WORDS BEYOND THE PANDEMIC:

A HUNDRED-SIDED CRISIS

Coord.: José Reis
A collective work by CES

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inscrita na Lista do Património Mundial em 2013

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COMPETE 2020
PROGRAMA OPERACIONAL COMPETITIVIDADE E INTERNACIONALIZAÇÃO
PORTUGAL 2020
UNIÃO EUROPEIA
Fundo Europeu de Desenvolvimento Regional
FCT Fundação para a Ciência e a Tecnologia

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Publisher
Centre for Social Studies
University of Coimbra

Scientific Review
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Linguistic Revision
João Paulo Moreira

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Design and Pagination
André Queda

December, 2020

This work is funded by ERDF Funds through the Competitiveness Factors Operational Programme - COMPETE and by National Funds through the FCT - Foundation for Science and Technology within the UIDB/50012/2020 project.

ISBN
978-989-8847-28-7

FINANCIAL DEPENDENCY AND PUBLIC POLICIES

Ana Cordeiro Santos

Portugal faces an asphyxiating dependence on private financial markets. This situation stems from the European integration project, in the midst of a dysfunctional economic and monetary union which has deprived the country of macroeconomic policy instruments and imposed severe budgetary constraints, with the consent of national elites. The impossibility for the treasury to turn to its lender of last resort, the Central Bank, was compounded by other limitations when carrying out public policies, as strategic sectors were privatised and capital was relieved, giving up revenue for public investment and social policies. The global financial crisis, its transmutation into a sovereign debt crisis, and the adjustment programme that followed, have highlighted the close link between financial dependence and the vulnerability of a country. When it stopped obtaining funding from the markets and was forced to request it from the Troika – consisting of the European Commission, the European Central Bank and the International Monetary Fund – its financial dependence became more pronounced, resulting in a further abdication of sovereignty in new areas of public policy, such as labour relations, health and housing. The economy became more vulnerable and based on rentier and extractive sectors, such as real estate and tourism, and inequalities in access to essential goods increased.

If the Portuguese State has placed itself in a position of dependence on the financial markets to govern the country, recovering sovereignty implies regaining control of macroeconomic policy. This will require the return of the exchange rate, monetary and fiscal policies at a national level. Only then will it be possible to reverse the structural vulnerabilities of an economy that requires public investment in strategic sectors, breaking with a supposed logic of competition that only favours central European countries. Only then will it be possible to restructure the economy around high value-added sectors capable of qualifying labour, replacing the rentier or extractive sectors based on precarious cheap labour. Only then will it be possible to restore the public services, degraded by austerity, and ensure universal access to essential goods. Provision dependent on financial intermediation for a privileged minority – health insurance, home loans or private pension savings plans – cannot ensure universal access to social rights. It should not be concluded from this that the financial sector is intrinsically pernicious. However, it must be redirected to the revitalisation of the economy and job creation, and public banks functionally specialised to carry out clear missions are also needed. Finally, it is also essential to reinstate capital controls, discouraging leaks, and put an end to socially perverse tax arbitrage.