

Portugal faces the rationality of markets

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[FT.com / Europe - Portugal near political crisis over debt](#).

Portugal is facing a debt crisis. Whether justified or not I do not know: I am not an expert on Portugal and won't claim to be.

But the following is reported:

He [the Prime Minister] said Portugal had taken over from Greece as the main victim of the "animal spirits" of financial markets that were often "irrational". The concern in the case of Portugal, he said, was not justified.

Now here's the rub: the markets may well be rational - according to their own highly perverse definition. Undermining states, democracies and currencies is completely rational following the logic of the market. If there's a financial gain to be had destroying well being is entirely rational according to currency and debt traders.

Which is precisely why they need to be regulated quite differently.