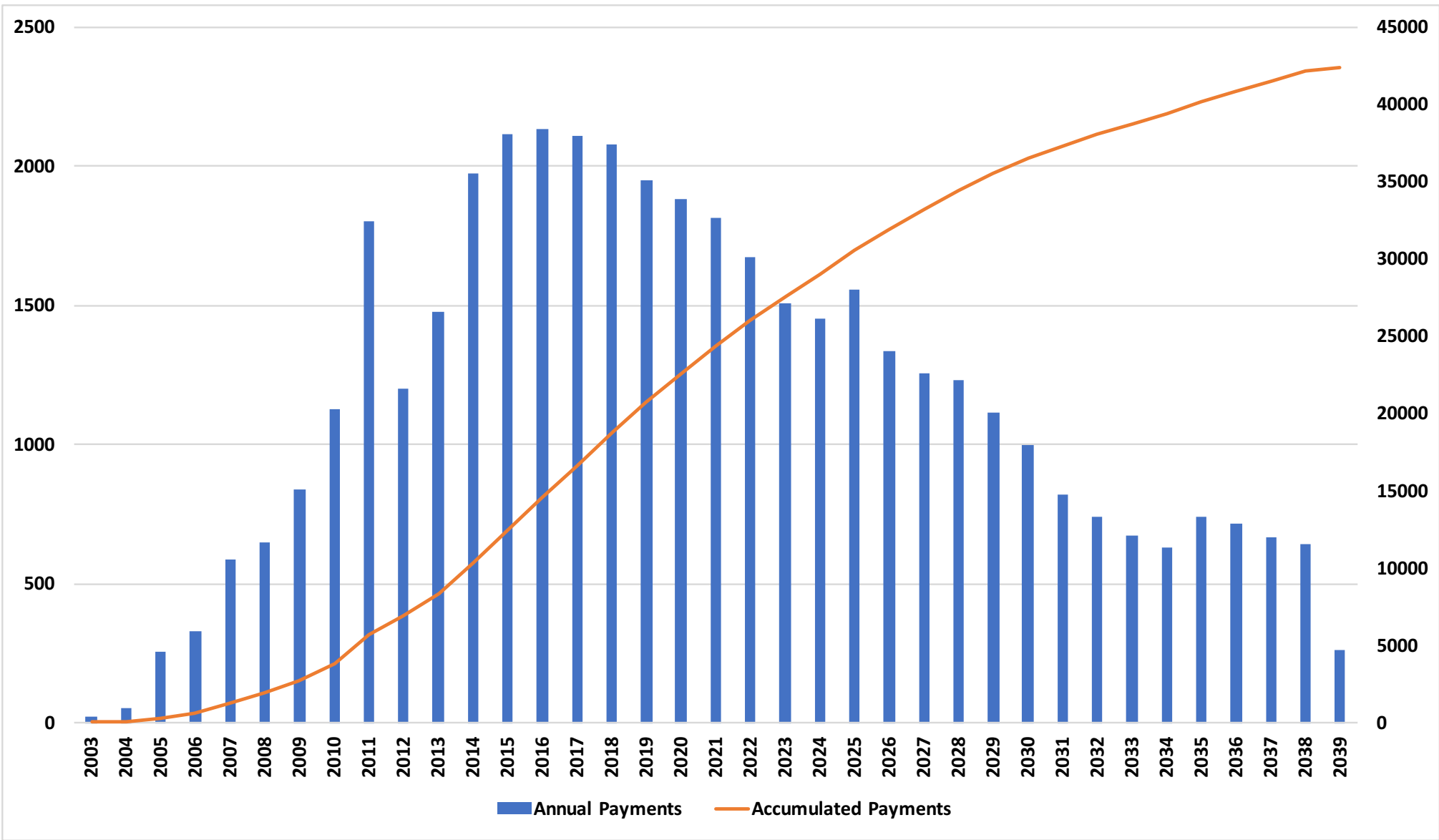
NON-FINANCIAL SECTOR

Cash Cows
Construction / Real Estate
PPP's
Stock Market Operations

DEBT WITHOUT INVESTMENT

Market Share of the 5 Largest Banks





FINAL COMMENTS

Determinants of Accumulation and Concentration

- External markets
- Finance
- Family
- State
- Fraud

Sabotage

- Structural dependence on the state
- Financial relations and fragility