Diffusion of power in Portugal: Limits to centralization in a context of decline of state power

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1. Introduction

In this study, we try to perceive in what way the predictions to the year 2030 contained in recent prospective studies produced in Europe and in the USA are applicable to Portugal. For that purpose, we also take into account the views expressed at various conferences held at Fundação de Serralves under the subject “Global Trends 2030: Portugal’s Futures”.

The European and American studies identify the contemporary megatrends with the most social impact and try to predict how those trends will evolve up to the year 2030. One of the megatrends identified in both studies concerns the so-called “diffusion of power”, meaning the gradual erosion of the power of States and the assumption of power by non-state actors.

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1 The studies are the ones produced by the European Union Institute for Security Studies (EUISS/ESPAS) (Global trends 2030 - Citizens in an interconnected and polycentric world) and by the National Intelligence Council (NIC) (Global trends 2030 – Alternative Worlds).
2 Serralves Conferences “Tendências Globais 2030: Os Futuros de Portugal” (Global Trends 2030: Portugal’s Futures) took place from September 28, 2015 to February 11, 2016. Coordinated by Álvaro Vasconcelos, they aimed at “identifying and discussing global megatrends in the fields of politics, economy, technology and safety, as well as their impact in the future of the Portuguese people and their democracy".
These non-state actors include private companies, in particular multinational companies, and civil society’s national and transnational emergent networks.

Regarding these networks, and referring to the refugees’ ongoing crisis in Europe, it was highlighted at Serralves Conferences how the absence of an articulated response, either from the member States or the EU, generated an extraordinary reaction from European civil society, not only through demonstrations that put the pressure on political agents but also through NGOs that catapulted a wave of solidarity throughout Europe (in Portugal, through PAR – Plataforma de Apoio aos Refugiados – Platform for Refugee Support).

But there are also public entities gaining power and assuming an increasing role. At an infra-state level we can point out federal States, regions and local authorities (and, among the last, the big metropolitan areas). The erosion of State power can be perceived as well in the supra-state level, namely as regards international organizations and, most notably, as regards the EU itself.

Strictly connected to the diffusion of States’ power is the empowerment of the individual, resulting from the access of an increasing slice of world population to a “middle class” status, not only from an economical, but also from a cultural/educational point of view, with all that is implied as regards civic and political engagement.

Thus, due to economic growth, there is a strong tendency in developing countries to generate new middle classes with a strong capacity of assertion and demand – a positive factor of democratic expansion.

This fits in the millennial process of progressive and then exponential dilation of democracy (both from the demographical and qualitative point of view). This process is ongoing since the times of the Greek agora to western liberal parliaments resulting from the 1945 post-War – and it continued with the successive erosion of peninsular, Eastern Europe, and military South-American dictatorships. As marginalized groups – destitute men, women, descendants of former slaves and other minorities – started to gain civil and political rights, demo-liberal leaderships became more popular and the highest positions stopped being reserved to citizens born within the elites and national oligarchies. Therefore, democracy gradually

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4 This was the opinion expressed by António GUTERRES, Serralves Conferences, session of January 25, 2016, “Estudo do Caso: a tragédia dos refugiados e a resposta internacional” (Case study: The international response to the refugees’ tragedy).
6 Teresa de SOUSA, Serralves Conferences, session of November 30, 2015, “O futuro da democracia e as exigências cidadãs?” (The future of democracy and citizens’ demands?).
distances itself from aristocracy and becomes increasingly popular and responsive to citizens’ demands.

Concurrently, the progress in communication technologies enabled not only an increasing and easier access to information to all, but also individual participation in the production of information, with its potential repercussions in public space and debate, a process where social networks play a catalytic role. Feminine emancipation also contributed to this global phenomenon of the empowerment of the individual.

To these “erosive agents of the State power”, we would add the phenomenon of the globalization of public goods (or “deterritorialization” of public goods). Be it due to economic, and, particularly, industrial development (which created worldwide environmental problems), be it as a result of technological development or the dismantling of customs and borders (which led to an exponential growth of international contacts and relations with positive effects on individual freedom and economic growth but also aggravated the contamination effect of regional economic and financial crises – or true epidemics), be it as a consequence of other factors (such as the diversification of alternative worldviews, a conflict generator), there are more and more “public goods” demanding global responses for their guarantee and good performance. The State, when considered separately, becomes increasingly impotent in responding to population’s solicitations and to exercise its traditional functions: the guarantee of order, the administration of justice and above all, the guarantee of social well-being. This impotence, if not bridged at a supranational level, generates the so-called governance gap.

2. The diffusion of power in Portugal in the year 2030

Although individual empowerment and loss of power to supranational entities also contribute to the diffusion of State power, we will focus essentially on the theme of the loss of State power to entities within the State’s territory. Regarding that phenomenon, the European report indicates three major realities to be considered: private actors, cities and networks.

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7 Renato Janine RIBEIRO, Serralves Conferences, session of November 30, 2015, “O futuro da democracia e as exigências cidadãs?” (The future of democracy and citizens’ demands?).
2.1. **Private actors**

As regards private actors, the European report underlines the increasing role of public-private partnerships (PPP), multinational companies and private military companies\(^\text{10}\). Concerning Portugal, it seems that only multinational companies may assume increasing importance in the year 2030, when compared to the year 2016.

In fact, as far as PPPs are concerned, their past use in Portugal, especially in the road sector, was excessive (as regards the amounts involved) and abusive (as regards the goals that guided their use, namely concealing budgetary expenses), which led to their political discredit\(^\text{11}\). Yet, the use of PPPs in other sectors, such as hospitals and railways\(^\text{12}\), seems not to have suffered from the same deficiencies – and so their assessment should be moderately positive\(^\text{13}\). Whatever the sector at stake, though, the continuity in time of existing contracts will imply that PPPs continue to play a relevant role, even without an increase, in 2030.

However, we could consider the concept of “PPP” from a wider point of view, as one comprising all cases where services granted by the State are assured by private entities, by agreement with the State and enjoying State (partial or total) financing. One example, starting in the 1990’s, was the conclusion of contracts between the State and non-profit private entities that manage kindergartens, which led to a big increase in enrolment in pre-school education. Similar contracts (“association contracts”) were concluded with private schools, guaranteeing free of charge teaching at primary and secondary levels\(^\text{14}\). Whether these other examples of partnerships between the State and private entities will recede or suffer an expansion is dependent, on the one hand, on the ideological debate regarding the role of the State and, on the other hand, on the evolution of its financial availabilities.

As for private military companies, they do not seem to play a relevant role in Portugal, and it does not seem that their role will be more important in 2030. It is true that among the various relevant roles of the Portuguese Armed Forces\(^\text{15}\), besides national territory defence and cooperation within NATO (and, less prominently, with

\(^{10}\text{CF. EUISS/ESPAS – Global trends 2030..., p. 131-133.}\)

\(^{11}\text{CF. JOAQUIM M. SARMENTO – Parcerias Público-Privadas, chapters 3.5 and 4.}\)

\(^{12}\text{Here, we are only referring to the PPPs that were actually implemented.}\)

\(^{13}\text{Cf., in this sense, ENTIDADE REGULADORA DA SAÚDE – Estudo de avaliação das parcerias público-privadas na saúde, and JOAQUIM M. SARMENTO – Parcerias Público-Privadas, chapters. 3.3 and 3.4.}\)

\(^{14}\text{CF. CONSELHO NACIONAL DE EDUCAÇÃO – Estado da Educação 2015, p. 43 and ss.}\)

\(^{15}\text{Concerning these roles, cf. GOVERNO DE PORTUGAL – Conceito Estratégico de Defesa Nacional.}\)
the Community of Portuguese Language Countries), there is their participation in peace
maintenance missions sanctioned by the UN or NATO/EU. Only in this last case could
it be conceivable, though unlikely, that private companies would assume the role of
replacing the Portuguese Armed Forces. It seems utterly unlikely that these companies
may come to substitute the Portuguese State regarding the exercise of its main functions
– the defence of the national territory and the maintenance of internal order and safety.

As for multinational companies (and, more generally, foreign-owned companies),
the current political, economic and financial context seems particularly favourable to the
increase of their importance and relevance in Portugal in the next 15 years. In fact, the
economic and financial crisis which arose in 2008 and was aggravated by the public
debt crisis of 2011 had to cause a necessary deleveraging both from the State and the
Portuguese private agents. As a consequence, there was a general sell of assets, which
were mainly acquired by foreign companies, the only ones with capital available for the
purpose. The “national champions”, laboriously built in the 1990’s and 2000’s, proved giants (to a Portuguese dimension) with feet of clay. The “national decision-
making centres”, with lusophone ambitions, moved abroad.

On the one hand, this change generates obvious problems regarding national
sovereignty and hampers any autonomous “industrial policy” strategy. Still, as regards
future disposals to foreign capital, the State may have a role in assuring that companies
active in Portugal be owned by foreign companies from different countries, in order to
prevent the concentration of economic power in a single foreign State. It may also seize
the opportunity to try to increment foreign productive investment.

On the other hand, it may mean an opportunity to change the relationship –
frequently incestuous, so far – between political power and economic power. Thus,
the Portuguese State may now focus on monitoring the compliance with legal rules
(namely competition law) and on regulating the activity of companies with market
power or whose performance may affect relevant public interests.

Consequently, the important powers of Independent Regulatory Bodies, be it the
ones granted by law (regulatory, tax collection, imposition of fines) or the ones resulting

16 In fact, «between 1995 and 2010, the debt level of families, companies and the State rose from 164% to
338% of the GDP» – cf. Fernando ALEXANDRE, Luís AGUIAR-CONRARIA and Pedro BAÇÃO – Crise e
Castigo - Os desequilibrios e o resgate da economia portuguesa, chapter 4.2.
17 Cf. Fernando ALEXANDRE, Luís AGUIAR-CONRARIA and Pedro BAÇÃO – Crise e Castigo…, chapter
5.3.
18 Regarding the Portuguese State’s crony capitalism, cf. Fernando ALEXANDRE, Luís AGUIAR-CONRARIA
and Pedro BAÇÃO – Crise e Castigo…, chapter 5.3.
from the highly technical, and therefore, opaque character of their function, may become even more relevant. It remains to be seen whether those entities will keep their current independence or if the State will want to use them in the prosecution of immediate political objectives.

A possible alternative, in a context where the Portuguese State maintains the access to capital markets and, consequently, to the necessary funds, may consist in the nationalization of companies considered “strategic”.

2.2. Local power

As regards cities, the trend highlighted in the international reports points to an increasing urbanization in developing countries and show human concentration in mega cities with over 10 million inhabitants. In Portugal, however, any progress concerning the urbanization rate will certainly be gradual and will not result from a remarkable increase of urban population. Rather, there will be a decrease in the rural population accompanying the slow decline of global Portuguese population estimated in all statistical studies. Still, the persistence of past trends will mean an accentuation of the “macrocephaly” of Portugal’s capital city, Lisbon.

Just like in mega cities worldwide, it is in the Portuguese cities that lies the largest part of economic production. In Portugal, there is a relatively continuous coastal strip following a north-south axis, from Braga to Setubal, where the vast majority of the population lives and from which almost all of the national production wealth results. Special mention should be made to the existence of two main aggregating hubs – Porto and Lisbon – together with relevant medium-sized cities such as Braga, Aveiro, Coimbra and Leiria.

One of the challenges faced by cities, including Portuguese ones, is to be capable of creating local economic development hubs, either through connections with international development hubs or, in the case of smaller cities, with national or neighboring countries’ development hubs. However, in the Portuguese case, the

19 Concerning regulatory authorities, cf. Maria Celeste CARDONA – Contributo para o conceito e a natureza das entidades administrativas independentes - As Autoridades Reguladoras.
20 Cf. Instituto Nacional de Estatística - Projeções de população residente 2012-2060 and Fundação Francisco Manuel dos Santos – Projeções 2030 e o Futuro.
21 Cf. Instituto Nacional de Estatística – Retrato Territorial de Portugal 2011, p. 21 and ff. It is also worth mentioning the existence of economic hubs outside the referred areas, which are still quite dependent from a single economic activity (tourism): Algarve and Madeira.
organization of political power has not permitted the elaboration of a regional development strategy. Small municipal entities face one of Europe’s most centralist States and are therefore incapable of assuming that role of strategic planning and execution. The contemporary Portuguese political system has only been able to guarantee the national capital’s economic development, whereas the remaining regions of the country continue to show GDP per capita levels much lower than the European average.

Although there are constitutional constraints regarding the establishment of regional development strategies, and even though they cannot be considered as definitive indicators in that sense, political reforms adopted in the last decade may be seen as a reflection of the international trend of power diffusion. On the one hand, there is an increasing decentralization of State power through the transference of functions and competences to local authorities, in accordance with a logic of subsidiarity. On the other hand, there is a strengthening of municipal association, which tends to emerge as an intermediate administration level between the State and local authorities.

If, by 2030, developments regarding the attribution of real political power to intermediate municipal entities have been registered, so that they comprise relevant urban agglomerations, then we could witness a rebalancing of economic development levels among the various Portuguese regions. Therefrom will also result political entities with sufficient power to contest the political options adopted at a State level, which will enhance the diffusion of power phenomenon. However, there will be no danger regarding national unity, since there are no linguistic, religious, historical or, in general, ethnic fractures that could raise that danger.

2.3. The networks

According to the international reports referred above, non-state actors’ networks are destined to play an increasingly significant role. As regards the intra-state distribution of power, the creation and development of networks aiming at the defence of common interests – initially economic, then of different natures (including lobbies) – is an old

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22 Thus, in 2014, Portuguese local authorities were responsible, on average, for expenses corresponding to only ca. 6% of the GDP, whereas in OECD countries, local authorities were responsible for expenses corresponding to 17% of the GDP – cf. OECD – OECD Regions at a Glance 2016, p. 96.

23 So, in 2014, and considering level 100 as corresponding to the average EU purchasing power parity GDP per capita, the metropolitan area of Lisbon achieved level 106, while the Northern region of Portugal reached level 65 only – cf. EUROSTAT – 2014 GDP per capita in 276 EU regions, p. 7.
reality (v. g., unions and employers’ associations, and, from another point of view, political parties themselves) which is partly institutionalized (regarding Portugal, take the Economic and Social Council as an example).

In Portugal, NGOs do not play the same role nor do they have the same relevance as in other states, namely when it comes to the promotion of public goods such as environmental protection. The reduced civic engagement which characterizes the Portuguese society, resulting from its individualistic culture, the population’s poor and late schooling and 50 years of authoritarian regime that limited freedom of speech and association, may partly explain that situation. There are some relevant NGOs, though (such as DECO, ACP), that play the role of spokespersons of interests that have greater difficulties associating in traditional lobbies.

Still, if NGOs are considered in a wider sense 24, they comprise many (non-state) non-profit organizations and enjoy significant social and even political relevance. The influence of churches (especially the Catholic Church) is a classic, even if their strength has somewhat receded. The private social solidarity institutions (“IPSS”), often of Christian inspiration, mercies and mutualities, all play a quite relevant social role, of significant complementarity with the State, namely regarding social assistance to minors, elderly people and disadvantaged citizens, as well as in health and education. These institutions, which, according to their nature, may vary between 17.000 and 70.000, are not efficiently federated. Still, it is worth mentioning a few, like the Union of Portuguese Mercies, the Union of Portuguese Mutualities and the National Confederation of Solidarity Institutions (“CNIS”) 25. The fact that they largely depend on public financing limits the counterpower they may represent facing the central State. Still, it is with «the closest public entities (decentralized State bodies and local municipalities) that NGOs have [and may develop] relations that are more frequent, with a better quality and larger possibilities of working in partnership» 26.

As for the new social media, namely social networks, their emergence, as stressed at Serralves’ Conferences, has ambiguous effects. Quite often, demonstrations in the social networks express populist and immediate desires, largely connected with consumption, showing the inexistence of a “context of democratic debate”. These are unpredictable,

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24 Cf. Raquel Campos FRANCO (coord.) – Diagnóstico das ONG em Portugal, p. 65, for a wide concept of NGO.
unexpected phenomena, since one citizen’s gesture may generate significant repercussions. Therefore, if NGOs develop the ability to channel these worries and aspirations shared on social networks, they may gain power and force the State to act by responding to the issues raised daily.

3. Conclusions – probable scenarios concerning the diffusion of powers in Portugal until 2030

Between 1975 and 2015, Europe and the world lived under the ideological influence of the neoliberal revolution, expressed among other things in a wave of privatizations. Goods and services formerly provided by the State became the responsibility of private companies operating autonomously in accordance with market mechanisms. Additionally, the State started to count more and more on private entities (profit and non-profit) for the construction and management of public infrastructures and for the provision of social services. This evolution increased significantly the diffusion of state power.

As to the decentralization of power to public entities, namely local municipalities, the last 40 years did not show significant developments in Portugal when compared to the boom occurred right after the April 1974 Revolution. The refusal to divide the country in administrative regions, refusal which resulted from the 1998 Referendum, is the most significant landmark of that (non) evolution.

We believe we can point out three evolution scenarios for the country until 2030 as regards the diffusion of infra-state power. These scenarios result, mainly, from the possible evolution of consensus or majorities regarding the role of the State in society, the role of other regional or local public entities and the State’s financial availabilities. In all scenarios, as referred before, there is an increasing role of foreign-owned companies in Portugal.

3.1. Scenario No. 1: Regionalized Liberal State

In a first scenario, which we think is the most unlikely, the diffusion of powers will be maximized in accordance with a model we call Regionalized Liberal State. In this

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27 Renato Janine RIBEIRO, Serralves Conferences, session of November 30, 2015, “O futuro da democracia e as exigências cidadãs?” (The future of democracy and citizens’ demands?).
In a second scenario, a controlled development regarding the diffusion of powers will take place until 2030, in accordance with a model we call a Decentralized Social Liberal State.

In this scenario, liberal ideologies, on the one hand, and social democratic/social Christian ideologies, on the other hand, find a new balance, contributing for the evolution of the welfare state to a regulatory state, that guarantees the provision of public goods, through a progressive privatization and decentralization of both State entities and services.

The State continues to guarantee the provision of social services, either free or low-cost; yet, those services are provided by a variety of public (state, but also municipal or regional) and private (for-profit, NGOs) entities. There is a decentralization of powers scenario, the neoliberal ideology will continue to shape the evolution of diffusion of powers in Portugal, with a progressive privatization of public entities and services.

The welfare state will be gradually dismantled. Social services (health, education) are free only for disadvantaged citizens and are provided by municipalities or even by private companies or NGOs. Simultaneously, administrative regionalization is implemented following a constitutional revision or a referendum.

The path towards the completion of this scenario could involve the privatization of public hospitals and educational institutions owned by the State, as well as of public companies (such as Portugal’s biggest bank, Caixa Geral de Depósitos). The National Health Service would end and be replaced by a system analogous the Americans’ MEDICAID and MEDICARE. The Ministry of Education would stop managing public schools but would probably maintain its role as a regulator of the education market. As for Social Security, it would become private and would be substituted by a private insurance/pension funds system.

The probability of this scenario becoming a reality seems, as referred above, quite small in the short/medium run. Even though it does not depend on the State’s financial availability (except as regards Social Security’s privatization), it counters the Portuguese population’s “ideological centre”, as well as most “published” opinion. As for regionalization, it faces significant constitutional and partisan hurdles.

3.2. Scenario No. 2: Decentralized Social Liberal State
to municipalities and other public entities and the attribution of democratic legitimacy to supra-municipal territorial entities. Public entities may be privatized while keeping the rendering of public services off “pure” market mechanisms. Nevertheless, entities rendering those services must apply to the State for the adjudication of the service and are monitored by the State as regards the compliance with their obligations. The pensions system is unchanged and remains therefore in the public sphere.

The path towards the completion of this scenario could, on the one hand, involve more public-private entities in areas where they seem to have worked (health, for example) and, generally, the use of non-state entities in the rendering of health care; the extension of association contracts to more schools; and the consolidation of the preschool education network through non-state institutions. On the other hand, it would involve direct election of metropolitan areas’ and inter-municipal communities’ governing bodies, followed by a negotiated assignment of powers.

The probability of this scenario becoming a reality, as regards the provision of social services, seems quite low on the short run due to the current Portuguese political context. Still, chances increase from a medium-term perspective considering that a significant part of the national party system considers favourably the social-liberal mind-set that underlies this scenario. The scenario is partially conditioned on additional financial availabilities. Regarding political decentralization, the probability of occurring is medium in the short term.

3.3. Scenario No. 3: Social Centralist State

In a third scenario, a decrease in the diffusion of power will occur, in accordance with a model we call Social Centralist State.

In this scenario, socialist/social-democratic ideologies stage a comeback against the neoliberal ideology of the last 40 years, imposing a return to the Welfare state of the second half of the 20th century by means of the nationalization and centralization of private or municipal entities and social services.

The State reverses the recent movement of privatization and seeks to directly offer, through its institutions, all social services, including some traditionally offered by the private sector. Public entities lose their autonomy within the National Health Service and the National Education System. The pension system obviously continues to be
State-run. Decentralization of powers to municipalities and other supra-municipal entities is limited.

The path towards the completion of this scenario could involve the nationalization of some banks (v. g., Novo Banco); the definitive transfer of classes from private schools with association contracts to public schools; the non-transfer of public hospitals’ operations to private ones; the reversion of PPPs in health; and the reversion of the transfer of public hospitals to Mercies.

The probability of completion of this scenario is quite significant on the short run, since it corresponds largely to the current Government’s programme and/or to the one from the parties that constitute its support base. In the long run, the probability of completion is medium, since it does not generate consensus among Portuguese (civil and political) society and constitutes, in some way, a return to the past. Furthermore, it implies the spending of significant amounts of financial means, namely regarding nationalizations.

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Article received on December 20, 2016 | Accepted December 30, 2016