

A SYSTEMIC PROBLEM: THERE CAN BE NO SOLUTION WITHOUT CONFIDENCE

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There is a widespread feeling amongst the economic and social stakeholders with whom I am in contact that all possible efforts to restore the economy are being exhausted.

The main concern arises from the many doubts regarding the time limits set for the implementation of the troika's deficit adjustment plan. There is an increasing sense that the pace set for its implementation will have very negative consequences for the economy, for social stability, for the security of persons and property and also for the achievement the budget deficit objectives proposed.

This is an issue we cannot ignore. It is a fact. There is a confidence problem.

There are reasons for this disquiet. Firstly, the troika's programme was drawn up by institutions with differing views of the economic outlook in general, and with no knowledge of the Portuguese economy's true situation. Only that can explain the expressions of surprise from their representatives at developments in the employment rate in our country. Anyone familiar with the reality of the Portuguese economy knows that, unlike in other countries, employment is largely dependent on what happens in the domestic market. With the adoption of policies drastically reducing domestic demand, nobody familiar with the true situation of Portugal will be surprised. The remedy applied in this case was clearly excessive.

Secondly, the memorandum negotiated with the troika is based on the assumption that there is a more or less balanced economic structure in the country. In fact, that is not the case. In Portugal there is a major structural imbalance in terms of the country's production structure, which cannot be resolved through adjustments over such short periods of time. This is the fundamental distortion in the programme, because it was thought that, as happened in other cases, through some reasonably drastic and painful adjustments, Portugal's economic situation would improve.

We know that adjustments are always painful, but we have to be prepared for pain, without adjustments. For example, excessive austerity may serve to distort the already distorted Portuguese economy even further.

Budgetary and other imbalances are not just the result of the mistakes of successive governments. They are also the result of our productive structure. The issue is not therefore just one of public finances. It is essentially economic.

The concern I have detected from the economic and social stakeholders with whom I have contacts is that the efforts to consolidate public finances may turn out to be ineffective. This is a real risk which must be borne in mind, and one which can only be minimised by pursuing the clear objective of rectifying the distortions suffered by our production fabric.

We have all heard talk of structural reforms. These can be made in the legislative field, but this will always be short-term. In addition to the implementation of the current memorandum, therefore, it is vital to draw up another different kind of memorandum, with the participation of the same bodies and others, including the European Investment Bank, taking a ten-year view, with broad political and social consensus and making it possible to find solutions which help to change the structure of our production fabric.

This is a systemic problem requiring a systemic solution. In this way, the conditions may be created to restore the confidence of the economic and social stakeholders with whom I have spoken.