ELECTORAL SYSTEM, GOVERNMENT STABILITY AND BUSINESS SUPPORT POLICIES IN PORTUGAL

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ABSTRACT — the electoral system of a country affects various aspects of its development. Indirectly it has an impact on the government stability, economy of the state and on the development of the business. The main objective of the study is to establish the degree of stability and similarities between Portugal and Bulgaria. Thus, the aim of the current study is to identify if the electoral system and the business environment in Portugal are related. The object of the study is Portugal and in particular its electoral system and business environment. The results indicate partial political stability and a well-developed economy.

Keywords: Portugal, electoral system, political stability, business support policies, economic data;

1. INTRODUCTION

The topic is extremely important in view of the many similarities established between Bulgaria and the country under study. This makes it possible to take Portugal's approach and put it into practice in our country. The debates regarding the functioning in these directions are subject to continuous discussions in order to raise the standard of living in our country. Unfortunately, Bulgaria is still unable to find the right path to political and economic stability.

For this reason, in this study we will turn our attention to Portugal, and in particular its electoral system, and the methods by which they guarantee their political and economic stability.

Thus, the aim of the current study is to identify if the electoral system and the business environment in Portugal are related. The object of the study is Portugal and in particular its electoral system and business environment. Political and economic stability topics will be addressed in this study. The specifics of the Portuguese electoral system are defined and empirical data are presented for both political stability and economic stability. Some major policies in support of business in the country are discussed.

The final part analyzes both the general situation in Portugal and the various aspects.

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2. GENERAL CHARACTERISTICS OF PORTUGAL

Portugal was proclaimed a republic in 1910 and this gave birth to the First Portuguese Republic. Years later, a coup d'etat began, which marked the beginning of the Second Portuguese Republic (1974). Today, Portugal is divided into 7 regions and 30 sub-regions. They all contain 308 municipalities, and they are divided into 4 261 parishes. In addition, Portugal has two autonomous regions, namely Madeira and the Azores. This division facilitates local self-government. (portugal.com)

3. PORTUGAL’S ELECTORAL SYSTEM

The current constitution was adopted in 1976 and, in its view, Portugal is a semi-presidential republic. This means that the President has broader powers. In Portugal, he is elected for a term of 5 years by universal, direct and secret suffrage. (Constitution of the Portuguese Republic, 1976). The current head of state is Marcelo Ribelo di Soza and has been in power since 2016. (electionguide.org)

The legislature is in the hands of a unicameral parliament, which in Portugal is called the Assembly. The term of office of the deputies is 4 years. Their constitution does not provide for a law on the number of members in the Assembly, but it can be at least 180 and up to 230 deputies. (Constitution of the Portuguese Republic, 1976)

The executive power is exercised by the Council of Ministers headed by the Prime Minister. Their term of office shall be indefinite, but not exceeding 4 years. (Constitution of the Portuguese Republic, 1976)

Portugal uses a proportional electoral system and the counting of valid votes is by Victor D'Hondt method. It is traditionally accepted that proportional electoral systems lead to more unstable governments, which could have a negative effect on the country's economy and government policies in this area. (Norris, 1997) In addition, by voting for a particular party, the electorate actually chooses the country's economic policy. (European Commission for Democracy through Law, 2009). In fact, there is empirical evidence that shows that proportional electoral systems leads to a more even distribution of incomes than the majority have lower inflation, lower unemployment rates, and have higher levels of economic equality. (Acemoglu and Robinson, 2006)

In this case, we can expect that, although a proportional system leads to more fragile governments, this does not, in practice, harm the functioning of the economy and, in this sense, of policies promoting business.

4. POLITICAL STABILITY

In order to determine the extent to which the Portuguese Government is stable, I will apply two graphs that will enable us to understand the turnout over the years and which political parties manage to reach power.
Figure 1 indicates that turnout in Portugal is not high. It varies around 50%. The lowest figures were reported in the European Parliament elections, and the highest in the Assembly elections of the Republic. Data show a gradual decline in citizen activity. It follows that the Portuguese are less and less involved in governing their country through elections. (electionguide.org)

A similar case is also observed in Bulgaria. According to data from the Central Election Commission (CEC), the turnout in Bulgaria from 2005 to 2017 is about 55%. The lowest value was reported in the 2014 parliamentary elections. (48.55%). The highest was in 2009. (60.20%). (CEC) ¹

The population on both sides is apathetic to the ruling elite and does not want to exercise its right to vote. However, the chart does not indicate frequent change of governments.

In Figure 2, we will also pay attention to the ideological orientation of society.

¹ CEC (Central Election Commission) - The Central Election Commission is the main state body preparing and organizing the conduct of elections and referendums in Bulgaria. The CEC can be permanent or established for separate elections - parliamentary, presidential, local, etc.
Under the Portuguese constitution, it has a multi-party electoral system. However, from the attached figure, one can clearly see the existence of a bipolar control model. Power is distributed between the two major parties in the country, namely the Social Democratic Party and the Socialist Party. Over the years, they have steadily switched roles of ruling and opposition. Here comes the other similarity to Bulgaria. For years, the top two seats have been split between the two major parties (GERB and BSP). Ideological inclinations also coincide. Despite seeming political stability at first glance, the situation in Portugal is actually different. The Portuguese people hold numerous protests, but do not receive it. (Armstrong, 2019 etc.)

5. ECONOMIC DEVELOPMENT: EMPIRICAL DATA

The 2008 economic crisis has affected many countries in Europe. Some of them recovered faster than others. However, Portugal is one of the group of countries who have quickly managed to recover. In the following charts, we will look at some of the key indicators in the economy that underpin the overall development of the country.

Unemployment is a serious problem in many countries. Portugal is no exception. In the period of crisis, unemployment increased dramatically by as much as 8.6%. Despite this fact, the last recorded values from 2019 show that the government is working on the problem and is able to reduce unemployment levels even below 2008 levels. (knoema.com)

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GERB (“Citizens for the European Development of Bulgaria”) - Center-right party, founded by Boyko Borissov (current Prime Minister of Bulgaria) in 2006.

BSP (“Bulgarian Socialist Party”) - Left-centrist political party, founded by Dimitar Blagoev in 1891 under the leadership of Cornelia Ninova

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No dramatic changes are observed. This is partly due to several reforms being undertaken by the Social Democrats. One of them is related to energy. Thanks to this, new jobs have been created and low oil prices are maintained. The reforms undertaken by the Portuguese government regulate the overall situation and manage to maintain inflation levels without allowing for uncontrolled rises. (knoema.com)

Production in Portugal has particularly low values. GDP growth was negative during the crisis. The lowest recorded value was in 2012 and reached -4%. After this period, there has been a gradual increase in the production of goods and services. The highest value was recorded in 2017. (2, 8%). (knoema.com)
Despite the government's efforts to reduce its debt, we can see from Fig. 6 that there is almost no progress. The value reported in 2018 does not even come close to the original of 2008. (Eurostat)

The empirical data in Fig. 7 also shows a rapid recovery from the economic crisis. According to the latest data from 2019, Portugal's exports and imports have almost identical values. According to data from the website of the European Union, Portugal exports 75% of goods and services produced in EU countries. Exports are mainly directed to Spain, France and Germany. In non-EU countries, the largest share is exported to the US and Angola. With regard to Portugal's imports, we can say that it interacts with the same countries to which it exports (Spain, France, Germany), 78% of its imports into the country comes from them. Outside the EU, Portugal relies mainly on China and Russia. (europa.eu)

The development of the Portuguese economy is due to a number of factors, but the most favorable ones are the increase in wholesale and retail trade, tourism, transport and more. The real estate business is also booming. Many entrepreneurs invest precisely in the construction of new homes. This in turn leads to an increase in their purchase value. This industry undoubtedly contributes to the stability of the Treasury, but not everything is so positive. Foreigners mainly purchase real estate. Prices are constantly rising and
becoming unattainable for Portuguese citizens. Fig. 8 shows the pace at which this business is growing. (Chobaligova, 2019)

![Index of prices](image)

**Figure 8 Index of prices**

*Source: Organisation for Economic Co-operation and Development*

This becomes another similar feature with Bulgaria. We are witnessing not just a smooth build-up, but also the occupation of every free millimeter-intensive activity in this sector before 2008. Prices reached their highest value. Another important example is Spain. Before the economic crisis of 2008 began. There was also an emphasis on this industry and it was later that it made it impossible to escape from the crisis. Many developers invest in construction until it turns out that the buildings being built are too much for the paying consumer. (Cruz, 2011)

As a result, many of the ongoing construction work remains unfinished, builders find themselves unemployed, which gives rise to unemployment and entrepreneurs go bankrupt. Portugal must keep in mind what has happened to the Mediterranean country in order not to fall into this situation. However, now their economy is booming, and to find out more about their recovery, we will look at some of their current business support policies.

6. **BUSINESS SUPPORT POLICIES**

We will pay particular attention to two of the support policies, namely Portugal 2020 and the Organization for Economic Co-operation and Development (OECD) strategy developed. We will start first with the reforms proposed by the OECD. The monitoring carried out identified the weak links of the Portuguese economy and, in this regard, developed an action plan to raise the standard of living. Thanks to it, Portugal is embarking on reforms that have a positive impact on the economic sphere. They are divided into four sectors, namely banking, taxation, education, research, and development (R&D). Some of the reforms introduced are to minimize bank loans, to increase the competence of teachers, to include more disciplines that are professional in a unified system, to build an effective tax structure and to financially stimulate cooperative organizations to support small ones and medium-sized enterprises (SMEs). R&D is being improved by introducing new technologies and making research more public. (Organisation for Economic Co-operation and Development, 2019)

Portugal 2020 is an agreement between the European Union (EU) and Portugal. It seeks to apply the principles of the Europe 2020 strategy and to focus on economic, social, environmental and territorial development policies that can stimulate growth and job creation in Portugal in the coming years. The Portugal 2020 strategy sets out the interventions, investments and funding priorities needed to promote smart, sustainable and inclusive growth and to achieve the Europe 2020 goals. There are four areas of
concern for this strategy, namely competitiveness and internationalization; social inclusion and employment; human capital and sustainability and resource efficiency. (ec.europa.eu)

7. CONCLUSIONS

Portugal does not observe frequent early elections, but the ruling elite is often replaced. The discontent of Portuguese citizens is somewhat shaking the Government, but it cannot be said that there is a political instability. Regardless of who governs Portugal, the starting points in its policies are business promotion.

Economically, there are areas where Portugal is making progress and others where there are still challenges but they are not related to the electoral system or the frequent change of Government.

In summary, the Portuguese electoral system does not lead to instability; there is continuity in politics.

The open similarities between Bulgaria and Portugal makes it possible to borrow the methods of Portugal and put it into practice in our country.

Acknowledgments

This article is a part of a project № SP19-FISN-006, financed by Fund “Scientific research” at the University of Plovdiv Paisii Hilendarski.

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