

Interview with José da Silva Lopes: the Portuguese economy and finances since Maastricht (Lisbon, 23 October 2007)

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[Miriam Mateus] With regard to the convergence criteria imposed by the Maastricht Treaty, are they seen as a constraint, as an obligation, or, on the contrary, as an opportunity to correct the Portuguese economy, so to speak?

[José da Silva Lopes] Well, as you know, that depends very much on your opinion. Mine is that the criteria, particularly what are known as the Maastricht criteria on the budget deficit, are welcome. I think that it's in our interests and in the interests of the Portuguese economy to be subject to budgetary discipline. On the other hand, I fear that, without some external constraint, we don't have the political capacity to maintain that budgetary discipline, so, if someone forces us ... For me, since there's no alternative, I hope that someone forces us. I agree with the Maastricht criteria, and, I say again, I'd like them to be met, not just for the sake of it but because it's in the interests of the Portuguese economy.

[Miriam Mateus] And in relation to the excessive budget deficit that several Member States are running, do you think that every country is treated equally? Or are favours sometimes done?

[José da Silva Lopes] Well, I don't know enough about that. I have to say that I haven't followed how it's administered very closely... I think that, at the moment, there's not much cause for complaint. In the past, meeting the Maastricht objectives was very superficial, and that was approved in Portugal, it was exploited here, very excessively, in my opinion, between 2002 and 2005. But, from what I'm told, it wasn't only in Portugal, it was in many other countries, too, even in countries that people don't usually associate with that kind of thing. There were countries in southern Europe, but there were also some of the highly respected countries in central Europe that did it as well, or so I'm told.

So I find it a little difficult to approve such policies in relation to Portugal, but I think that the only excuse for them being adopted here is that the others did it, too. But, apparently, according to what I'm told now, it's no longer possible, and a good thing, too. There was a great deal of abuse though. From what I'm told, it wasn't us who began to deceive or to gloss over the Maastricht criteria, it was the other countries, and some of them were seen as highly respectable.

[Miriam Mateus] As an economist and Chairman of a large Portuguese bank, what is your position on the latest increases in the base rate imposed by the European Central Bank? What impact will it have on the Portuguese economy?

[José da Silva Lopes] Well, personally, probably because I'm a very old-school economist, I'm not much of a fan of this idea of the European Central Bank concentrating solely on inflation. I think that the ECB must have a broader objective, it shouldn't just focus on inflation. But I've noticed that, when it really matters, the ECB also looks at other aspects, although that's what's laid down there.

So, in general, I don't criticise the ECB for what it's done. I think that the interest rates that it has set are reasonable — although they're not good either for my bank or for our customers in particular — I think that the ECB's rates were actually relatively low. But, even so, in the global context, they were good.

And, generally, I approve of ECB policy. I don't approve of the principles, but I approve of the policy. I think that the policy that they've pursued is a good one. And, I repeat, if there was a major problem of unemployment in Europe tomorrow, or something similar, I think that they ... But I think that they're going forward despite everything, they shouldn't focus only on inflation.

[Miriam Mateus] And in relation to the Portuguese economy?

[José da Silva Lopes] Well, the ECB can't focus simply on the Portuguese economy, that's inevitable. I mean, it can't apply different rates to the Portuguese economy and to the German economy. It's also natural for someone in the ECB, when they're considering what the appropriate interest rate is, to give more weight

— I don't mean that the ECB should follow just the German interest rate, it also has to look at the Portuguese interest rate; if it gives a weight of 20 % to the German rate and a weight of 2 % to the Portuguese rate, what can we do?

That's life, or rather, that's the economy. The ECB isn't at the service of any particular country, it's at the service of Europe as a whole. Whether the small countries do or do not have the proper weight ... I sometimes think that they should have more. For example, in the ECB, there are permanent members and rotating members. I think that they should all be rotating members, though the larger countries should rotate much more slowly than the small ones, very slowly, and the small ones should rotate much more quickly. At the moment, some don't rotate at all, in fact. And I have to say that I find that difficult to accept.

What's more, we've just seen that with regard to Poland in these negotiations. Poland managed to secure a permanent place at the Court of Justice, I think it was. Well, I don't think that I can criticise them for that. If the Spanish have one, why shouldn't they have one as well? The bad thing is that there are permanent places, I think that Germany should probably rotate only every 20 years, while Portugal should rotate every year, or something along those lines. But the Germans should also rotate. I have to say that I don't think it's very democratic to have permanent places.