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 (Guthre 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

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

Distribution of profits
Increasing Risk
Excess Capacity

Accumulation of Capital in Portugal: secular sabotage

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
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)
“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 PRIVILEDGE 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
# 1980 – 2000: Privatisation and Liberalisation

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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
- Expansion
- Concentration

NON-FINANCIAL SECTOR
- 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

- Assets
- Deposits
- Loans to clients
- Profits
FINAL COMMENTS

Determinants of Accumulation and Concentration
- External markets
- Finance
- Family
- State
- Fraud

Sabotage
- Structural dependence on the state
- Financial relations and fragility