

DOC. 60

Spending cuts are ‘insufficient’ and ‘unrepeatable’

State budget 2010

Published on 28/01/2010

Public deficit

ALEXANDRA FIGUEIRA

The government measures to reduce the deficit were criticised by economists yesterday. Freezing state sector wages and cutting investment, the two budget options, are unsustainable in the medium term and do not “attack” waste inside the public administration, they said.

Firstly, because no-one can expect that state sector workers go without wage rises for years, Abel Fernandes, from the Oporto Faculty of Economics said. And because public investment, as it is less than in the past, will be “concentrated on large works, when it is better to do small, more local work”, Nuno de Sousa Pereira, the Oporto management School principal said.

The spending cut announced by the government is therefore an attempt to “slim without losing weight”, instead of cutting out what is superfluous, tax expert Saldanha Sanches said. Or a “relatively feeble” effort, the former finance minister, Bagão Félix added. Lowering the deficit by one percentage point in 2010, as forecast, is “achievable” and “not excessive”, Abel Fernandes said.

The 2009 public deficit was the fourth largest during the country’s democracy (the other comparable deficits occurred in the 1980s, when the IMF was called in to avoid the country’s bankruptcy). Estimated to be 9.3% of GDP, the truth of the figure was even questioned by João Duque and Bagão Félix. Meanwhile, César das Neves said that Portugal is now faced with “real cuts”. And to implement a real reform of the civil service, Nuno de Sousa Pereira added.