Interview with José da Silva Lopes: the development of economic and social policy in Portugal (Lisbon, 23 October 2007)

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[Miriam Mateus] You have held important positions of responsibility in the economic field at national, European and even global levels, and you were also Minister for Finance after the 25 April Revolution in the provisional governments. You can, therefore, be said to have a general view of the Portuguese economic and monetary situation. How has the country's economic situation developed over the last 30 years?

[José da Silva Lopes] Well, as I said not long ago, during the 13 golden years, from 1960 to 1973, Portugal was a success. It wasn't only Portugal though, it was also Greece, Spain and Yugoslavia at the same time. They were countries that were peripheral, let's say, in relation to the centre of Europe and which all enjoyed tremendous growth, as we did.

After the 25 April Revolution, economic growth slowed down considerably in all those countries. In Spain, in Portugal … Yugoslavia actually broke up in the end. So, if we compare Portugal's growth rate from 1974 to the present time with that of the 13 years before 1974, it's clearly lower. But, at least until 2001 — it's better to use 2001 as the date — between 1974 and 2001, Portugal enjoyed one of the highest growth rates in Europe. Ireland took the lead, but Portugal grew much more than the average. So, relatively speaking, Portugal improved in purely economic terms, although it's still one of the poorest countries in Europe, but it did improve in relative terms. Obviously, at first … with the Revolution, it was a troubled period … So we actually fell behind in relation to Europe at first, but then we began to recover in the mid-1980s or thereabouts, and we recovered significantly until 2001.

In economic terms, then, things didn't go badly, they actually went relatively well. It was nothing like the Irish miracle, but things went relatively well in purely economic terms. Where great progress was made was in social policy. We had very little social policy during the *Estado Novo*. Here, in Portugal, there wasn't much social policy. That doesn't mean that there wasn't any, but there wasn't much. The social security system didn't cover the whole population, it covered only part; the health system was very limited; even the education system wasn't very extensive.

The major change introduced by the new political regime was the injection of great momentum into social policies. We now have a national health service which is actually not bad, it's not one of the best in Europe, but it's not bad. In some respects, it's better to be Portuguese than to be American, at least for certain social classes. A wealthy American has better health care than a Portuguese citizen, even one who is wealthy; well, wealthy Portuguese citizens also use American services, if necessary. But a poor Portuguese citizen has a better health service than a poor American, let there be no doubt about that at all. So, in that respect, we've made progress.

In education, we've also spent much more. Nowadays, there are a lot more people in education, although its quality is another matter, but we've also made considerable progress. In social security, we've got low pensions now because the country's poor. Low pensions, well … low for the majority, that doesn't mean for everyone. The country is poor, but it has a social security system that's better than in some more prosperous countries, despite everything.

So, we've improved some things. When I say that our social security system is better than in some wealthier countries, it doesn't mean that I believe that there isn't a reasonable taxpayer-funded social security system. There is a taxpayer-funded social security system that guarantees levels of income which I believe shouldn't be acceptable, but that's another issue. In general, we've made significant progress in social policy, although it's had repercussions in the financial sector that have sometimes been complicated.

But the reasons for our substantial imbalance in public finances — everybody talks about our deficits, about how we break our Maastricht commitments, etc. — result partly from a lack of discipline in public expenditure, including social security expenditure. But I think that great progress has been made.

So, things went very well until 2001. Since then, it's gone very badly; as you know, Portugal is the

European country that has grown least since 2001. It’s not Europe’s fault, it’s our fault. The blame lies in our collective inability, it doesn’t lie with the governments alone; it’s the fault of governments, businessmen, workers, everybody … it’s our way of doing things, it’s our ‘gentle ways’ which are a danger to the national economy, but anyway …