



ACCOUNTABILITY AFTER CRISIS PORTUGAL

Accountability *after* Economic Crisis

Photo: Italiano: Graffiti, by jad99is licensed under CCBY 2.0



Table of Contents

Preface	3
Acknowledgements & Disclaimer	4
Executive Summary	5
Brief Summary	6
Glossary	7
Introduction	8
I. The Background to the Crisis	9
II. The Blame Game: Narratives of the Crisis	12
III. The Tools of Accountability	14
Parliamentary commissions of inquiry	14
Prosecutions	17
Apologies	19
IV. Impact of Accountability	22
V. Learning and Reform	25
Reforms of the justice system	25
Reforms in the Bank of Portugal	26
Conclusion	30
Further Reading	31
References	32

Preface

This report was commissioned as part of the *Accountability After Economic Crisis* project – a three-year initiative funded by the Economic & Social Research Council (ESRC-ES/M011321/1). Members of the project are based at City, University of London, Queens University Belfast, and the University of Kent.

The project explores the policies of accountability deployed in the aftermath of the global 2008 economic recession (the ‘Great Recession’). Using six case studies (Cyprus, Greece, Iceland, Ireland, Portugal, and Spain), we approach political accountability through a comparative and thematic framework that focuses on the use of specific tools of accountability following the financial crisis. The policies of accountability include prosecutions, fact-finding commissions and truth commissions and official apologies.

At base, the project hopes to make contributions both to the theory of ‘crisis governance’ as well as to the practice of how governments react to economic crises. More than 100 elected officials, civil servants, academics, journalists, and activists were interviewed for the project. We also developed a novel database with prosecutions, truth commissions and apologies in the aftermath of the crisis in the six countries. Drawing on a experts’ testimonies and the use of a new database, the project provides policy makers with concrete advice for pursuing accountability in future economic crises.

The country reports have a wide readership envisioned, including policy makers in all countries and at various levels of government (including international bodies); scholars; activists; and journalists. They have been written without academic jargon, and in both English and relevant local languages, to facilitate their practical utility.

We hope that you will find the report useful and urge you to share it amongst your colleagues and networks.

For further information about the wider project please feel free to contact us at:

<https://accountabilityaftereconomiccrisis.com/contact-the-team/>



Iosif Kovras, PhD
Principal Investigator, *Accountability After Economic Crisis* Project

March 2018

Acknowledgements & Disclaimer

This report was prepared by Ms Ekaterina Gorbunova and Mr Joao Cancela, in association with the *Accountability After Economic Crisis* project. All views expressed, and any errors, remain the responsibility of the authors.

This report is made available free of charge. The views and opinions it contains are those of the authors, not of the Economic & Social Research Council. You may use and copy it in whole or in part for educational purposes provided that you (i) do not alter or adapt the content; (ii) use the material on a not-for-profit basis; and (iii) acknowledge the copyright owners and source in any extract from the report.

To the fullest extent permitted by law, the authors exclude all liability for your use of the report. The authors assert their moral right under the Copyright Designs and Patents Act 1988 to be identified as the authors of this work.

ISBN: 9781903957370

Executive Summary

The economic crisis had a strong impact on Portugal, which had to go through a financial rescue provided by the troika, a set of institutional creditors. This report analyses several aspects of this period and its aftermath, with a focus on how different tools of accountability were used and their respective impact. The first section portrays the background of crisis, taking into special account the sequence of events leading to the financial bailout. One aspect that stands out in the Portuguese case is that the crisis followed feeble economic performance.

The second section deals with the different political accounts of the crisis and identifies three main narratives, each of them attributable to a specific part of the political spectrum. In that regard, the absence of a publicly set “truth commission” is another element that signals the lack of a shared understanding of the crisis. However, several parliamentary committees of inquiry were set up with the purpose of scrutinising bank failures and the mismanagement practices in state-owned companies. Interestingly, there was some variance in the extent to which these parliamentary committees were able to move beyond partisanship and reach consensual conclusions. The judiciary has been particularly active in recent years, with some important actors facing prosecution and in some cases actual sentences.

Sections four and five deal with the impact of these outcomes and the processes of institutional learning, by focusing on the developments on two key institutions: the central bank (Banco de Portugal) and the judiciary. The central bank, which was unable to effectively scrutinise the action of financial institutions in a critical period of time was reformed and it now displays a more active profile in terms of supervision and scrutiny. The judiciary was reformed at a procedural level, but the reformist impetus stayed short of achieving structural change.

The report concludes by noting that the Portuguese public is currently more prone to trusting political and judicial institutions than it was at the beginning of the crisis, and that support for traditional parties has not decayed like in other European polities.

Brief Summary

Background

- Portugal was severely affected by the crisis, which caused multiple economic, political and societal transformations.
- Between 2011 and 2014 the country was financially dependent of the so-called *troika*, which was composed by the International Monetary Fund, the European Central Bank and the European Commission; a bailout package was conceded contingent on the implementation of substantial policy changes under strict supervision

Political Narratives

- Three main political accounts about the sources of the crisis can be identified, each of them originating from a different segment of the political spectrum: the socialist (PS) narrative, the conservative (PSD and CDS-PP) narrative, and the left-wing (PCP, PEV and BE) narrative.

Tools of Accountability

- No public truth commission was established to determine the causes of the crisis. However, various Parliamentary Commissions of Inquiry (PCI) dealt with specific elements or consequences of the crisis.
- The extent to which these PCI operated along partisan lines varied, and this was consequential in terms of the contents of their respective final reports.
- One of the effects of the PCI was the increase in public discussion about the role of supervision of financial activities; they also clarified how widespread mismanagement practices were in the sector, prior to and during the crisis.
- No political figure or party presented public apologies or took public responsibility for the financial crisis or the bailout, which can be due to three main motives: political culture, lack of pressures from public opinion, and personal features of the actors in question.
- The Portuguese justice system has been particularly active in recent years, with the Public Prosecution Service intensifying efforts with regards to white-collar crime and corruption; this has led to the prosecution and, in a few cases, to the sentencing of once powerful actors from the political and financial arenas.

Impact of Accountability

- For all the changes that affected the country through the crisis, its electoral consequences were comparatively minor; on the other hand, the Portuguese public is now more disposed towards trusting political institutions and the judiciary than it was prior to the crisis.

Learning and Reform

- During the period of financial assistance, the judiciary was not transformed in a structural way, but rather reformed at the procedural level.
- The performance of the central bank (BdP) regarding the supervision of the main Portuguese banks proved to be insufficient before and during the crisis; in recent years, the number of administrative proceedings of supervision initiated by the BdP has risen.

Glossary

BANIF	Banco Internacional do Funchal
BdP	Banco de Portugal
BE	Bloco de Esquerda
BES	Banco Espírito Santo
BPN	Banco Português de Negócios
CDS-PP	Centro Democrático e Social – Partido Popular
DCIAP	Departamento Central de Investigação e Acção Penal (Central Department for Investigation and Penal Action)
GES	Grupo Espírito Santo
PCI	Parliamentary Commissions of Inquiry
PCP	Partido Comunista Português
PEV	Partido Ecologista "Os Verdes"
PS	Partido Socialista
PSD	Partido Social Democrata
SLN	Sociedade Lusa de Negócios

Introduction

Portugal was severely hit by the Great Recession. Throughout the crisis and during its aftermath the country went through multiple economic, political and societal transformations. The economy suffered a massive contraction, levels of employment shrank, and major banks went bust. Between 2011 and 2014 the so-called troika – which congregated representatives from the International Monetary Fund, the European Central Bank and the European Commission – provided financial rescue contingent on the implementation of substantial policy changes under strict supervision. While levels of electoral support for mainstream parties did not change dramatically and the popular reaction to austerity was not as contentious as in other countries, the years of the crisis triggered an intensification of social mobilization and some of the largest demonstrations in Portuguese history. Furthermore, after years of modest population growth mostly due to positive net migration, the number of residents started to shrink in 2013, as a consequence of the substantial increase in emigration rates. In sum, the timespan between 2008 and 2015 was one of substantial change in the country.

I. The Background to the Crisis

Although the impact of the crisis was substantial, prior economic performance was far from stellar. As Blanchard (2007, p. 1) summarised, by the end of 2006 “productivity growth [was] anaemic, growth [was] very low, the budget deficit [was] large, [and] the current account deficit [was] very large”. Between 2000 and 2007, the Portuguese economy grew modestly, at an annual average of 1.5%. The feebleness of this performance is even more striking when contrasted with the evolution of other European economies: during the same time period, countries like Spain (3.8%) or Ireland (5.9%) grew at much higher rates. In 2000 Portuguese GDP per capita corresponded to 84% of the average of the 28 current EU member states, but by 2008 it had declined to 81% and by 2013 it had reached 78%. Thus, the identification of the roots of the crisis is not totally settled, insofar as the relative weight of multiple factors is still disputed. As this report highlights, such controversies would become central in debates about who should hold the blame for the crisis and its repercussions.

Despite past and present political disputes and though there are competing narratives about the impact of the crisis in Portugal, which are addressed in the following section, there is a solid body of academic work about its origins, features and implications (Giorgi, Moury, & Ruivo, 2015; Gorjão, 2012; Moury & Standring, 2017; Romano, 2017; Torres, 2009). The remainder of this section draws from this literature in order to portray a summary of the environment leading to the crisis, its main events and the measures taken to cope with it.

In 2008, the Socialist Party (PS) held a comfortable single party parliamentary majority, which it had obtained in 2005. As the initial effects of the global crisis hit the country, the executive, led by Prime-Minister José Socrates, adopted an expansionary fiscal approach. The government strategy consisted in reinforcing public investment, supporting firms and business, and strengthening the social safety net (Freire & Pereira, 2012, p. 180; P. Magalhães, 2012, p. 311). This course of action did not substantially differ from that of Greece, Italy or Spain, and was initially supported by the European Union (Torres 2009). The combination of the crisis with the financial costs of this plan led to an increasing of the account deficit, which soared to 9.7% of GDP in December 2009 (Romano, 2017).

In the September 2009 election, the incumbent PS won a plurality of the votes, but lost its parliamentary majority. This was a crucial milestone, as from this moment on the PS

government relied on parliamentary support from the other parties in order to face the crisis. The economy continued to worsen and the interest rates of national bonds climbed exorbitantly between 2010 and 2011. The European institutions, and especially the European Council, recommended the adoption of harsh fiscal consolidation policies, which were in strict contradiction with the PS' electoral pledges (Giorgi et al., 2015; Moury & Standing, 2017). What followed was a succession of policy packages filled with austerity measures aimed at containing the deficit and increasing competitiveness – the so called Programas de Estabilidade e Crescimento (“Stability and Growth Programmes”). These packages were designed by the government in strict coordination with European authorities. The first three packages were approved with the support of the main opposition party, the centre-right Partido Social Democrata (PSD), which was prompted to do so by the President of the Republic (Giorgi et al., 2015, p. 59). In 2011 the executive attempted to push forward the fourth Stability and Growth Programme (PEC IV), but it eventually failed to pass in parliament in March 2011, leading to the resignation of the José Sócrates and his government. By April 2010, the yield of Portuguese 10-year bonds was 9.2%, up from 4.5% one year earlier, and the caretaker executive finally called for financial assistance from the IMF, the ECB and the European Commission.

The PS did not take part in the negotiations of the rescue package alone. Representatives from the right of centre Centro Democrático Social (CDS-PP) and PSD also took part and directly negotiated with officials from the so-called troika. Although the left-wing parties (Partido Comunista Português, PCP, Partido Ecologista Os Verdes, PEV, and Bloco de Esquerda, BE) opted out of the discussions, the final Memorandum of Understanding (MoU) obtained the concurrence of the three mainstream parties, thus ensuring that regardless of the result of the elections it would be duly adopted. The 78 billion-euro rescue package was granted on the basis of major policy commitments, counting among them several measures which featured the previously rejected PEC IV. Research has shown that the financial intervention provided national stakeholders the opportunity to push for unpopular measures using the weight of foreign intervention as an unescapable reason for their adoption (Moury & Standing, 2017).

As expected, the PSD came first in the June 2011 election short of a majority and negotiated a coalition with the smaller, conservative CDS-PP. The newly appointed government was deeply devoted to executing the MoU, and its leader, Pedro Passos Coelho, argued that his party was committed with cutting public spending even more (Moury & Standing, 2017). However, the economic situation continued to deteriorate for some time. The unemployment rate, which was at 12.1% when the PSD/CDS-PP government took office in June 2011, peaked at 17.5% in March 2013. The yields of 10-year bonds reached their summit in January 2012 and the credit

score of Portuguese debt was downgraded by rating agencies. The government went through some moments of political turmoil as there were moments of disagreement between the two parties, but it nevertheless managed to complete its mandate. The financial assistance programme officially ceased in 30 June 2014, although the country is still under post-programme monitoring and surveillance from the troika. By the second half of the legislature the economy started to improve and the job market eventually recovered.

Elections were held in October 2015. The incumbent parties, PSD and CDS-PP, joined forces in an electoral coalition and won a plurality of the vote, and consequently were sworn in office. However, this executive had a short-lived tenure as the centre-left and left wing parties coordinated in order to reject the government's programme and nominate a minority PS government supported by the radical left (Lisi, 2016). This executive has reversed many of the most emblematic austerity measures, and the next parliamentary elections are scheduled for October 2019.

II. The Blame Game: Narratives of the Crisis

As the crisis unfolded and expanded, different accounts of its roots were advanced by political actors. In broad terms, we can identify three main political narratives about the sources of the crisis, each of them originating from a different segment within the political spectrum: the socialist (PS) narrative, the conservative (PSD and CDS-PP) narrative, and the left-wing (PCP, PEV and BE) narrative. It should be underlined that these three accounts do not exhaust all the arguments that were put forward during the crisis by elites and masses, but they represent the main lines of public argumentation about the crisis.

The first narrative was dominant in the PS approach to the crisis, especially under the leadership of José Sócrates, who resigned in March 2011 but was nevertheless obliged to negotiate the MoU with the troika. This political narrative accentuated the international nature of the crisis (Standring, 2017) and the incapacity of any government to cope with its impact on a small open economy like Portugal's. Thus, before 2011 – i.e. during the period of the beginning of the crisis and implementation of the first anti-crisis measures – the discourse of the incumbent socialist government was largely marked by international blame attribution and by the attempt to depoliticize measures, as they were presented to the public as inescapable (Moury & Standring, 2017; Standring, 2017). While strategically evoking international constraints of the Portuguese domestic politics – and appealing to the European authorities in an attempt to legitimize their decisions – it was clear that the PS did not want to govern a bailout country. Thus, once all other parties voted against the fourth austerity package (SPG IV), the PS leadership would eventually blame the opposition for their “lack of responsibility” (De Giorgi et al 2015, p. 60) and for ultimately bringing the troika into the country.

The second narrative followed an economically orthodox and fiscally conservative approach and originated mainly from the leadership of the PSD and the CDS. According to this account, the crisis was the corollary of an overlong reliance on excessive public deficit and debt, with fiscal irresponsibility and the disproportionate weight of the state vis-à-vis private initiative being the main factors for the mediocre performance of the Portuguese economy (Standring, 2017). According to this narrative the sovereign debt crisis was the product not merely of the challenges generated by the international recession, but also of the absence of pressing structural reforms, which the PS led executive failed to pursue during its tenure. Therefore, the crisis and the subsequent troika intervention could provide an opportunity to free Portuguese society from excessive state intervention as well as to tame the public sector. Consequently, the PSD/CDS-PP coalition in power between 2011 and 2015 sometimes went even further than the agreed programme, and the European institutions were evoked to emphasize the government's ideological congruence with them. Such a broad-brush description of this narrative should not obfuscate the fact that there were various moments of tensions in the coalition, especially when

its junior member, the CDS, opposed some of the hard-line measures promoted by the Prime Minister and the first Finance Minister, Vítor Gaspar.

The third narrative was shared by the two main left-wing parties, the PCP and the BE. According to this version of events, blame should be attributed to the three mainstream parties (PS, PSD and CDS-PP) for an array of misguided political options leading to the loss of economic sovereignty during their successive tenures in power. This narrative implied not merely a critique of a particular course of action but instead constituted a more radical condemnation of European institutions. For the left-wing parties, the anti-crisis programmes reflected a desire from the successive governments to comply with the European Union's guidelines, and would lead to "country's economic throwback" and "retreat to a minimal state condition". Thus, while the socialists were in power in the beginning of the crisis, the left-wing parties also took advantage of the moment to criticize the right-wing opposition parties (the PSD and the CDS), as well as to re-affirm their Eurosceptic stances. A crucial aspect of this narrative was its refusal of the notion that public debt, especially the part of it in the hands of international creditors, could not be defaulted. Elements of this narrative can also be found in the discourse of social movements that were particularly active in the apex of the troika intervention. Traditional actors like trade unions and new social movements like "Que se lixe a troika!" ("Screw Troika!") were able to generate significant mobilization during the financial intervention, even if such mobilization was not as strong as in other countries affected by the crisis (Della Porta, Andretta, Fernandes, O'Connor, & Romanos, 2016).

These three narratives and the positioning of political actors vis-à-vis each of them were not static throughout the crisis and its aftermath. As the crisis deepened and the negative collateral effects of the implementation of the MoU became more salient, the opposition to the government intensified and the discourses from the PS and from the parties on the left became closer. After the change in leadership that followed the 2011 electoral defeat, the PS – while being in opposition to the right-wing coalition – was in the beginning somewhat cooperative and agreed with some austerity budget measures, including the 2012 State Budget. Still, in November 2012, the Socialist party voted against the 2013 budget, starting a heavy critique campaign against the incumbent government coalition and its austerity programme, thus approaching the left-wing parties. As the debate about the origins of the crisis became less salient than the discussion about the effects of the austerity programme, the PS started to distance itself even more from the course of action followed by the right-wing coalition. A survey of MPs, for instance, shows that the levels of trust of socialist MPs in European institutions decreased over the course of the troika intervention in comparison with previous years (P. T. Magalhães, Cancela, & Moury, 2016).

III. The Tools of Accountability

Parliamentary commissions of inquiry

Unlike other European countries (Kovras, McDaid, & Hjalmarsson, 2017), in Portugal no public truth commission was created to probe the causes of the crisis. Moreover, the Parliament did not set up a generic Parliamentary Commission of Inquiry (PCI) for examining this general issue nor, for that matter, deficit and debt writ large. On the other hand, various PCI dealt with specific aspects or consequences of the crisis. This section examines the functioning and the most relevant conclusions of three of these PCI.

In Portugal, PCI are ad hoc committees bound by specific rules which are established for a limited period of time in order to perform a specific function (Leston-Bandeira, 2004, p. 82). Their mission is to scrutinize compliance with the Constitution and other relevant legislation, and to consider the acts of the government and the public administration. The work of PCI culminates in the presentation of a descriptive report on the committee's work, which must include the conclusions drawn from it. PCI enjoy the same investigative powers as the judicial authorities, which means that they have the authority to summon individuals to testify and collect documental evidence. The composition of each PCI mirrors the proportional weight of parties in Parliament. While they cannot sanction the government's actions they nevertheless influence the political agenda (Leston-Bandeira, 2004, p. 82). In one third of the PCI conducted between 1976 and 2015 the final reports were sent to the Public Prosecution Service or to judicial authorities (Mendes, 2015, p. 86), which are then able to examine the cases according to their own rules and procedures.

These committees have been frequently set up since the transition to democracy and the concomitant rise of parliamentary powers. Between 1976 and 2015, a total of 66 committees were effectively set up out of a total of 170 proposals. This means that an average of about fewer than two PCI were set up each year. The period which witnessed the widest use of this instrument was during fifth and sixth legislatures, between 1987 and 1995. The political issues that have generated the largest number of requests for a PCI are the economy and finances, followed by communication and media (Mendes, 2015, p. 186).

During the crisis and its aftermath bank bailouts and busts provided an abundant source of material for parliamentary inquiries. Between 2012 and 2016 three distinct PCI were established due to the financial collapse of three major banks in Portugal. The two PCI (one for each bank) on the failures of Banco Português de Negócios (BPN) of Banco Espírito Santo (BES) worked during the 12th legislature, while the PCI on Banco Internacional do Funchal the

(BANIF) bank case was set up in the 13th legislature. There was also a PCI that dealt with the debt contracted by publicly owned transportation companies.

The first PCI of those under analysis dealt with the process of nationalization, management and alienation of the Portuguese Business Bank (Banco Português de Negócios S.A., BPN). This PCI, which operated from March 2012 to November 2012, had a mandate that consisted in evaluating the use of public funds allocated to the bank and its “vehicle companies” during its nationalization and re-privatization, as well as the management options taken during the process.

The PCI reckoned that the owner of BPN, the SLN Group (Sociedade Lusa de Negócios) could be characterized as an economic and financial group owning a bank subordinate to the group’s interests, which is not a customary practice in the country, where banks tend to dominate companies and business sectors. This structure allowed the growth of the SLN Group without a clear-cut separation between its financial and non-financial sectors. The SLN/BPN Group soon came to be dependent on a small circle of senior managers, with its President Oliveira e Costa concentrating most of the operational power. In order to carry out illegal financial transactions, which were not included in its official accounting, SLN systematically used offshore accounts. It was an established practice to engage in high-risk business, some of which turned out to be ruinous for the company.

According to the PCI’s final report, the origins of the collapse of BPN could be dissociated from the reasons behind the international financial crisis. Still, the prudential supervision paradigm of the Bank of Portugal, which enabled the development of illicit acts in BPN, could be substituted – according to the legal framework – by a more active type of supervision. While the conclusions written in the report were not unanimous, they were not highly disputed. In fact, though the initial version of the report was considered to be biased by the representatives of the opposition, the revised version featured a wide array of revisions proposed by the different parties, especially regarding the handling of the bank by the incumbent government. Thus, the representatives of the coalition in power (PSD and CDS) voted in favour of the final report, while members of the PS, the PCP and the Greens abstained, as they conceded that there was an effort to incorporate their input. The representative from BE was the only to vote against it, as he argued that the report did not adequately stress the extent to which the alienation of the bank benefited BIC, its final buyer.

Another PCI was set up to assess the management of Banco Espírito Santo (BES) and its sister company, Grupo Espírito Santo (GES), and operated between September 2014 and May 2015. Its mandate consisted in evaluating the management practices of BES that led to its financial instability and eventual resolution, as well as the role played by public authorities in monitoring and dealing with the bank’s downfall.

The PCI took into particular account the relationship between the financial sector of BES and the other assets owned by GES. One of the key problems of GES consisted in being a family enterprise, with a strongly personalized management and a weak organization, characterized by persisting informalities, conflicts of interest, lack of segregation of duties and weaknesses of the internal control performance. GES achieved an appreciable dimension, with a reduced volume of equity and through systematic recourse to bank financing, or through its financial branch, with the accrual of interest, that led to a debt spiral that kept increasing and subsequently contaminated BES itself.

With the economic crisis of 2008 – and the consequent difficulty in obtaining external funding – the unresolved problems sharpened up. By then, acts of manipulation of information began to occur, and the usage (between late 2013 and May 2014) of diverse types of financial operations, through a variety of entities, including “off-shore” companies, “round-tripping” operations, besides the practice of serious irregularities (procedural errors), including violation of guidelines of the supervisory authorities, namely the Portuguese Securities Market Commission and the Bank of Portugal.

The PCI concluded that external audit bodies, the Bank of Portugal and the troika itself could have been more active in preventing the bank’s downfall. Accordingly, the PCI recommended the adoption of accountability procedures, the elimination of conflicts of interest, improvements regarding access, clarity, transparency and information sharing and strengthening the linkage and coordination between stakeholders. The final report was relatively consensual: the three mainstream parties (PSD, PS and CDS) voted in favour of the report, while BE abstained and PCP voted against. The PSD representative who authored the final report accepted most of the revisions proposed by the PS, which generated the rare outcome of the three mainstream parties voting in favour of a PCI final report.

A third relevant PCI dealt with the signing of SWAP contracts by the executives of publicly owned enterprises, mainly in the transportation sector. This PCI operated between May of 2012 and July of 2013, and its activities and outcomes contrasted remarkably with those of the two other PCI insofar as they were far more politicised along party lines. A topic of particular attention was the share of responsibilities held by Maria Luís Albuquerque, who was the Finance Minister at the time of the PCI but incidentally had been between 2001 and 2007 a financial director at REFER, a railway infrastructure company that engaged in costly SWAP contracts. According to the final report of the PCI, a substantial part of the blame for the costly expenses that these SWAP contracts implied should be attributed to the PS led government and to the banking system. The PSD and CDS voted in favour of the report, while all other parties voted against it. The parties in opposition blamed those in power of using the PCI not as a device to pursue accountability, but rather as way to lend parliamentary approval of the government-sponsored narrative that all the blame for the crisis rested on the socialist government.

In sum, there have been notable differences in the extent to which these three commissions operated along partisan lines. The two PCI established for the purpose of dealing with banking respective reports concluded that mismanagement, illicit financial operations, and failures in the supervision strategy of the Bank of Portugal, contributed decisively to the situation. Critically, the PCI that dealt with the financial implications of the SWAP contracts celebrated by publicly owned enterprises did not produce a consensual account of the events and recommendations. Thus, a crucial variable behind the voting outcomes might be the degree of openness from the rapporteurs to include the input from other parties in the final report. To the extent that the PCI on SWAP contracts involved scrutinizing the action of members of the government, the author of the final report might have been less open to include the amendments proposed by other parliamentary groups than the rapporteurs of the PCI on bank management.

Prosecutions

The Portuguese justice system has been particularly active in recent years. The special unit of the Ministério Público (Public Prosecution Service, PPS) which is responsible for investigating more complex and organized crime – the Central Department for Investigation and Penal Action (DCIAP) – has conducted hundreds of searches across the country, constituted suspects and/or put in custody dozens of suspects, including a number of businessmen, lawyers, medical sales representatives, Tax Authority officials, politicians, former directors of the Ministry of Internal Administration, the Director of the Presidency Museum, an employee of the Bank of Portugal, a spy, and a magistrate and a prosecutor of the proper Public Ministry. Moreover, a former Vice President of Angola, Manuel Vicente, is being currently investigated. In a brief period of time, leading figures of the state and financial sector were investigated and charged, remained in custody, and some of them even were actually convicted.

Among the cases featuring more prominently in the media over the last years have been those of José Oliveira e Costa, Ricardo Salgado and José Sócrates. José Oliveira e Costa, the CEO of BPN, was convicted in May 2017 to 14 years in prison for fiscal fraud, mismanagement and the collapse of the BPN. Ricardo Salgado – formerly the wealthiest Portuguese banker and a symbol of financial power in Portugal – is being investigated in numerous cases, his personal assets were seized, and he is currently awaiting trial in freedom on bail of 1.5 million euros. José Sócrates, the former Prime Minister, was kept in custody for 10 months and is facing trial due to charges of corruption, money-laundering and tax fraud. The building up of these different cases has unveiled an intricate and complex web of intersected interests.

The BPN case is the only one of the three which has culminated in a verdict so far. According to the Central Department for Investigation and Penal Action (DCIAP), the strategy of the former

president of the BPN bank consisted in creating of offshore companies and using another bank institution (namely, the Insular Bank [Banco Insular] in Cape Verde), beyond the sphere of control of the Bank of Portugal . This bank served to hide costs, to obtain a fictitious financial balance, and, whenever possible, to obtain profit to be distributed as dividends among shareholders. According to the Ministério Público, these acts led to the collapse of the BPN bank and its subsequent nationalization in 2008 – the first nationalization of a bank since 1975 in Portugal. In November 2009, the Ministério Público presented charges against the defendants of the “BPN – Caso principal”; the respective trial ended on 29 June, 2016, and the sentence was issued on May 24, 2017, with the condemnation of José Oliveira e Costa to 14 years in jail.

The BES case, like others related to the banking system, is twofold. The Ministério Público is in charge of the criminal “component”, while the regulatory authorities of the banking market – Bank of Portugal – and of the capital market – Securities Market Commission – are in charge of administrative infraction/offence proceedings. So far, seven individuals are defendants, including: Ricardo Salgado (former President of the BES bank), Amílcar Morais Pires (former Financial director of the BES bank); Isabel Almeida (former Financial director of the BES bank); and António Soares (former member of the Executive Committee of BES Vida insurance company). The defendants are charged with corruption in private sector, qualified fraud, breach of trust, falsification of documents, computer forgery, tax fraud, and money laundering.

There are five major ongoing investigations, and more than 70 smaller processes resulting from received from former BES’ clients. The first case is related to the alleged falsification of financial accounting and other financial manipulations in key companies of the Espírito Santo Group (GES) and Espírito Santo International (ESI), which already led to the first administrative proceeding, carried out by the Bank of Portugal against Ricardo Salgado and 14 top figures of BES (Banco Espírito Santo) and GES. The second investigation deals with the relationship between BES and its subsidiary in Angola (BESA), which led to financial losses of 3 billion euros. According to the investigation, BES borrowed 3.3 billion euros to the Angolan subsidiary, which, in turn, granted 4.5 billion euros in loans without guarantees, whose beneficiaries are largely unknown. The third case investigates an investment of around 900 million euros that Portugal Telecom (PT), led by Henrique Granadeiro and Zeinal Bava, made in Rioforte in 2014. The fourth investigation is related to a scheme set up by Eurofin Securities – a Swiss law company – which allowed placing the debt of several GES’ companies – using a Special Purpose Vehicle (SPV) mechanism – to the clients of BES, Banque Privée Espirito Santo (Switzerland), BES de La Vénitie (France). The fifth process is directly related to the previous one, and deals with the former BES’ clients – the victims of its collapse. The DCIAP’ investigators suspect that between January 2011 and April 2014 BES allocated around 10 billion euros of debt of several companies of GES to its customers, with the intermediation of Eurofin. There are strong indications that those financial products were presented to BES’ clients as

products with a guaranteed profitability, i.e. as reliable fixed-term deposits. No legal accusation has been formally opened as of yet against the former executives of BES and GES.

A final case involving a central actor of Portuguese politics during the last decades is Operação Marquês. According to public prosecutors, José Sócrates, the former prime-minister, played a central role in a scheme of corruption involving the exchange of favourable political decisions and public contracts for bribes. Concretely, according to the prosecution, Sócrates provided advantages to privately owned business in exchange for large sums of money which were channelled into Swiss bank accounts. The actions have allegedly included providing illegal advantages to LENA, a construction company, and also illegally influencing the acts of management of publicly owned enterprises as well as private businesses for his own personal advantage during his tenure as prime-minister. José Sócrates was arrested and remained in custody from November 2014 until June 2015 as the public prosecutors and tax authorities investigated his case. The indictment was officially formulated in October 2017.

Although José Socrates and some of his advocates have argued that the investigation of the former Prime Minister could be seen as a case of a political persecution against him and the Socialist Party (PS), several facts contradict this thesis. On the one hand, it is true that the investigation of José Socrates, carried out by public prosecutors, has been marked by media leaks and by the terms of media coverage; on the other hand, it is also true that there are an extensive list of suspects or defendants in different cases with connections to the centre-right PSD, which makes the hypothesis of political persecution unlikely. While some political actors close to Sócrates have critiqued the Ministério Público for their handling of the case – in particular for the media leaks and for taking too long to formalise the charges – most of them eventually downplayed their critics as the case developed.

Occasional debates have been held in the public sphere about a risk of judicializing politics, as some commentators have expressed their concern about the inclination of prosecutors and judges to play a more active role in scrutinising the action of elected officials. In terms of public perception, the levels of trust in the judiciary have been rising in recent years: in May 2010, only 28% of those surveyed trusted the judiciary; by May 2017 this proportion had risen to 49%.

Apologies

In Portugal, no political figure or party presented any public apologies or took public responsibility for the financial and economic crisis or the bailout. The lack of public apologies for the crisis can be understood as a product of three main motives: political culture, lack of

pressure from public opinion, and the political calculations and personal characteristics of political leaders involved.

Apologies from politicians, and specifically from those on the executive branch, are relatively scarce in Portugal. Even when ministers resign on the ground of some incident under their tenure, they tend to do so without explicitly apologising, even though they may that they are “assuming responsibility”. An inversion of this tendency has been noted in recent years, though. For instance, José Sócrates apologised for smoking on a non-smoking flight and for a delay in the submission of the draft annual budget. Two ministers in the subsequent government of Pedro Passos Coelho apologised for software issues that complicated administrative procedures.

The results of two post-electoral studies conducted in 2011 and 2015 highlight the first of these dimensions. It should be recalled that the 2011 election took place soon after the rejection by Parliament of SPG IV, a package of anti-crisis measures, proposed by the incumbent minority socialist government, and the bailout decision was officially announced by the government. The results demonstrate that blame was attributed by Portuguese voters to a mix of domestic and international factors (P. Magalhães, 2017). While almost two thirds of respondents considered that the government was “very” or “extremely responsible” for the state of the economy, at least half of those surveyed considered that the “international economy”, “banks” and “rating agencies” were responsible as well.

The election of 2015 was disputed after the implementation of the financial bailout and in a phase of modest economic recovery. While there were some slight fluctuations in the attribution of responsibility for the state of the economy, the overall picture did not change much vis-à-vis the previous election. On the whole, the Portuguese public seems to be aware that as an open, semi-peripheral economy, the government does not have full control over its performance. This mix of domestic and international blame attribution in the eyes of Portuguese citizens may have justified the lack of public apologies from the two governments that held office during the crisis, the bailout negotiation and its implementation.

Another possible explanation lies in the political strategies and the individual traits of political leaders. In May 2010, PSD’s leader – Pedro Passos Coelho, who would later be sworn in as Prime-Minister in 2011 – apologized to the voters for not fulfilling electoral pledges (but not for the crisis the country was going through), in an attempt to justify his support for the first austerity package of anti-crisis measures (PEC I), stressing that “the country’s situation has seriously worsened in recent weeks”: “I want to start by apologizing, not because I feel responsible, but because the measures approved today represent a set of hard measures for most of the Portuguese. <...> I personally owe an apology to the country for doing what I said I did not want to do and should not be done.” As the PSD would be facing legislative elections next

year and the party had a good chance to win due to the weakened position of the PS, this statement could be seen as a part of PSD's electoral strategy.

When the incumbent prime-minister, the PS' leader José Sócrates, was confronted with this declaration, and with the fact that one of PS' electoral pledges consisted in not raising taxes, he confirmed his ownership and his responsibility for the measures, affirming: "I do not apologise for fulfilling my duty and doing what is essential to defend the country. I would have to apologise if I did not have the courage to take the necessary measures."

Later, in March 2013, in line with his political discourse during his tenure as prime-minister, Sócrates refused to be held responsible for the bailout and the MoU, signed with the Troika: "I accept the responsibilities that I have and not those that my opponents want to forcefully attribute to me in a way that is contradictory to the facts (...) I will not [apologize to the Portuguese] because I do not accept this responsibility." While admitting that Portugal had structural deficits, José Sócrates attributed the responsibility for the country's situation to the international crisis.

On the other hand, Pedro Passos Coelho and the leader of the junior party in the coalition, Paulo Portas, did not apologise during the bailout for their political choices. Confronted with his role in the negotiation of the troika intervention, Passos Coelho stated that the responsibility for calling the troika lied fully with the prior executive, and that as a key figure in the opposition his role was to "support all decisions that favoured the national interest."

IV. Impact of Accountability

The effects of the tools of accountability described in the previous section have been mixed. While their impact was felt in numerous ways, it should be said that the consequences of these tools – and of the crisis itself – were perhaps not as strong in Portugal as in other countries. This section assesses their main impacts, and then moves on to discuss the evolution of public opinion regarding various political institutions.

The parliamentary commissions of inquiry about the failures of the banks did produce results insofar as there was a widespread recognition from the vast majority of those involved that there were major failures in management and supervision. One of the effects of the PCI was the increase of the public discussion of the role of supervision, as well as illuminating the how widespread mismanagement practices were prior to and during the crisis. The attention paid by the media to the PCI contributed to underlining the centrality of parliament in political life and to highlighting the work of political parties, including the smaller ones.

Another effect relates to the series of judicial cases about alleged crimes for which the suspects are being investigated or charged: tax fraud and money laundering, and, in some cases, corruption and influence peddling. In recent years, such crimes have been subject to a large public debate (including broad media coverage) in Portugal, which forced the state to seek appropriate strategies and mechanisms to solve or at least to control and prevent them. Under this perspective, the temporal overlap of the three mega-operations triggered by the DCIAP (“Universo Espírito Santo”, “Operação Labirinto” and “Operação Marquês”) indicates that the approach to economic crime might be evolving and getting increasingly more sophisticated and thorough. In recent years, cooperation between the Ministério Público, the central bank and regulatory agencies has intensified, as has the supply of specialized training to prosecutors handling economic crime.

In addition to the cases mentioned in the previous section, there has been a considerable number of investigations on individuals with a high-level profile. Miguel Macedo (who was serving as a Minister when alleged crimes were committed), Luís Filipe Menezes, Miguel Relvas and Paulo Nuncio (whose names appear in the “Rota do Atlântico” and “Operação Labirinto” cases). And if we go back in time, Duarte Lima, Oliveira e Costa and Arlindo de Carvalho – all subject to criminal investigations – were all very close to the former President of the Republic, Aníbal Cavaco Silva. If we consider that among the suspects and accused by the MP were also leading figures of the public administration (for example, the Director of the Immigration and Borders Service and the President of the Institute of Registries and Notary), as well as several top managers of the financial sector (like Amílcar Moarais, José Maria Ricciardi, Jorge Tomé and José Manuel Espírito Santo), we might be tempted to conclude that the Portuguese Justice was

been on investigating key figures of government and business, who could have a status of “untouchability” until recently.

In this regard, it should be recalled that the Ministério Público was subject to a reorganization in October 2012. A new Prosecutor General, Joana Marques Vidal, was nominated, and a few months later Amadeu Guerra took office as the new Director of the DCIAP: the new Prosecutor General decided not to renew the contract of Cândida Almeida, who occupied this crucial position for 12 years. But changes in the DCIAP began even before, under the pressure of the tutelage body – the Superior Council of the MP (CSMP). In 2012, for the first time in 12 years, the prosecutors were selected by an internal competition; until then, the majority of the prosecutors occupied the positions by invitation of the former Prosecutor General. With her leaving the office, several DCIAP prosecutors also resigned. The new Director of the DCIAP increased the expertise of the department and made it more efficient by creating specialized sections and relieving the overburdened prosecutors. The screening processes became more rigid, leaving less complicated cases to other departments of the MP.

However, it is also worth noting that (extensive) media exposure can contribute to an overrepresentation of the issue in public discussion. While it can be expected that the burden of taxes resulting from the austerity measures imposed by the Troika made Portuguese citizens less tolerant of so called “white-collar crimes”, this does not mean that this kind of crimes have actually increased. In fact, according to the official statistics, the number of opened criminal cases, the average number of suspects judged in each year and the number of those sentenced in court have remained more or less constant over the last decade. However, extensive media coverage of this type of case and the adoption of tough coercive measures for those considered guilty, have a strong social impact, presenting a new challenge for justice and criminal investigation in Portugal. Since justice is only served if all cases reach a reasoned and substantive ending/decision, Portuguese society today seems unreceptive to certain outcomes, conditioned on purely formal grounds (like prescription, for example).

With all of these developments in mind, one way to assess the relationship between the public and institutions is by examining the levels of confidence that the former invest in the latter. In October 2008, before the major effects of the crisis hit, 41% of the population tended to trust in justice. Two years later, by November 2010, only 28% reported doing so. However, in May 2017, the share of the population who trusted in justice had risen to 49%. Levels of trust in the national parliament are also higher than by the beginning of the crisis. In October 2008, 38% of the surveyed population trusted the parliament, and an all-time nadir in May 2013 (13%). While there are certainly a series of factors at play, the fact remains that the relation between the Portuguese public and its institutions has improved since the beginning of the crisis.

Another indicator to measure the impact of the crisis and of the tools of accountability is by observing the electoral performance of political parties. Specifically, the crisis has not produced

systemic changes in the levels of electoral support obtained by the different parties. As section 2 details, there has not been a consensual narrative about the events that have led to the intensification of the crisis. On the other hand, there has been a major development in terms of inter-party relations since the parties on the Left chose to support a government from the Socialist Party. However, the question remains as to the extent to which this has been a consequence of the austerity centred response to the crisis by the previous government (Lisi, 2016) than a result of the instruments of accountability analysed in the previous section.

V. Learning and Reform

An important part of the political response to the crisis was aimed at reforming various aspects of the system in order to avoid future aggravations of the national economy. In particular, efforts were made to reform two specific institutions: the justice system and the central bank (Banco de Portugal).

Reforms of the justice system

Reforms of the judicial system have always been a recurring topic in Portuguese society, to a considerable extent because courts tend not to solve litigations with the effectiveness and promptness that litigants often expect. While successive governments have intervened by promoting various reforms of the judicial system with the aim of increasing its celerity since the mid-1980s, these measures proved insufficient to reverse the situation and to meet public expectations in a satisfactory way.

The economic crisis, the recapitalization of the banking system, the growing number of cases related to financial crime, and the involvement of high-level actors of the political and financial spheres in various scandals intensified the discussion of the topic due to its greater prevalence in the media. The organizational model of the judicial system, its bureaucracy and excessive formalism, as well as the flaws in the procedural rules permitting procedural delays, leading, in turn, to longer processes, were pointed out, explained, analysed, and subject to a debate. The impact of the functioning of the judicial system on economic activity was also emphasized, with many experts claiming it to be a serious obstacle to the country's competitiveness and development. It has since become banal to argue that the functioning of the judicial system has a negative impact on the economy and investment in Portugal (Santos, 2014).

The MoU signed by Portugal and the group of international organizations represented by the Troika, on 17 May 2011, defined a set of reforms to be implemented in the area of the judiciary, especially with regard to its economic aspects. These policies were designed based on criteria of efficiency and effectiveness of the judicial system, and the principles of economic rationality. Despite numerous revisions of the original version of the Memorandum of Understanding, the original commitments, as far as justice is concerned, were actually fulfilled. The government itself declared (in the 8th and 9th regular revisions of the document, in October, 2013) that the key measures of the judicial reform – including the creation of voluntary arbitration legislation (Law N°63/2011 of 14 December), the approval by the Parliament of the new Civil Procedure

Code (Law N°41/2013 of 26 June) and the approval of the new judicial map (Law N°62/2013 of 26 August) – were successfully implemented (Santos, 2014, p. 9).

Consequently, the Civil Code became less dense, some laws were clarified, new rules of procedural management were introduced, and some measures with a view to reducing the bureaucratization of justice were taken. This set of measures aimed at increasing the swiftness of the judicial system, especially through simplification of the procedures. In sum, the amendments imposed by the MoU did not intend to reform the Portuguese judicial system in a structural way, but to introduce changes at the procedural level.

The new judicial map was undoubtedly the most emblematic and controversial measure agreed between the Portuguese government and the international partners responsible for the financial bailout (Garoupa, 2012). The government assumed that its elaboration aimed at rationalizing infrastructures in order to allow efficiency gains, though the number of magistrates remained almost the same. In this sense, a judicial reorganization was carried out, rather than a reform, since several courts were shut down and others transformed into mere sections. The government justified this policy with the limited number of proceedings carried out by those courts.

The new paradigm, according to which courts play a key role as economic recovery agents through improved executive recovery rates and, consequently, as a potential source of revenue for the state, was criticized by professionals and analysts, for whom this paradigm also meant an increase of judicial costs, and a growing number of records and notarial acts. Two aspects of a particular relevance should be mentioned. On the one hand, the reforms were designed and implemented, but their results fell short of the original – announced – expectations. On the other hand, since the centre-right coalition had a parliamentary majority, and Portugal was bound by an international financial assistance programme, there was no need to reach a broad consensus with the opposition parties in order to implement the reforms. This prevented a more thorough and structural reform of justice to be carried out, with a long-term perspective.

Reforms in the Bank of Portugal

Some of the most prominent aspects of the crisis in Portugal were related to transformations in the banking sector, including the collapse of important players. Understanding change in the Banco de Portugal (Bank of Portugal, BdP) is thus critical for assessing the extent to which there has been a process of institutional learning leading to a capacity to have a more resilient reaction to future challenges.

In a nutshell, the self-assessment of the BdP evolved from the beginning of the crisis until its aftermath. The analysis in the BdP's early official report reveals a lack of self-criticism or self-accountability rhetoric regarding its role in the crisis. Moreover, these documents featured little mention or reflection about the domestic causes of the Portuguese banking crisis. Nevertheless, the Bank has more recently acknowledged that one of the factors which weakened the international financial system in the period prior to the global crash, was precisely the failures at the level of the financial institutions' corporate governance, including in the Portuguese case.

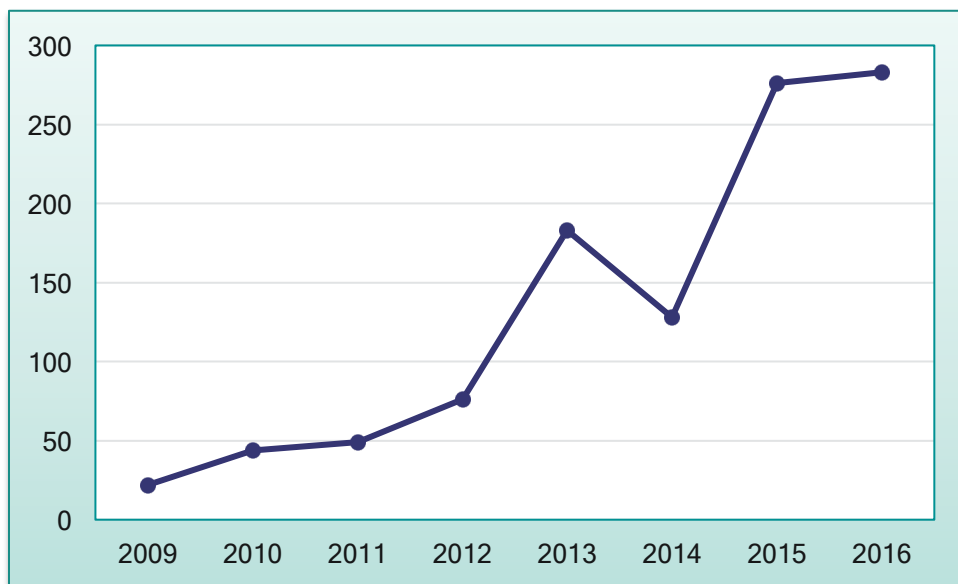
The BdP's annual reports from the initial years of the crisis reveal an emphasis on the international dimension of the economic crisis and its common impact on the euro zone – and, consequently, on Portugal – with little reference to possible flaws in the domestic banking system and financial supervision. Thus, in 2008-2009, the BdP described the crisis as synchronized with the global economic recession – with the features similar to those of the Great Depression – that conditioned the activity of Portuguese banks. The BdP reports also pointed out that the crisis implied a significant deterioration in the public finances of advanced economies, that manifested itself in the euro area with the sovereign debt crisis. As a serious repercussion, Greece, Ireland and Portugal lost their access to market financing and had to resort to international financial assistance (2010-2015).

Therefore, the initial response to the economic crisis of BdP, and especially to the instability of the financial sector, was framed within the Portuguese government's Financial Stability Enhancement Initiative – IREF (2008-2009), which approved various legislative policies. First, a reinforcement of information and transparency, including the strengthening of the available information on complex financial products. Second, a revision of the sanctioning regime, including an update of the criminal and administrative infraction frameworks and a revision of the remuneration policy for executive and supervisory members staff (Law 28/2009). Third, a reinforcement of deposit guarantees, most notably a change of the coverage limit from 25.000 to 100.000 euros (Decree-Law 211-A/2008). Fourth, the concession of a personal guarantee from the State to all credit institutions based in Portugal that meet the solvency criteria established by law. (Law 60-A/2008). Fifth, strengthening the financial soundness of credit institutions by approving a specific legal framework for direct public intervention in the recovery and reorganization processes of credit institutions with levels of funds inferior the legal minimum (Law 63-A/2008).

Taking into account this politically-driven legal framework, the BdP's own initiatives were two-fold: (i) implementing a new risk assessment methodology and reorganizing the supervision activity, as well as (ii) reinforcing its sanctioning policy. With regards to the supervision, in 2011, three autonomous departments were created, and permanent inspection teams were established to supervise on site main banking groups. The BdP also created a specialized commission with responsibilities in the financial stability domain, and the position of an Ethics Consultant (2011). In 2012, BdP's power in terms of intervention in the institutions under its

supervision was reinforced by the Memorandum of Understanding between the Portuguese State, the European Central Bank and the FMI (17 May 2011) and, consequently, by the respective Decree-Law n° 31A/2012, 10 February 2012. Moreover, since the end of 2014, the BdP integrates the Single Supervisory Mechanism, meaning that its supervision of domestic credit institutions is shared with the European Central Bank (ECB), especially in what regards those credit institutions considered the most important.

As a result, the process of national banks' auditing became stronger. Indeed, the BdP carried out a vast program of periodic inspections that included external auditors and international partners (see the annual reports of 2011 and 2012). The Bank also invested in improving its sanctioning activity, particularly since 2012, by increasing the number of cases and by reducing the average time for completing the processes of administrative misconduct (see 2012 and 2013 Annual reports). Thus, in 2014 the sanctioning activity covered a diverse set of infractions and defendants. Later, in 2015, the BdP developed a particularly intense sanctioning activity, both in terms of number of cases and in terms of the size and complexity of some ongoing cases (see the 2015 Annual report). Figure 1, depicted below, illustrates the trend of an increasing number of administrative proceedings.



Graph 1. Number of supervision administrative proceedings initiated by BdP
Source: BdP Annual reports (2009-2016)

However, all these measures did not prevent the BES (2014) and BANIF (2015) banks from collapsing. The BdP's governor's actions were largely criticized, resulting in a national debate on the quality of the BdP supervision. In 2015, the Portuguese Central Bank conducted an internal audit regarding its performance as a supervisor during the BES crisis (that is, during the final phase of the Parliamentary committee of inquiry on the BES bank management). The results of that audit were not publicly disclosed; some recommendations were made public, wherein the BdP acknowledged some failures regarding its performance but in an implicit way.

Between 2014 and 2016, the BdP was prompted by the government to conduct a very limited self-critical exercise, concluding that the institution needs to be more vigilant, to have a more restricted application, to be less tolerant, and to have greater decision-making capacity. In other words, according to the BdP itself, the institution must make supervision decisions in a more assertive and determined manner, even if this entails a greater risk of litigation. Furthermore, it needs to improve the legal framework in order to strengthen and expedite the sanctioning action, especially in the face of trials of greater size and complexity. Also, the BdP admitted that the main credit institutions in Portugal have deficiencies at the collective level of management bodies, selection processes of non-executive members to those bodies, and prevention of conflicts of interest. More specifically, the BdP recognized the need to make changes in the following areas: accumulation of management positions, limits on granting of credits to shareholders, prohibition of granting loans to executives, identification of all shareholders with 2% or bigger shares, exposure to other group's entities or third countries, marketing of financial products and auditing. However, all these measures still have the status of mere recommendations.

For some, the fact that the BdP is now more closely articulated with the ECB in terms of supervision is a change in the right direction (Cardão-Pito & Baptista, 2017). Despite those changes, the BdP did not prevent the BES or BANIF banks crisis from occurring, and its performance was largely considered to be not autonomous. For instance, during the process of the sale of BANIF to the Santander bank, the Portuguese Central Bank was criticized for following the European Central Banks directives and not being able to make an opposition to secure national interests. Thus, this was a predominantly "formal" learning process, largely framed by the European Institutions' responses to the financial crisis. In practice, the BdP's performance in terms of supervision of the main Portuguese banks proved to be insufficient, as did a limited set of measures adopted by the Bank as the follow-up of the crisis.

Conclusion

Portugal provides an interesting case study of the unfolding and consequences of the crisis in a series of dimensions, as the economic and societal effects of the crisis were quite salient. The escalation of the crisis and the strategies chosen for coping with it brought major changes to the country, namely in terms of a labour market contraction, bank failures, and the upsurge of emigration.

One of the elements that this report highlights is the lack of a widely shared identification of the factors behind the debt crisis that forced the socialist government to negotiate with the troika in 2011. The Portuguese case is also marked by the lack of a truth commission and, notably, for the absence of public displays of remorse or apologies for the effects of the crisis by the main decision-makers. That being said, the political developments in Portugal following the crisis were also marked in part by continuity, at least for current standards in Europe. Electoral support for the various parties in parliament did not change much, as citizens did not transfer their vote to challenger parties trying to disrupt the party system.

While much remained the same, there were some significant developments as a result of the crisis as well. First, the judicial system seems now more likely to conduct investigations into powerful stakeholders. Second, both the parliamentary committees of inquiry and relevant decision-makers concurred in the need to improve the regulation of finance markets. Moreover, following European guidelines and domestic pressures, the Central Bank (BdP) has committed itself with increasing in its scrutiny of the financial sector. Third, the parties on the left adopted an innovative government solution after the results of the last elections failed to provide a majority to the PS or to the PSD/CDS.

Further Reading

- Standing, A. (2017). Depoliticising austerity: narratives of the Portuguese debt crisis 2011-2015. *Policy & Politics*.
- Gorjão, P. (2012). Portugal and the Straitjacket of the European Financial Crisis. *The International Spectator*, 47(4), 64–68.
- Magalhães, P, M de Lurdes Rodrigues, N Garoupa, C Gomes & R Guerra da Fonseca (eds). (2017). *40 Anos de Políticas de Justiça em Portugal*. Coimbra: Almedina.
- Sérgio A., de Sousa A.R. (2016) The Impact of the Financial Crisis on Portuguese Banks: The Problem of Portuguese Sovereign Debt. In: *Banking in Portugal*. Palgrave Macmillan Studies in Banking and Financial Institutions. Palgrave Macmillan, London.

References

- Blanchard, O. (2007). Adjustment within the euro. The difficult case of Portugal. *Portuguese Economic Journal*, 6(1), 1–21. <https://doi.org/10.1007/s10258-006-0015-4>
- Cardão-Pito, T., & Baptista, D. (2017). Portugal's banking and financial crises: unexpected consequences of monetary integration? *Journal of Economic Policy Reform*, 20(2), 165–191. <https://doi.org/10.1080/17487870.2016.1181551>
- Della Porta, D., Andretta, M., Fernandes, T., O'Connor, F. B., & Romanos, E. (2016). *Late neoliberalism and its discontents in the economic crisis: comparing social movements in the European periphery*. Cham: Palgrave Macmillan. Retrieved from <http://public.ebib.com/choice/publicfullrecord.aspx?p=4730839>
- Freire, A., & Pereira, J. S. (2012). Portugal, 2011: the victory of the neoliberal right, the defeat of the left. *The Portuguese Journal of Social Science*, 11(2). Retrieved from <http://pjss.iscte-iul.pt/index.php/pjss/article/view/84>
- Garoupa, N. (2012). Sem melhoria consistente e estrutural. *XXI - Ter Opinião*, (2).
- Giorgi, E. D., Moury, C., & Ruivo, J. P. (2015). Incumbents, Opposition and International Lenders: Governing Portugal in Times of Crisis. *The Journal of Legislative Studies*, 21(1), 54–74. <https://doi.org/10.1080/13572334.2014.939561>
- Gorjão, P. (2012). Portugal and the Straitjacket of the European Financial Crisis. *The International Spectator*, 47(4), 64–68. <https://doi.org/10.1080/03932729.2012.743644>
- Kovras, I., McDaid, S., & Hjalmarsson, R. (2017). Truth Commissions after Economic Crises: Political Learning or Blame Game? *Political Studies*, 0032321717706902. <https://doi.org/10.1177/0032321717706902>
- Leston-Bandeira, C. (2004). *From legislation to legitimation: the role of the Portuguese parliament*. London: Routledge.
- Lisi, M. (2016). U-Turn: The Portuguese Radical Left from Marginality to Government Support. *South European Society and Politics*, 21(4), 541–560. <https://doi.org/10.1080/13608746.2016.1225331>

- Magalhães, P. (2012). After the Bailout: Responsibility, Policy, and Valence in the Portuguese Legislative Election of June 2011. *South European Society and Politics*, 17(2), 309–327. <https://doi.org/10.1080/13608746.2012.701410>
- Magalhães, P. (2017). A Tale of Two Elections: Information, Motivated Reasoning, and the Economy in the 2011 and 2015. *Análise Social*, LII(225), 736–758.
- Magalhães, P. T., Cancela, J., & Moury, C. (2016). Scattered Clouds in the Horizon of Consensus: Attitudes of Portuguese Parliamentary Elites Towards Europe Before and After the Crisis. *Historical Social Research / Historische Sozialforschung*, 41(4 (158)), 173–194.
- Mendes, M. de F. A. (2015, November 24). *As Comissões Parlamentares de Inquérito no Portugal democrático, 1976-2015*. Retrieved from <https://run.unl.pt/handle/10362/17366>
- Moury, C., & Standing, A. (2017). 'Going beyond the Troika': Power and discourse in Portuguese austerity politics. *European Journal of Political Research*, 56(3), 660–679. <https://doi.org/10.1111/1475-6765.12190>
- Romano, P. (2017). *Conhecer a crise – dados e factos*. Lisboa: Fundação Francisco Manuel dos Santos.
- Santos, S. (2014). Novas reformas, velhos debates: análise das políticas de justiça e dos seus impactos no sistema judicial. *Configurações. Revista de sociologia*, (13), 11–25. <https://doi.org/10.4000/configuracoes.2364>
- Standing, A. (2017). Depoliticising austerity: narratives of the Portuguese debt crisis 2011-2015. *Policy & Politics*. <https://doi.org/info:doi/10.1332/030557317X14866576265977>
- Torres, F. (2009). Back to External Pressure: Policy Responses to the Financial Crisis in Portugal. *South European Society and Politics*, 14(1), 55–70. <https://doi.org/10.1080/13608740902995851>