Why the Portuguese public debt is not payable

There has been "not one historical incidence" where austerity policies have led a country to get out from under a heavy debt burden.
Ashoka Mody, former IMF chief for mission to Ireland

<u>Summary</u>

<u>Conclusions</u>

- The debt is a mode of domination that educated the debtor into submission through guilt;

- The predominance of financial capitalism today requires an infernal cycle of artificial generation of money and credit, with subsequent continued and permanent capture of debtors;

- Austerity, impoverishment, loss of rights and the precariousness of life are the dramatic effects of financial mechanisms and they are simultaneously presented – by bankers and politicians – as the paths to a redemption always deferred;

- The mechanisms of debt and austerity have as their principal actors the high power of the financial system and the political classes that elbow their way in, and constitute the domestic sycophants of the former;

- The state apparatus, in addition to its known role as collective capitalist, is a department of the financial system whose directors are designated by ministers. A formal incorporation does not exist, because it is convenient to keep the illusion of separation in the context of huge capital, thereby ensuring the acceptance by the public of the legitimacy of the tax punch and the authorities;

- The financial system and its Member States are engaged in the excessive reproduction of money capital, drowning the "real economy" in debt, encouraging consumerism and debt in people in a demented formula that makes the planet insufficient for their ambitions;

- The limitations of this model create difficulties in the weakest strains of the financial system itself, as in the case of Portuguese banks, whose existence has been kept because the ECB has been financing them to engulf speculation and the purchase of Portuguese debt, refusing to accept losses originated in nearly two decades of Portuguese economic distortion;

- Capitalism, in its current configuration, transfers its own problems to the Member States that, obediently assume debts, reduce more and more their social functions, bringing more and more into question the utility of the State, when its own activity is reduced to helping capitalists and creating difficulties for the multitude;

- Nothing virtuous is expected in terms of structural change stemming from community and national institutions; continuity is guaranteed and only a mobilization of multitudes can create a new economic system and a system of democratic expression, without capitalists or political classes.

- Any solution that includes continuation of payment of the service of the debt means a very heavy financial burden on the lives of all who live in Portugal, primarily workers and the poor.

Portion of burden of the debt on the gross product 2014/21
Hypothesis I – 8.8 a 12.4%
Hypothesis II – 6.6 a 8.5%
Hypothesis III – 5.8 a 6.6%

- In addition to not being economically possible to pay in normal instalments a debt that will soon be computed in € 242,000 million,[1] there are several issues of legitimacy. One of them is that very little of that amount relates to the satisfaction of the needs of the Portuguese; then, the goals of the constitution of the debt – to absorb the effects of the credit policy that has been in force since

[1] http://www.noticiasaominuto.com/economia/160124/divida-publica-aumenta-quase-10-do-pib-com-novas-regras#.UthDGPRdUYE

the 1990s, as well as the difficulties of the euro – should not be borne by the population; and finally, because the gangs in the government acted on measures with such frightfully disastrous impact and far surpassing the prerogatives that can be attributed to a so-called representative democracy;

- In turn, the financial, global or private, institutions did not ignore the illegitimacy resulting from the divorce between the beneficiaries and the real credit payers; nor were they unaware of the rapid growth of the debt, paralleling the withering away of the Portuguese economy, the dismantling of the social or the degenerate character of political institutions in Portugal.

- A volume of debt abatement leading to about 60% of GDP, the maximum allowed by the Treaty on Stability, Coordination and Governance will be amount of around € 143,000 M, and even then, economic growth will remain hostage by debt payments, leaving the people's standard of living stagnant for many years:

  Portion of burden of the debt on the gross product 2015/21
  Variant A – 2.7 to 3.1 %
  Variant B – 2.4 to 2.6%
  Variant C – 1.8 to 2%

  Any permanent solution to the issue of debt, allowing the generation of wellbeing in Portugal will require:

  - an immediate new framework of democratic political organization;
  - social mobilisation for the confrontation with financial capital and its institutions;
  - framing within a context of dispute at the level of the EU southern and eastern peripheries, with emphasis on Spain;
  - the radical alteration of existing inequalities, which, to be consolidated, requires a new political organization and a new model of representation, without a political class;
  - and the construction of a society without capitalism, without private ownership of the product of labour, self-guided and guided toward the satisfaction of the needs of the population.

1 – The debt is an instrument of domination

The debt is an instrument of domination. In some cultures, the insolvent will have to present him or herself as a slave together with family, forfeiting himself or herself to the lender.

That dishonour and humiliation also resonates with certain cultures of northern Europe. In Germany, the word ‘guilt’ translates into ‘*Schuld*’ and with a stock phrase in any language at the time of an ordinary transaction, such as "how much do I owe?" (Or how much should I pay?). In German one says “*Was schulde Ich*?” with the same connotation debit-guilt, similar to other Germanic languages. In that culture, the debt will be associated with something unlawful (or sinful within Christian logic) or unwise, because it does not speak well of the debtor.

Financial capital is the true architect of the insane spiral of credit we observe, the artificial creation of money-capital, totally disconnected from value creation – which only work generates - or any accumulated savings. For the persistence of this situation, naturally it seeks to divide peoples between debtors and creditors, among people of good and bad accounts. So, the bureaucrats and public writers of the mass media accuse the debtor countries of southern Europe of being inhabited by wasteful and lazy people, and as nonchalantly having generated a debt that now hurts them to pay back, or the payment of which they want to avoid.

It is not uncommon for people of modest means, with difficulties in life resulting from the borrowing strategy encouraged by the financial system, to assume this guilt, as "having lived beyond their means," leading to the moral burden and self-flagellation so inherent to religions, that submit to the acceptance of sin and atonement with the instalment plan of an un-payable debt and intended to be eternal.

"We do not want to be swindlers" says the stupid assumption of a State debt, which has nothing to do with the people themselves, and which is always located outside the resolution of the problems created by the majority of the population. If anyone has problems paying the mortgage, feeding the family, or having fallen into unemployment or indigence, the State distances itself, or assumes attitudes that only worsen the situation, reducing unemployment benefits, the conditions for the disbursement of the RSI (relative strength index), health access, and so on. Conversely, the same totalitarian State, in order to afford the payment of debts contracted only to serve the financial system, the large public works contractors, or capitalists in general, reduces anything it can from social expenses and increases the tax burden to be paid by workers, pensioners and consumers, while freeing entrepreneurs and banks from any tax burdens.

2 – A partnership between the Member States and the Capitalists

It never hurts to remember that the State has always been the collective capitalist,[2] which is currently only a department of the financial system, and whose directors are appointed by ministers. The state is in the process of direct privatization or concession of leases or welfare gifts of public goods and services in favour of capitalists. The functions directly carried out by the State will tend to be restricted to the exercise of fiscal punch and authority – issuing laws, enforcement of "justice" and repression necessary to maintain the status quo –, it is not surprising that some of these functions are no longer performed by the State or will be exercised by private entities – tax collection, prisons, making laws under legal forms prepared as contracts, partnerships, adjustment, assignment of spaces, etc.

[2] http://www.slideshare.net/durgarrai/capitalistas-e-estado-a-mesma-luta

It is also advisable to keep in mind that the state, as an entity, will never be diluted in any financial group. Capitalists know well the importance of a collective mechanism/device to carry out the functions that are useful to all, while respecting the hierarchy of the various capitalists, groups and businesses. Moreover, it is in their interest to maintain an aspect of an entity that is "above" society, "neutral" to corporations and individuals, so that these will accept its authority for the collection of taxes, the issuing of laws, court rulings and the legitimacy of police action, even if brutal.

Returning to the debt, it is clear that banks will not accept that the insolvent offer themselves as slaves, as that will delay eviction from houses, because it would increase their own costs. As everybody knows from the fable of the goose that laid the golden eggs, they prefer to keep them hungry, scratching the nearly sterile soil, while there are eggs to be laid; demanding, of course, that the geese keep their heads down, entertained by the television commentators, not thinking of the cleaver that will cut their throats.

Indeed, the relationship between the financial system and its debtors has very little in common with the prevailing pre-capitalist social contexts, where the debtors risk slavery in case of insolvency. Currently, the financial system needs to multiply and deploy capital at all times and minimize capital not engaged in a credit relationship; in a pre-capitalist society, credit is based on the temporary belief in savings, because the lenders do not have the varied availability of tools and artifices for the creation of capital that the financial system commands today in the context of monopoly.

In that context, the financial system desperately needs to put capital to work, even though its very reproduction hurts, dismantles and destroys the part of the mechanism that produces goods and services, the so-called "real economy," the one that actually meets the needs of the people. The financial system orchestrates the corporate and elite worlds in the creation of a social psychology set on inveterate and irrational consumption, and a constant appeal to growth to which sometimes the adjective sustainable is piously added, to cheer up the ecologists; that use of adjectives reveals precisely the omission of the fact that the resources and the environment are finite and do not allow a growth that can match the insatiable desires of the financial system.

That consumer drive leads people into debt, the commitment to future income, which has now proved to be more and more uncertain, unlike it appeared years ago; and to match that gluttony, firms produce, with what they have and what they are provided with by the financial system, for people to buy, consume, what they need and what they reckon they need influenced by advertisements and the injection of concepts of social promotion in which the resulting consumption and modernity inform individual subjectivity.[3]

As we have already pointed out,[4] the credit accumulated by households and companies do not allow the turnover or liquidity that banks would prefer; rather, defaults and

3 http://grazia-tanta.blogspot.pt/2013/02/o-homem-ser-social-e-fragmentado.html

4 A dívida de pessoas e empresas – a dependência eterna http://grazia-tanta.blogspot.pt/2012/09/v-behaviorurldefaultvmlo_15.html

delays in payment grow, as grow the insolvencies, with the closure of businesses and people's ruin. Thus, the financial system has difficulty in maintaining credit lending at a peak, as individuals withdraw from consumption and the assumption of greater responsibilities, and as the companies, not having secured the outflow of their goods and services, do not acquire raw materials or even equipment. The rising incomes of the rich,[5] obviously, do not compensate for the decline in the satisfaction of people's needs, which are no longer related to status symbolism, but rather to the basic needs.

The financial system's inability to keep up with credit voluptuousness promotes a chain reaction, which spreads upward, since the system generates networks of interdependence, debtor / creditor relations are like a house of cards in articulation and fragility. Like any debtor who is unable to meet its obligations to creditors, the weakest banks are locked – they cannot keep up the rhythm of inflow of funds, and therefore, they also fail to repay their more affluent peers that refinance their own money. Naturally that has a clear impact on the solvency and profitability indexes of weak banks, with a showing in stock prices that tend to frighten "investors" and block their activity, making them open to hostile takeovers, from investment, pension and predatory funds, hungry for short term profits, based on restructurings, mergers, downsizings and massive layoffs.

This situation, which is quite widespread, led to several bankruptcies of banks, among which Lehmans Brothers' stands out; interventions of State funds as in the cases of Dexia or in Portugal, Banif; assumption of the existing "toxic" assets in Spanish banks, in the Anglo-Irish or famous BPN. These attitudes represent efforts to buffer the financial system in order to save, or to prevent the dismantling of, the abovementioned house of cards.

However, that proved to be insufficient. It was necessary to introduce more money into the system to make it profitable and, in Europe it was the ECB that provided the banks with resources for them to invest in high remuneration ventures. The ECB provides liquidity to banks[6] at 0.25% and these, in turn, given the anaemic economies and the risks associated with impoverished families and businesses, without growth prospects, came up with the idea of States as large debtors, in a very few years. The supposed ECB phobia of inflation induced by the German trauma of hyperinflation of the 1920s is a complete lie; it is important not to have inflation because it tends to reduce the real value of massive liquidity owed by the global financial system.

The table below shows that, except for the case of Germany, there is an increase in the representation of domestic banks in the total sovereign debt of their respective States, as provided to the banking system, and that in most of the selected countries, in 2013 it exceeds 70 % of total. In the case of Portugal, the stability of the debt held by the banking system between the two moments, however, reveals a strengthening of the role of Portuguese banks. In turn, what is obvious is the avoidance by non-Greek banks of

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[5] http://visao.sapo.pt/os-ricos-portugueses-ficaram-ainda-mais-ricos-em-2013=f759273#ixzz2lywr6VDF

[6] O crédito concedido pelo BCE aos bancos portugueses corresponde a cerca de 25% do PIB http://www.noticiasaominuto.com/economia/172625/bancos-reduzem-financiamento-do-bce-em-janeiro-para-minimos-de-2-anos#.UvpMxfRdUYE

sovereign bonds of that country, contrary to promises made to secure the support of the IMF loan in 2010,[7] and contributing to the subsequent fragility of that country.

	Dec-10		June-13	
	Total banking system (M€)	Domestic banks (%)	Total banking system (M€)	Domestic banks (%)
Germany	406077	76	399128	72
Cyprus	2105	59	2852	84
Spain	177568	78	199076	89
France	163044	61	149992	67
Greece	80957	67	23061	99
England	109523	83	127472	89
Ireland	15512	66	21716	84
Italy	262185	59	274212	76
Portugal	34792	54	34238	71

Primary source: European Banking Agency

This strengthening of the respective States' financing through the domestic banks reveals the demand for profitable financial investments and, where possible, a direct control over the debtor, over the political elite class. In the Portuguese case, in 2013, despite that cushion, the domestic banking did not avoid the enormous losses registered last year[8].

There are very good reasons for that commitment on the part of banks. In fact, even for the same interest rate, a given amount of loan granted by the financial system to households and companies will always have a higher degree of risk to the lending bank and distributed among millions of borrowers, requiring higher costs of monitoring and management. On the other hand, as we saw in the case of *swaps* or, in the constant movement of the same people from one political office to another, and in the direction of banks, there is a promiscuous relationship between the financial system and the State, being that the political elite, because of corruption, collusion or ignorance, is very open to suggestions from vendors of bank 'products.'

The financial system also derives other advantages from being a large holder of public debt, especially in times of economic downturn when the promising businesses, to be financed, do not abound. A joint venture or a family has assets and flows of revenue along with limited and contingent expenses; in a company, the use of credit depends on administrative ability and the "market," while in families almost everything is contingent on the health of its members and income from labour, hence resulting always in a risk to lenders.

The states do not have a balance sheet, assessment of assets, because it is useless. States have a special privilege, the power to raise revenue (taxes, other charges, administrative

[7] http://brasil.elpais.com/brasil/2014/01/31/economia/1391203282_052648.html

[8] http://www.sabado.pt/Ultima-hora/Dinheiro/Seis-maiores-bancos-agravam-prejuizos-para-2,13-mi.aspx

prices) without direct counterparts, the very power of expropriation, and the essential arbitrariness and endless ability to determine revenues; so when they borrow money they have an infinite ability to pay. The so called bankruptcies, although not rare in history, never put into question the existence of debtor States, always associated with sovereignty over a territory, a people, a capacity to extort earned income or private goods. A State that determines the non-payment of public debt, can deal with the manoeuvres and solidarity of capitalist community and its political institutions; but, if it is determined, it will have good results, as in the case of Ecuador, or Iceland, while in other cases, the very financial system proceeds with a *hair-cut* to avoid greater evils, especially of a systemic character (Greece, 2012).

Absence of an accepted risk of default associated with government debt has important advantages for outbound indicators of bank balance sheets. In the chapter of a private debt, the banks consider in their cost a portion of provisions to compensate for future cases of non-payment; and the provisioning implies a lower level of profits, capital, which may oblige shareholders to carry out capital increases. In the case of sovereign debt, associated with an absolute security for repayment, banks are exempted from having to make provisions for those securities, thereby increasing its profitability. As it turns out, what will not be included in laws and regulations to help the financial system? He who has power makes the house rules.

In the context of the global financial system, the rating agencies know how to influence the perception of "investors" about the risk associated with a debt; just as they know how to respond to the interests of those who control them. In an activity in which information is volatile and the decision needs to be fast, it is not feasible to use thousands of operators, these being replaced by powerful computer systems that incorporate programs with sophisticated algorithms. It requires almost blind trust and ability to believe in the oracles of rating agencies; the market is a God and demands faith.

If a country has social, economic or financial difficulties, nothing is better than a less favourable rating to increase the interest demanded by future buyers of its sovereign debt securities. For a bank, what better customer is there than that who will not default, who pays high interests and whose house is frequented as if it were its own?

In the European context, in the euro zone, the ECB would never want to intervene to prevent systemic contamination of a default declared by a member state, more precisely having even carried out some bluff to pressure the Greeks. We recall what Draghi announced about buying "unlimited" sovereign debt to save the euro[9] that has been causing a constitutional debate in Germany.[10] Furthermore, taking into account the subaltern character of political elites in government functions in the troubled countries, it is not compatible for Passos, Rajoy or Samaras to unilaterally enact a non-payment of debt, to defend their respective peoples.

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[9] http://www.rtve.es/noticias/20120906/bce-comprara-deuda-sin-limite-si-paises-piden-rescate-cumplen-forma-estricta/561745.shtml

[10] http://www.spiegel.de/international/europe/german-court-calls-ecb-bond-buying-into-question-a-952556.html

Thus, States are filled with high-interest debt inherent in a high risk that banks will not reflect on their balance sheets. Strange accounting...

This situation is wisely utilized by banks, especially domestic ones, in order to obtain good rates of profitability, which would be unattainable with any other potential borrowers. Recently, it has been reported that the remuneration obtained by holders of Portuguese government debt were 9.62 % in 2013 but still higher in the case of Spain (11:41 %), Ireland (12:21 %) and Greece, with a staggering 47.72 %;[11] incidentally had been referred to the end of 2012, the CMVM (Securities Market Commission) annual report for 2011 that "public debt was the most profitable investment of the last 10 years."[12] Finally, the Bank of Portugal also – whose governors are always very independent (?) – revealed last November, in its Financial Stability Report, that "a significant part of the portfolios of financial institutions consists of national assets, including sovereign debt, still providing relatively high levels of profitability."[13]

Difficulties in the management of public accounts arise as a result, and it is just a matter in the second line of magnitudes. It is to manage these difficulties that political classes, the politicians, the "social agreement" and the media exist; and it is from their harmony that privatizations, layoffs, changes in labour laws, brutal cuts in social duties of states, pensions' reductions, and delays in retirement age occur... The *troikas* work as auditors appointed by senior representatives of the global financial power to supervise national governments in trouble. Also in this case, it is considered more appropriate to maintain an indigenous government of houseboys to disarm the patriotic pride of the plebeians than to appoint a governor-general Beresford type, a proconsul just as Bush put Bremer in Iraq, or any *Gauleiter* for the *Lusitanienbezirk.*

In the meantime, gathering news points to a resizing and increase in control over the European banking sector after a long period of public support, as quantified in a recent study[14] coordinated by a Belgian Member of the European Parliament (MET). This study reveals that the public aid to the financial system (assumption of toxic assets, nationalisations, and loans) budgeted 1.33 billion euros, which is more than eight times the Portuguese GDP or 10% of the EU's. There have been, however, many doubts that the EU politicians will proceed, in fact, to make any profound changes in the system.

In turn, the EBA - European Banking Authority – has selected 124 European banks covering over 50% of domestic banking sectors for monitoring (the so-called stress tests). The results will be presented in October and the administration for European banking supervision advances with the idea that there will be bank failures very soon.[15] Across the Atlantic, the U.S. Federal Government will be able to fix its margin to get more credit[16] and will have to stop carrying out the quantitative easings with which it has been supported for several years.

11 http://expresso.sapo.pt/divida-portuguesa-foi-das-mais-rentaveis=f848445
12 http://www.dinheirovivo.pt/Mercados/Artigo/CIECO064787.html
13 http://visao.sapo.pt/europa-gastou-um-decimo-da-sua-riqueza-para-salvar-bancos=f766758#ixzz2rbHUf5QK
14 http://visao.sapo.pt/europa-gastou-um-decimo-da-sua-riqueza-para-salvar-bancos=f766758#ixzz2rbHUf5QK
15 http://economico.sapo.pt/noticias/temos-de-aceitar-que-alguns-bancos-nao-tem-futuro_186840.html
16 http://actualidad.rt.com/economia/view/119493-tres-semanas-eeuu-dinero-deuda

A crisis within the crisis announces itself and thickens.[17].

3- Portugal – Scenarios of continuity in the debt payment

3.1 – The pro-active and radical continuity (Hypothesis I)

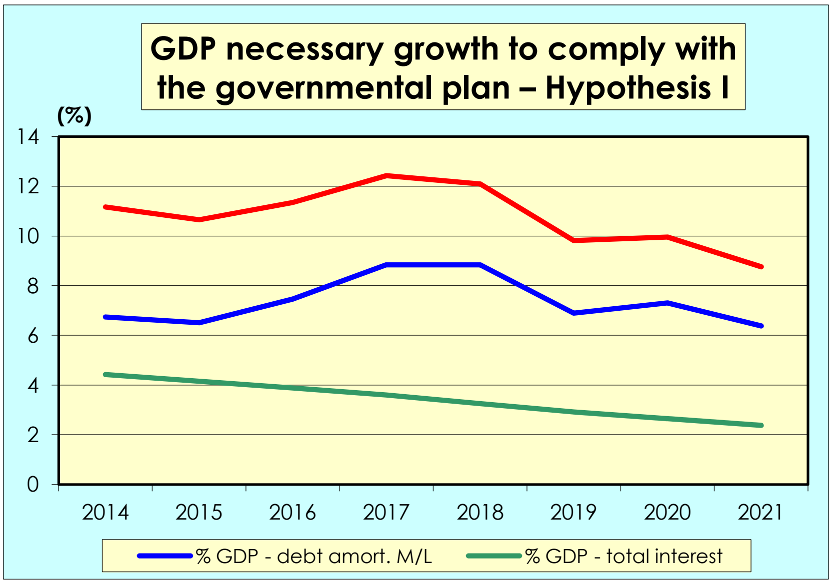
In this hypothesis we ponder the faithful fulfillment of the debt amortisations plan of medium or long term revealed by IGCP (see the attachment) for the 2014/21 period without rescheduling or appealing to new medium or long run debts which would impact the amount of expected repayments. This will be unlikely, due to the level of effort inherent to that plan in the impoverished Portuguese economy and the totality of Portuguese population, chiefly workers, unemployed, retired and poor.

By the other hand, it was recently performed one debt emission operation, payable in 2024; however, to guarantee the accomplishment of the obligations of the current year, at a little attractive rate of 5.112%, during ten years; causing the Government to celebrate, because the "market" was receptive (!), since the resumption will be visible, and there will be gratitude for the sacrifice of the Portuguese (all?) etc. In fact, with those rates and the BCE as an ultimate warrantor, the deal is not bad for the creditors; notice that the implicit interest rate in the totality of the debt (all terms) was on the order of 3.7% last year against 4.4% in 2012.

The following graph considers the weight of the medium or long-term debt amortisations on GDP, as well as the interests of the totality of the debt and yet the demanding effort, corresponding to the sum of the borrowed Capital and overdue interests (debt service), which represents the revenue needed to allocate to satisfy creditors. The situation can be minimized, if for the debt amortisation, pre-existent monetary reserves were affected – and which in this moment guarantee a year of payments by IGCP plan – or the result of privatizations like that of TAP, although at a long term, there will be many doubts about of the advantages of the selling of the Company. Occasional situations apart, the payment of debt service will demand an external surplus of this magnitude; otherwise it is the global revenue that must shrink, knowing in advance who will be the sacrificed by Governments.

Graph 1

17 http://www.cartamaior.com.br/?%2FEditoria%2FEconomia%2F-Isso-nao-e-uma-recuperacao-e-uma-bolha-e-ela-vai-estourar-%2F7%2F30341



Excluding previous safeguards, this effort for the debt service payment (capital amortisation and interests) ranges from 12.4% of GDP in 2016 to 8.8% in 2021; reaching a debt figure of approximately € 105000 M in 2021, against € 205252 M at the end of 2013, in the IGCP accounting. Considering the calculated debt sum for 2021, this would mean the fulfillment of requirements of the Treaty on Stability, Coordination and Governance (public debt at 60% of GDP). Thus, the predicted national revenue (GDP) deducted the debt service, would be stationary during the majority of coming years, although admitting some economic growth, as showed in the box:

Disposable income after the compliance with the debt service, per capita (€)

	2014	2015	2016	2017	2018	2019	2020	2021
Available after debt service	14546	14746	14748	14685	14859	15366	15465	15796
Debt service	1828	1758	1888	2084	2044	1673	1710	1516
% Gross income	11,2	10,7	11,3	12,4	12,1	9,8	10,0	8,8

In this context, it is convenient to formulate several questions. What is the margin to proceed to the improvement of people`s life? How to proceed to a relief from the logic of austerity? If this situation remains will there be any hope that austerity and cuts end? The continuity of this situation would not make the life of majority of the residents in Portugal even more unviable in the next years? And if so, would remain all debt legitimate? In what value system, other than of barbarism and genocide this would fit?

The adoption, in September, of the new rules for European accountancy will lead to the inclusion in the public debt[18] of Parpública and related companies – highlighting the eminent Parvalorem – as well as EPE and some of the important regulators, which role consist in helping the big economic groups.

The resulting increase will raise the debt to approximately € 242000 M (about 147% of GDP). Thus, the financial responsibilities of those entities already included in the State

[18] http://www.noticiasaominuto.com/economia/160124/divida-publica-aumenta-quase-10-do-pib-com-novas-regras#.UthDGPRdUYE

Sector, when considered under the perusal of the debt by EU, will increase the pressure on the public finance and, as usual, will increase the pressure upon Government, European Commission and BCE (*troika* will close doors in May) to new cuts and taxes to workers, retirees and civil service. This accounting rearrangement will, therefore, deteriorate the public debt indexes and encourage a low readjustment of the wages and all revenues of the majority of population. The future austerity will be certainly more pungent than the recent one and will find the same resigned indignation among Portuguese without political expression.

In order to the fulfillment of this hypothesis happens, the growth rate of the Portuguese economy would have to overcome the parcel of the GDP associated to the puncture of the debt service. This means that until 2021 the GDP would have to grow above the effort rate in the Graph 1 and only from 2019 could be inferior to 10%. These rates are exceptional, even in the Chinese context, where the GDP can increase like this due to building of cities where nobody lives (It was observed the same in Spain, but in a minor scale) and a exporting wave only possible with low salaries, exhausting working hours, shortened holiday, deficient working conditions and housing, clandestine work and disrespect for the environment quality. It is unlikely that Portugal becomes a special Chinese region but, it is clear that its transformation into a peripheral area with low salaries, with vocation to export low value goods to the Center of EU[19] is in progress.

Not even Passos, with his habitual combination of audacity and ignorance will be able to assert that something similar will be possible.

3.2 – The deadened pro-active continuity (Hypothesis II)

In this scenario, we consider the faithful fulfillment of the debt amortisations plan of medium or long term revealed by IGCP (see the attachment) for the period 2014/21, with partial resource the new debt, at the amount equivalent to the half of the sums of amortisation.

It is normal to Governments proceed operations of credit acquisition in order to pay other credits with brief expiry date or more onerous conditions, with occasional payment of lateral commissions. In the operation of debt change, performed in last December, the Government, to postpone payments to accomplish in 2014/15 (elections years…) to 2017/18, paid € 242000 M in bonuses to the credits holders[20].

Despite the advantages those operations could have from the point of view of the management of the Treasury, any stretching of deadlines, even no altering the interests rate and other duties to pay, involves the raise in accumulated debt service[21].

The reality in the course of three years – 2011/13 – considered in Graph 2, demonstrates that the new debts preponderated over the amortisation of other debts, older ones, being

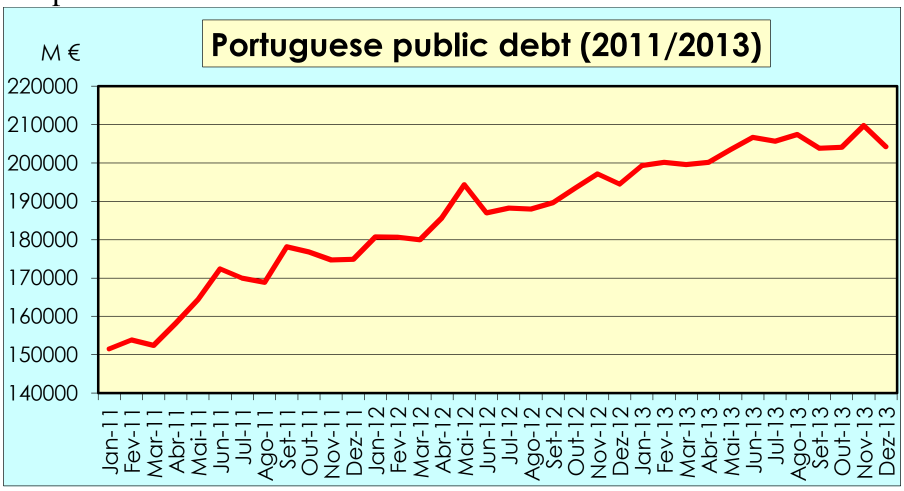
[19] http://grazia-tanta.blogspot.pt/2014/02/soberania-soberania-nacional-e.html
http://grazia-tanta.blogspot.pt/2013/03/a-instrucao-e-o-modelo-economico-para-o.html

[20] http://www.ionline.pt/artigos/dinheiro/estado-da-premio-134-milhoes-euros-investidores-aceitaram-trocar-divida/pag/-1

[21] http://grazia-tanta.blogspot.pt/2013/12/reestruturacao-da-divida-ou-trafulhice.html

not visible enough the benefits of omnipotent *troika* and the poor Government Passos/Portas, superiorly assisted and protected by the “sage” Cavaco.

Graph 2



Source: IGCP

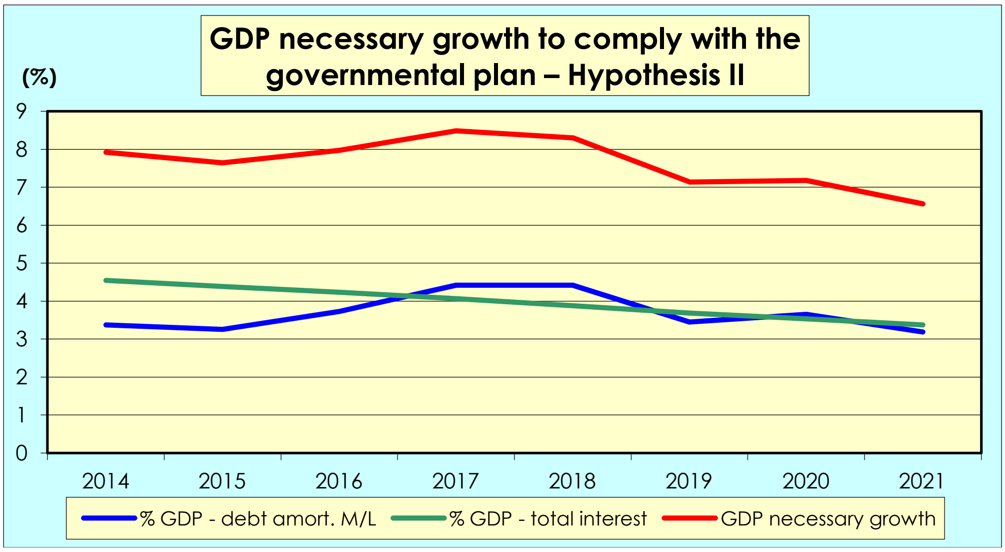
From the point of view of someone that “does not want to be a cheater” is a bad option, due to the enlargement of debt period interests and because it will maintain intact the subservience to creditors. From the point of view from someone that has nothing to do with the debt and is coerced to pay it, sacrificing his quality of life, it would constitute a brief relief in the life degradation[22]; although, in fact, it will incur in an increase of the interests to pay and an uncertain enlargement of the period of sacrifices.

Even with a financial effort much smaller than the option contemplated at hypothesis I, the annual growth, required for the GDP for the fulfillment of this plan (graph 3), would remain so high (between 6.6 and 8.5%), being the debt accounted by IGCP at the end of the period around € 155000 M. The reduction of the amortisation, with transfers after 2021 – as thought by Government on February 11th – represents a relief but, it is partially compensated by the increase of the interests to pay. As observed (graph 3), even with a debt deferment from 2022 on (about € 50000 M, around ¼ of current debt), it is unrealistic that growth rates as those obtained here can be achieved; we would be imagining a scenario of economies like China or some African countries. This growth is unrealistic in a fast aging population due to the number of “baby boomers” and the huge out-flux of youngsters, with no decent job opportunities in Portugal, where preponderates not capitalised entrepreneurs, dependent on State support and so incapable as greedy, and historically generator of underdevelopment[23].

Graph 3

[22] If, on the contrary, any current Government, does not keep on applying the same pills of austerity to support the Portuguese entrepreneurs, greedy of bad paid work and Tax benefits; what is more probable

[23] http://www.slideshare.net/durgarrai/empresrios-portugueses-incapazes-inteis-nocivos-e-batoteiros



An example like this, moderate as regards effective requirements of debt amortisation, admits a drop in the debt global number; what has not been achieved, even with the leashes of the governance hold by *troika*, with the accomplishment of a vast plan of cuts and the drop in the standard of livings for the overwhelming majority of population. As observed in the Graph, lacking a high growth of GDP, a reduction of the debt will only be possible with a sharper relative impoverishment. Calculations for this hypothesis, that show a relief in the debt payments, compared to hypothesis I; of accelerated payment, also demonstrates the stagnation of the predicted average revenue for the residents in Portugal; and it is useful not to forget that when it comes to average values, there is always the one who eats an entire chicken when next there is somebody starving so that, on average, there is a capitation for half chicken. In addition, even a debt restructuration like a gentlemen`s agreement with the financial system – to exist – does not bring practical results for our life.

Disposable income after the compliance with the debt service, per capita (€)

	2014	2015	2016	2017	2018	2019	2020	2021
Available after debt service	15077	15243	15311	15346	15501	15823	15941	16176
Debt service	1296	1261	1326	1423	1402	1216	1234	1136
% Gross income	7,9	7,6	8,0	8,5	8,3	7,1	7,2	6,6

This case shows, with a merely illustrative quantification, the continuity of what the Government has been doing in practical terms, which is a restructuration of debt, in the "market", without any formal negotiation with creditors. The Government plays with payment terms, replacement of financial securities, not always succeeding in terms of interest rates; this is what we call kick the can down the road or, in the soccer field, a relief of the pressure of the opponent, kicking the ball out.

3.3- <u>Extended pro-active continuity (Hypothesis III)</u>

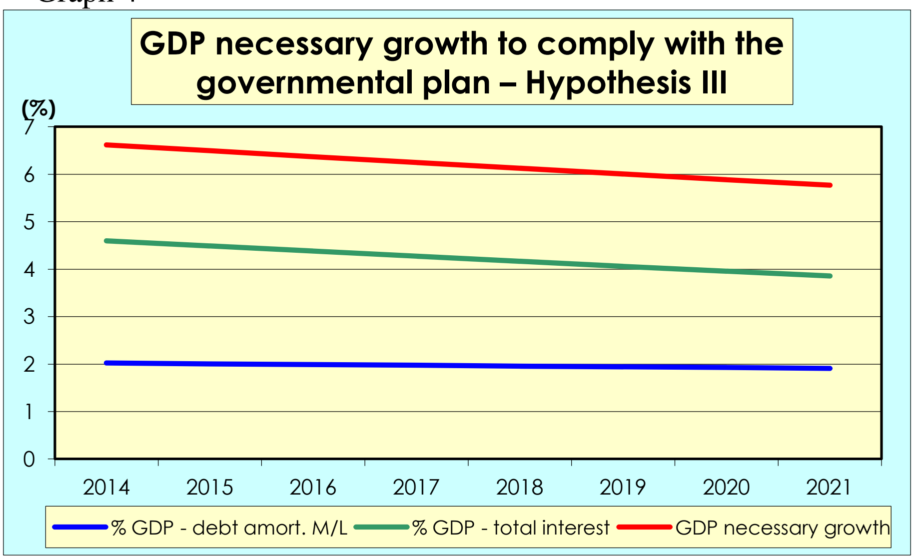
This third hypothesis consists in reformulating the debt amortisations plan, of medium or long term, revealed by IGCP (see attachment) for the period 2014/21 for 30 years (until 2044).

This is another solution which does not alter the correlation of forces between the masses and the Capital; this is a solution that does not impact the Capital, which maintains the profit of the Financial System, represented by the interests, and maintains the tourniquet of the austerity on the population. It`s another way of pacific capitulation to the rules of the Capital that would benevolently accept the dilatation of the payment deadline which, eventually, would face higher interests rates, due to the uncertainty in the “Capital Markets”, the lower availability of loaned Capitals and similar prologues. By the way, Passos already admitted that the debt will take 20/30 years to pay[24], reason why in this hypothesis, we simulate a version considering the sincerity of that repellent figure.

We suppose in this case that the Portuguese economy will remain polarized in the accomplishment of debt service and won`t need to resort to a new debt during the next 30 years; although being completely unlikely, it is useful to understand the social and financial costs of the current debt. In this rescheduling, it is included only the sum of actual obligations for 2014/21 dividing its global amount by 30 years, IGCP informing the debt to pay off after that period.

This distribution of the long term debt over 30 years reduces the required effort to its liquidation through 2014/21, since amortisation is reduced, the interests remaining with a little fluctuation due to hypothesis II. However, this third simulation would demand a growth of the GDP superior to 6%, and keeping in mind the prolongation until 2044!

Graph 4



A robust economic growth over a long period of time, whereupon this hypothesis of rescheduling, with some acceptability in the left wing of the Portuguese political system from the economic point of view, is not plausible; socially catastrophic and unsustainable politically.

[24] http://www.dn.pt/politica/interior.aspx?content_id=2950309

The available revenue after the fulfillment of the debt service condemns residents in Portugal to an economic stagnation, which will provoke even more onerous impacts over the working class, a victim of the political system which induces to the maintenance or worsening of inequalities and wealth accumulation in the most privileged segments of the Capital

Disposable income after the compliance with the debt service, per capita (€)

	2014	2015	2016	2017	2018	2019	2020	2021
Available after debt service	15289	15433	15577	15722	15868	16016	16164	16314
Debt service	1084	1072	1059	1047	1035	1023	1011	998
% Gross income	6,6	6,5	6,4	6,2	6,1	6,0	5,9	5,8

If the revenue generation by an economy, at least, stagnant, is allocated to pay creditors, chiefly financial institutions, will the residue avoid or reduce the destruction of many Industries or unemployment? Will it staunch the reduction of salaries and rights, as predicted by the government?

4 – <u>Evaluation of debt portions not to be paid</u>

In the above mentioned hypotheses, on the continuity of the current situation, it was considered that the priority for economic performance was the payment to "our creditors," for a convenient presence in "markets;" and it was confirmed that in none of them is it possible to see any possibility of achieving this "patriotic" desideratum. The anxiety in government ranks is so extreme that they fall into infantile propaganda about the state of the economy; it is unemployment that decreases, or employment that increases, GDP growing, export shooting up... This delirium may even arise from a minister who might drink a few beers, while speaking of economic miracles, just like Nero sang his poems in front of a Rome engulfed in flames.

The satisfaction of creditors' imposition does not have to be, in any way, the priority. The acceptance of the Memorandum of Understanding or of its several revisions by Governments was carried out by submissive people, domesticated by the financial system, through a leonine contract behind which lies obvious blackmail. Whoever signed these texts did not obtain a prior acceptance from the population, which should have been consulted given its enormous and disastrous impact on the society. The impositions of the *troika* have become a guide for regressive social deconstruction, which has *de facto* replaced the Constitution. And, not even those signatory supporters would include those huge sacrifices in their electoral agendas, in 2011, which makes it possible to consider their acts flagrantly illegitimate or unconstitutional, confirming that we live in a state of democratic parody.

Under normal circumstances, no one agrees to be liable for a loan from which one does not derive any benefits, if on the contrary it is burdensome and impoverishing. In a mutual loan agreement, the creditor is entitled to interest but not to interfere with the whole life of the debtor him or herself, to demarcate the spaces where the debtor can put his/her feet; unless one assumes the debtor as insolvent and a situation of slavery is readily available.

Article 55[25] of the UN Charter states that: "***With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote: a) higher standards of living, full employment, and conditions of economic and social progress and development; b) solutions of international economic, social, health, and related problems; and international cultural and educational cooperation"*** Given that the IMF is a UN agency, to not follow this precept, it is to act illegitimately. Moreover, under Article 56 of the same law, ***"All Members pledge themselves to take joint and separate action in co-operation with the Organization for the achievement of the purposes set forth in Article 55."*** The question here remains that of knowing what the actual power of the UN regarding the IMF is.

Article 103 of the same Charter states that "***In the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, their obligations under the present Charter shall prevail."*** It follows that "the acts of submission to the troika signed by governments and oppositions are illegal," as well as those resulting from the submissive character of the Portuguese political elite towards the global financial system.

Another agreement, the International Covenant on Civil and Political Rights (ICCPR) provides in its Article 1 that "All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development." As we have seen, there is not, neither will there be any Portuguese sovereignty in the financial area that is determined by the European Commission or its Portuguese representatives.

Finally, Article 1 of the International Covenant on Economic, Social and Cultural Rights establishes that "All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic co-operation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.

It is considered that meeting the needs of people, especially of the working population, is the supreme element in defining the goals of a community. The existence of a State, a political class and capitalists is always an obstacle and this is obvious in all the processes of collective impoverishment that we have been witnessing in recent years, along with the lack of scruples of those who call themselves representatives engaged in defence of millions of people.

Any solution that contemplates primarily the satisfaction of the needs of residents in Portugal, goes through a declaration of non-payment of the current debt - and which will be there to be increased by a substantial slice - to which will follow a review of what is considered to be legitimate and socially sustainable.

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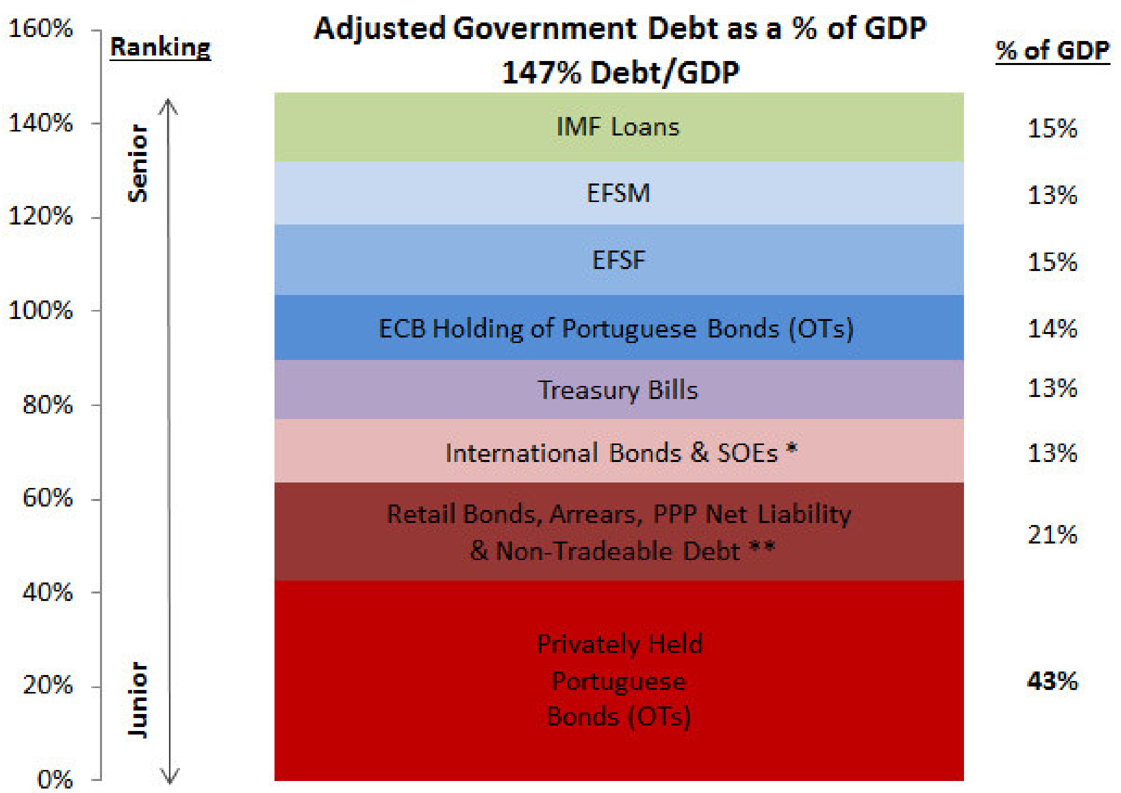
[25] All the following referencies to legal aspects defined by international instituitions were organized by Rui Viana Pereira, http://cadpp.org/node/144

It will be convenient to keep in mind that the defence of the cancellation of part of the debt requires a strong negotiating position, which will contemplate the necessary recovery of a dignified survival of persons residing in Portugal. That position will never be forthcoming from the current government or its alter ego headed by the Socialist Party (PS); nor will any action carried out by the left of the 'pentapartido' (five-party coalition) which is enlarged by sterile groups that emerge winning seats in Strasbourg.

The contestation requires a very different political arrangement from the current one in Portugal, as well as a great social mobilization, in addition to a convenient coordination with other countries beset by the intervention of the Troika; that has never existed until now, despite the great ideological proximity between the gangs in power in Portugal, Spain, Italy, Greece, Cyprus and Ireland.

A realistic assessment and updated (with the inclusion of debt relative to public companies, liabilities under PPP and other[26]) public debt and its composition[27] is as shown in the following chart.

Chart 5



Of that debt (about € 242,000 M):

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26 http://www.noticiasaominuto.com/economia/160124/divida-publica-aumenta-quase-10-do-pib-com-novas-regras#.UthDGPRdUYE

27 http://rehabilitatingportugal.com/rehabilitating_portugal.pdf de onde se extrairam alguns dados dispersos pelo texto, mais adiante

- 29.3 % of the total (€ 72,051 m) is held by the IMF, the European Financial Stability Fund (EFSF) and the European Financial Stabilisation Mechanism (EFSM)

The burden of repayment of this debt will only make itself more painfully felt from 2016 onwards. International experience shows that the IMF only grants debt forgiveness in special cases – Haiti and Liberia, as a result of the earthquake and war, respectively – although it has gone as far as to propose to the EU a pardon of Greek debt,[28] in a rare public expression of the seriousness of the situation. Within European institutions forgiving a debt will not be well received unanimously by governments or even by populations of the countries of the Community Centre, to great relief for Germany.

One should not exclude a reduction of interest rates, although the IMF and the EU soon came to feel a pressure for the benefit to reach all intervened countries. In June 2011 the EFSF / EFSM reduced rates to the equivalent of its financing costs (initially they were up to 2%), having remained at 2.4 % (EFSF) and 3 % (EFSM). In the context of a debt haircut of a country in real trouble, a reduction in interest rates would have an effect also on the cost of refinancing of Portuguese banks and credit obtained from firms (6.2 % interest rate, compared to 3.8 % in the average euro zone), in addition, traditionally with a high share of the financial function in the value added. It would even be interesting and would eventually fall in the category of lending instances that the value corresponding to the forgiveness of interest would be attached to investments of a social nature and not available to the financial capital or partisan gangs.

In the long view, it will be possible to obtain a restructuring of the debt repayment plan, relieving its relevance in total reimbursements for the period 2016/21. In June 2013 the binomial EFSF / EFSM extended the deadline for payment, from 12.5 to 19.5 years, with early repayments from 2025. Regarding the debt to the IMF (€ 23,873 m), the repayment of which is concentrated between 2015 and 2023, it is possible that it may face a rescheduling, for example to 20 years (€ 1,194 million per year).

Still, it could be argued that the compensation for this loan will not be an adjustment to the payment of interests but will rather include disastrous measures that are also irrational in terms of the stated objectives under the Memorandum, including a share of € 12,000 M for the recapitalization of Portuguese banks, whose liabilities should lie with their shareholders and not with the State; and even less the attribution of those liabilities to the population. The social and economic costs of disruption motivated by the troika, not very evident for the local authorities, should be attributed to the IMF and the EU, as grantors of such Memorandum.

- 9.5 % of the debt from purchases carried out by the ECB (€ 23100M) in the secondary market to ensure that debt issues were successful; a genus of "Hand of God" for the finance ministers in Portugal.

[28] http://www.publico.pt/economia/noticia/fmi-avisa-zona-euro-que-vai-ter-de-perdoar-parte-do-emprestimo-a-grecia-1601897

The ECB could cancel this debt once its intervention is framed essentially in defence of the stability of the euro and not specifically to help life to the Portuguese. As a central bank, such annulment would have no effect other than the entry in the balance sheet of the ECB, and should be extended to other bailed out countries, with appropriate consultation of stakeholders. The defence of non-payment of this share is inserted, at this point, in the dispute of German justice, Draghi's statement on unlimited support to indebted countries, to save the euro.

Note that it concerns Portugal that the ECB holds the largest share of public debt, slightly above Greece.

• 8.9 % (€ 21450M) are held by Portuguese Treasury bills

They are short-term low interest[29] entitlements underwritten by entities with no other aim than the speculative game without any consideration to make demands on the Portuguese State. Portuguese banks hold nearly half of this type of debt (€ 11,700 m). Since it is a case of short-term debt, it is not subject to rescheduling.

• 8.9 % (€ 21450M) includes unconsolidated public companies' debt or debt, which has not been contemplated by the office of the treasury, and public debt (IGCP) in the amount of the official debt. Their inclusion from September on will result from new accounting rules, which will show the failure of budget manoeuvres.[30].

Recovery processes in companies, the debtor institutions, are usually called to substantially reduce their claims. Since it is so fashionable to equate between the state and business, in the context of neoliberal management, the solidarity of creditors is even considering the context of a sovereign debt haircut.

In this volume are included transport companies, and particularly the famous Parpública which has a debt of about € 5,100 M, its affiliates, Sogestamo and Estamo, the product of the so called "corporatization" of state functions, which allows for opaqueness relative to manipulation of budgets, the "streamlining processes" in the management and placement of politicians as well paid managers, outside the frameworks of the common public administration.

Included here will be the *PAR's* (Parvalorem, Parups and Parparticipadas) all belonging to the state and which act as bad banks where the remains of BCP like; the Miró paintings for example, but also many non-payable debts. In this realm is an operation of late reparation of the mockery that was the privatization of the BCP by the Sócrates government, (which did not engulf the Portuguese Business Society or SNL for its acronym in Portuguese) has all the legitimacy of the expropriation of the Galilei group, plastic surgery of SLN, to combat the burden of the toxic funds inherited from the BCP and stored in the above mentioned PAR's.

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[29] http://www.rtp.pt/noticias/index.php?article=717999&tm=6&layout=121&visual=49

[30] http://www.noticiasaominuto.com/economia/160124/divida-publica-aumenta-quase-10-do-pib-com-novas-regras#.UthDGPRdUYE

• 14.3 % of the total debt (€ 34,650 m) corresponding to securities, amounts in arrears, responsibilities within the PPP and non-tradable debt

Here too, the haircut can broadly be felt. For the beneficiaries of PPP, debt is around € 16,000 M (€ 11,000 payable until 2021) but their situation is very fragile because the concession agreements constitute situations of outright fraud, in the realm of which there are criminal and financial liabilities for those who signed on behalf of the governments. Nothing should preclude their being cancelled or concessionaires be subject to expropriation, if in Portugal there are indeed truly democratic institutions, emanating from the people.

In what concerns the savings certificates (€ 10,000 M at the end of 2013), the vast majority of their subscribers are people who trusted the State with their small savings, and not capitalists, speculators and greedy people; except in cases where subscribers have huge fortunes in savings certificates, which is unlikely, there is no justification for penalizing these people.

• 29.3 % of the debt (€ 70,950 M) has private entities as lenders.

The portion corresponding to non-domestic banks was € 9,800 M in June 2013, and that of domestic banks is about € 15600M.

The Portuguese banks have greater responsibilities or disruption in the Portuguese economy, both in the development of systemic corruption[31] - financing a property well above the absorption capacity by a relatively stable population, by speculation in housing[32] prices, to take advantage of the low interest rates from the middle of the 90s, without any productive application[33], the way in which they monitored the political class (together with the corporations in the area of construction) for the concretization of public works redundant or useless, in the concession of fiscal benefits for the effect and a fiscal so socially distorted in so far as it is permissive of fraud and evasion[34].

Moreover and beyond this consolidated set of records, the Portuguese banks, after the ongoing process of impoverishment, did not change their harmful behaviour one bit. The ECB contributed to long-term financing in the amount equivalent to about 9 % of the assets of Portuguese banks; however, they applied, of course, their means of speculation (including on Portuguese sovereign debt) and not in the so-called real economy. It would be naive, of course, to expect that the banks would come in aid of the corporations whose excessive indebtedness they had promoted in recent decades, in a context of economic recession and of shrinking of purchasing power.

[31] http://grazia-tanta.blogspot.pt/2013/09/porque-corrupcao-porque-em-portugal.html
[32] http://grazia-tanta.blogspot.pt/2012/12/a-nao-politica-de-habitacao-e-o-imi-1.html
http://grazia-tanta.blogspot.pt/2013/01/a-nao-politica-de-habitacao-e-o-imi.html
[33] http://www.slideshare.net/durgarrai/a-dvida-dvida-de-pessoas-e-empresasa-dvida-de-pessoas-e-empresas-a-dependncia-eterna-a-dependncia-eternaa-de-pessoas-e-empresas-a-dependncia-eterna
[34] http://grazia-tanta.blogspot.pt/2012/07/a-divida-seguranca-social-o-longo.html

At the end of 2012, the total provisions made by the Portuguese banking system was €9,657 M and its capital constituted only 6.2 % of the assets, a situation that in any other sector of activity is unthinkable, but that in banking is not taken as an alarming indicator. This means that banks can contribute to a haircut in the equivalent to their total provisions; thereafter, either the shareholders would proceed to inputs or to bridge the gap, there would be an expropriation, with collective management of the banking system, which certainly would have to be preceded by a major political and economic transformation in Portugal and in Europe; or, at least in Iberia, once a nationalist or isolationist solution for the crisis is non-viable it is even inconvenient because it would bring in its wake a return to a new fascism.

The fulfilment of the Maastricht criteria allows a public debt not exceeding 60 % of GDP[35] and this was incorporated into item d) of Article 3 of the Treaty on Stability, Coordination and Governance.

In this context, M € 242,000 of debt that has been considering this point, for the current year, will be compressed to achieve a € 100 000 M only; i.e., there is at least some €142,000 M to cancel to end the financial supervision of the European Commission, established by the above mentioned Treaty and which is currently anticipated to last for decades.

A rehearsal for an illustrative haircut from about € 142 000 M to less than 60% of GDP could have the following outline:

Type of lender	Level of haircut (%)	portion to be cancelled (millions of €)
EFSF, EFSM and IMF	50	36000
ECB	100	23000
Public Corporations *	50	11000
PPP	100	16000
Others, including amounts in arrears	50	4000
Portuguese banks	75	11700
Foreign banks / other speculators	75	41500
Total		143200

* Includes expropriation of the Galilei Group.

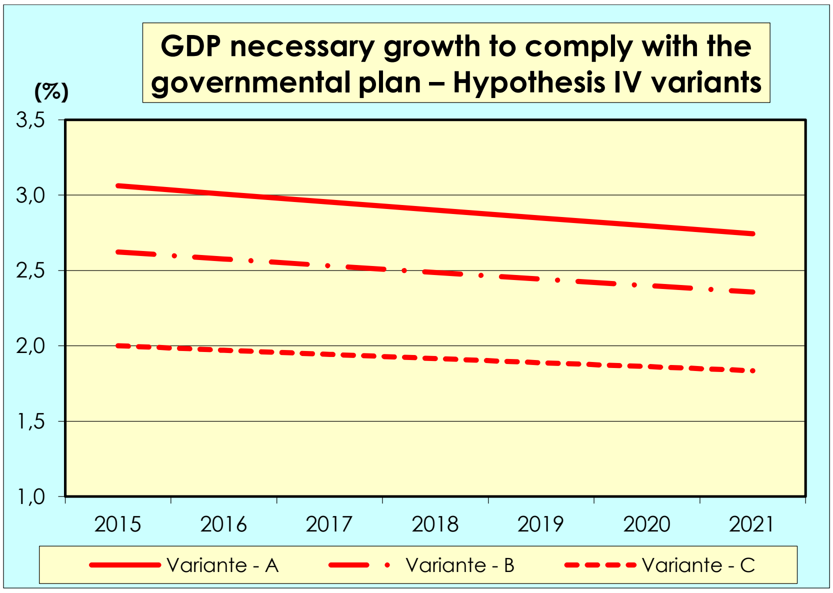
For the remaining debt, three variants are possible, taking into consideration that 2014 has no major changes from the hypotheses of continuity:

A - Amortisation of debt of € 100 000 M in 30 years with an interest rate similar to the average recorded for the year (3.69%);
B - Amortisation of debt of € 100 000 M in 30 years with a reduced 2.5% average interest rate;
C - Amortisation of debt of € 100 000 M in 50 years with a reduced 2.5% average interest rate,

35 http://grazia-tanta.blogspot.pt/2014/02/soberania-soberania-nacional-e.html

Assuming, as in previous cases, that there will be no resorting to any medium or long-term claims leading to net increases in debt or a reduction in the pace of its abatement

chart 6



Disposable income after the compliance with the debt service, per capita (€)

	2014	2015	2016	2017	2018	2019	2020	2021
Variant A								
Available after debt service	14517	15999	16136	16274	16413	16553	16695	16837
Debt service	1856	505	500	495	490	485	480	475
% of gross income	11,34	3,06	3,01	2,95	2,90	2,85	2,80	2,74
Variant B								
Available after debt service	14517	16071	16208	16345	16483	16622	16763	16904
Debt service	1856	433	429	424	420	416	412	408
% of gross income	11,34	2,62	2,58	2,53	2,49	2,44	2,40	2,36
Variant C								
Available after debt service	14517	16174	16308	16443	16580	16717	16855	16995
Debt service	1856	330	328	326	324	322	320	318
% of gross income	11,34	2,00	1,97	1,94	1,92	1,89	1,86	1,84

5 – How to get out of this?

As can be seen from this exercise, even with compliance with EU rules after extensive debt haircut, what becomes obligatory is sustained growth in the formation of income for decades, and only for the payment of leftover debt, which will contrast with the anaemic pace of wealth creation at European levels and inequalities that accompany it. Even within this optimistic context, in terms of public finance, that GDP growth does not allow any illusions about getting out of impoverishment or generating some welfare for residents in Portugal, as the above estimated levels of per capita disposable income show.

It is necessary to go much further:

- The very embodiment of an extensive haircut plan is not easily achieved, especially with governments based on PSD / PS, with or without prop doors and their field helpers. This achievement will require its disappearance from the scene and a new framework of democratic polity where people can step in and be an active subject in the definition of their interests;

- That extensive plan of hard confrontation with finance capital and its institutions - IMF, ECB, European Commission ... - has lower chances of success if limited to a small and peripheral, impoverished and subaltern country, no matter how much it moves those nationalists who long for Aljubarrota, frontiers and anthems. It is crucial that there be substantial change in the same democratic direction and a repudiation of the financial system and its institutions, in the heart of many countries, especially in southern and eastern peripheries of the EU; for Portugal, a connection with Spain will be essential;

- The consolidation of these changes in the domestic political system and its integration within a regional framework of international solidarity focused on meeting the needs of the people will be insufficient without profound changes in the structure and organization of material, human and natural resources;

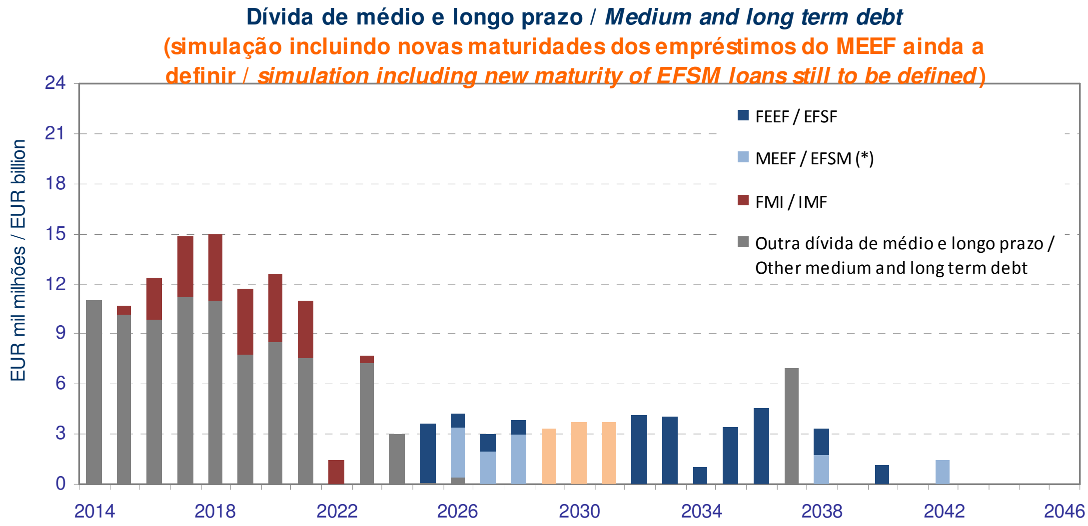
- A profound correction of inequalities[36] has to be radical to be coherent, lasting and immune to punches from a political class that may hardly appear in history books, as the result of changes in political organization and system of representation;

- Such radical change must accompany a clear rejection of capitalism and hence end financial speculation and the private appropriation of the product of labour, focusing human activity on meeting the needs of each and every autonomous individual, taking advantage of the immense capabilities that technologies and collective work on line allow regarding productivity. If scientific and technical knowledge admit that the planet can support life for 12 billion human beings in a balanced way, in terms of environmental sustainability, it is possible to substantially reduce the work time of all for all.

Annex

According to the data of the IGCP published last January 20, the public debt amortisation plan, for medium and long term, showed the following profile:

36 http://visao.sapo.pt/os-ricos-portugueses-ficaram-ainda-mais-ricos-em-2013=f759273#ixzz2lywr6VDF



(*) A maturidade final dos empréstimos do MEEF assinalados não está ainda definida (extensão de maturidade será operacionalizada próximo da respetiva data de amortização original), **mas não se espera que Portugal venha a ter de refinanciar qualquer empréstimo do MEEF antes de 2026.** / *The final maturity date of the EFSM loans in orange is still not*

The exercises we develop are based on the following simplifying assumptions:

- The period 2014/2021 is hardly considered, which, as can be seen, is particularly overwhelmed with government forecasts;

- The GDP in 2012 was around € 165 409 M and the budget approved for 2014 considers a loss of 1.8% for 2013 but has an optimistic 0.8 % growth for the current year. For the sake of this exercise, let us accept these forecasts and admit that GDP growth for the current year will be repeated until ... 2021.

In this context, the Portuguese GDP will show the following values:

(in millions of €)

2013	2014	2015	2016	2017	2018	2019	2020	2021
162432	163731	165041	166361	167692	169034	170386	171749	173123

It is doubtful that all will turn out this way, given the usual misleading optimism of the government and the troika, in which political manipulation overshadows technical accuracy. On the other hand, economic forecasting, especially given the current preponderance of financial markets, has become a true exercise in futurology, even more when it focuses on a period of seven years; and that, when you know that specialized institutions such as the IMF, Eurostat or the OECD, seldom fail to perform routine corrections of their own predictions, even short-term ones. Objective economic forecasting, mixed with political manipulation to deceive voters and the general public, moves often enough into the realms of Mr. Nostradamus or judgments derived from a deck of Tarot cards, in order to promote investor and corporation "confidence" or even to benefit the results of the "Goldman Sachs."

• Interest and charges on loans provided in the budget for this year are € 7,239 M, compared to effective € 7486.1M and € 8189.4M in 2013 and 2012 respectively. It is admitted in this exercise that the interests and charges for the years that follow will focus, in proportion to the forecasts, for the current year, on the remaining debt, after the payments that incorporate the considered hypotheses. That means that the short-term debt is taken as a constant and it is not considered in the governmental plan of amortisations, but whose interests are naturally included in the abovementioned numbers.

In any case we include an independent estimate of the needs of short-term financing

	2014	2015
Uses Of Funds		
Overall Deficit	€7.4	€4.3
Other Acquisitions of Financial Assets	4.5	1.1
Net Financing Need	11.9	5.4
Bond Redemptions	11.1	10.3
Bill Redemptions	17.1	0.8
IMF Loan Repayment		0.5
Redemptions	28.2	11.6
Total Uses Of Funds	**€40.1**	**€17.0**
Sources Of Funds		
EU-IMF Financing	€7.8	€0.0
Privatizations	0.1	-
Financing Needs from Debt Issuance	32.3	17.0
Total Sources Of Funds	**€40.2**	**€17.0**
Estimated GDP	€168.2	€172.3
Financing Needs from Debt Issuance / GDP	**19.2%**	**9.9%**

Rehabilitating Portugal – Tortus Capital

Documents and texts in:

http://grazia-tanta.blogspot.com/

http://pt.scribd.com/profiles/documents/index/2821310

http://www.slideshare.net/durgarrai/documents

GRAZIA TANTA – NEWS, news and commentary about current issues
http://graziatanta.wordpress.com/