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Master Thesis:

Welfare Growth in Times of Retrenchment – The Case of Portugal



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Abstract

The postwar welfare state establishment in Europe started to be challenged during the 1970s. This decade is the beginning of a wide welfare retrenchment process as opposed to the previous three decades of welfare expansionary momentum. The case of Portugal however, presents an exception: a trajectory of welfare state development on a countercyclical route, vis-à-vis the wider curtailment developments since the 1970s. Neoliberal ideas and decline in both left-wing parties as well as in the general importance of parties are pointed out to be important factors explaining the success of retrenchment policies, yet the influence of those factors does not account for the Portuguese case. The influence of social policy during the period of dictatorship before 1974 and the political transformations seen in the 1970s had much more profound effects on the development of Portuguese welfare than did any other factor and thus deserve a position at the center of the debate.

Key-words: *Estado-Novo*; Neoliberalism; Welfare State; Political Parties; Retrenchment; Revolution;

Introduction

To the average Portuguese citizen, the word “crisis” has become a more prominent way to describe the condition of the welfare state since the early 2000s. Since 2008, and particularly after 2011, “austerity” has also grown as a popular term. It is nearly impossible to read a newspaper and find no mention of government budget cuts on the welfare state or policies of the same essence in the last four to five years. It seems as if Portugal has embarked on the inevitable path of austerity. A journey upon which retrenchment measures have sparked huge social protests against policies that change the shape of the welfare state. Normally such retrenchment policies have resulted in a more restrictive and less comprehensive version of its former self.

Despite retrenchment trends that have become more noticeable since the 1970s, it is relatively new in Portugal, since the country experienced long term welfare development after becoming a democracy in the 1970s. It is thus rather interesting to understand how the Portuguese welfare state expanded precisely when others were on the opposite trajectory. An additional motivation for this thesis topic could be found in the remark addressed by Ferrara – “[...] traditionally, the main theoretical framework of comparative investigation under the topic of social system, did not include the countries from South Europe [...] in their observations samples”¹. Despite the normative approach behind this “North/South” Europe division, the fact is that this paper is interested in what Ferrara considers a specific example of the South Europe pattern – Portugal. The research, however, is not concerned with the South Europe welfare state type *per se* but on the Portuguese path, which can be interpreted as rather different from what welfare researchers are used to observing and studying.

Literature Review

Throughout the literature, one of the most analyzed issues is the question of a “time of retrenchment” in Western societies. This notion addresses the general consensus of a longer time-period of policies, more or less aimed to cutbacks in welfare construction. If

¹ Maurizio Ferrara, “A reconstrução do Estado social na Europa Meridional” *Análise Social* Vol. XXXIV (1999): 460.

currently many common expressions are used regarding economic and financial politics, such as reduction of social support, cuts in services, reduction of personnel, cuts on salaries, higher taxes, or higher costs on services such as healthcare, those same terms were already in use during the 1970s and in the 1980s.

The expression “era of austerity”², created by Paul Pierson, underlines the assumption of a time in which the welfare state has been reconsidered and severely affected by policies of retrenchment since the oil shocks of the 1970s. There is extensive literature on the subject of welfare retrenchment. Pierson is one of the main authors regarding this phenomenon, his research is centered on the study and understanding of how retrenchment developments have been conducted since the 1970s. His *Dismantling the Welfare State? – Regan, Thatcher and the Politics of Retrenchment* is an essential starting point in understanding the concept of welfare retrenchment, its foundations, and ultimately the degree of success achieved by such policies, both in the UK and the USA. A number of authors, such as Walter Korpi and Jari Palme have engaged in considerable research on this topic but in a rather different way than Pierson, namely regarding the extent/ success of the retrenchment policies, the best way to measure it, and finally, the importance of particular political factors, such as the effects of political parties on the welfare retrenchment process.

Esping-Andersen’s research is a very important component of any welfare state analysis. His typology is the basis for most of the conceptualization of different welfare state types. His investigation also provides insight on the history of the welfare state, and notably on an explanation of its progressive development, namely in the postwar period. In that regard, other authors have also developed strong academic work on the subject, such as Ido de Haan³, who presents an important wider look at the welfare state, considering its multiple driving ideas closer to a more progressive core, and the characteristics of the postwar welfare establishment namely the political and social consensus around it, or the emphasis on the intervention of the state before the drift in the 1970s.

It is important to mention essential literature regarding the factors that might explain the development of a welfare retrenchment trend in the west. Once more, Paul Pierson’s

² Paul Pierson *Dismantling the Welfare State? – Regan, Thatcher and the Politics of Retrenchment* (Cambridge University Press, 1994), 164.

³ Ido de Haan, “The Western European Welfare State Beyond Christian and Social Democratic Ideology” in Dan Stone (Ed.) *The Oxford Handbook of Postwar European History* (Oxford: Oxford 2012): 299-318.

book⁴ is crucial. It argues in favor of the important role of neoliberal ideology in questioning the postwar welfare establishment, a challenge established on top of the 1970s economic recession and post-industrial developments. On the other hand, as opposed to their importance during the welfare expansion phase, Pierson underlines the decrease of importance of leftwing parties as a welfare retrenchment explaining factor, as well as the loss of significance of parties in general and their ideologies. Again, some of its major critics were Korpi and Jyakim Palme⁵, who argued that political parties were an important factor in this phase. Joining these authors, Green-Pedersen⁶ also presents analysis that underlines the role of political parties, a factor that will receive more attention in the first chapter.

In regards to the specific case of Portugal, a considerable amount of academic work has been developed on the study of the characteristics of Portuguese social policy during the period prior to democracy (1970s). It is the case of the research of Irene Pimentel⁷, José Pereirinha⁸ or Fernando Rosas⁹. One of the main characteristics of their studies is the acknowledgement of an incipient social policy and the notion that a welfare state was only a reality after the end of the dictatorship in 1974. Regarding the period after the 1974 revolution, important research has been developed on the deep modifications in social policy and consequently on the development of a welfare state. Moreover, one crucial argument addressed by authors such as Raquel Varela¹⁰, Boaventura Santos¹¹, Robert

⁴ Pierson, *Dismantling the Welfare State?*

⁵ Walter Korpi and Jyakim Palme, “New Politics and Class Politics in the Context of Austerity and Globalization: Welfare Regress in 18 Countries, 1975-95”, *The American Political Science Review* vol.97 No. 3 (August, 2003): 425-446.

⁶ Christoffer Green-Pedersen, “Welfare-State Retrenchment in Denmark and the Netherlands, 1982-1998 – The Role of Party Competition and Party Consensus”, *Comparative Political Studies* Vol.34 No.9, (November 2001): 963-985.

⁷ Irene Flunser Pimentel, “A assistência social e familiar do Estado Novo nos anos 30 e 40”, *Análise Social* Vol. XXXIV 2º - 3º (1999): 477-508.

⁸ Daniel Fernando Carolo, José António Pereirinha, “The development of the Welfare State in Portugal: Trends in Social Expenditure between 1938 and 2003”, *Revista de História Económica, Journal of Iberian and Latin American Economic History* (2010): 1-33.

⁹ Fernando Rosas (Dir.), *Dicionário de História do Estado Novo* (Bertrand 1996).

¹⁰ Raquel Varela and Renato Guedes, “Sindicatos, Neoliberalismo e Estado Social em Portugal (1974)”, *Revista Praia Vermelha*, Rio de Janeiro Vol.21, nº1 (Jul-Dez 2011):71-87.

¹¹ Boaventura de Sousa Santos, “O Estado, as Relações Salariais e o Bem-estar Social na semi-periferia: o caso português”, *Oficina de Estudos do CES – Centro de Estudos Sociais* (Coimbra: Julho 1992).

Fishman¹², Silva Leal¹³ or Esping-Andersen¹⁴, is that the Portuguese welfare state was developed precisely during the time when the Western consensus regarding welfare as a benefit policy *per se* began to be questioned. A new and opposed tendency was starting. It is exactly that argument – welfare growth in a countercyclical wider development - that the aim of this research is determined to explore. Thus, despite the literature that has recognized this phenomenon, historiography keeps lacking a hypothesis of explanation.

The Research Aim

The aim of this research is to give the next step in the explanation for the peculiar case of Portugal. Therefore, the main question that this investigation tries to answer is why did Portugal represent an expansionary trajectory contrary to the general welfare state retrenchment development? How this can be explained is the key issue. In this research two hypotheses will be suggested to contribute to that explanation. First, the divergence in the development of the Portuguese welfare state can be explained by an already very different situation before the 1970s. That context was rather different from the general welfare trajectory of more "mature" systems (i.e. England, France or Germany) developed before World War II and during the postwar period, a particularly crucial moment in welfare state history. The length of the *Estado Novo* dictatorship and its policies conditioned those developments in Portugal, and allowed for a very underdeveloped welfare system when democracy finally came into being in the 1970s. The second hypothesis is that the revolution of 1974 conditioned the Portuguese welfare development, enabling its expansion and shaping its main characteristics in a particular way, when the general disposition was of welfare retrenchment. Thus, the “revolutionary” flavor given to the Portuguese democracy, at that moment, appears to be rather important for the equation.

To verify these two hypothesis this research will elaborate answers for issues such as the existence and extent of a retrenchment trend in the West since the 1970s, emphasizing the factors that might have contributed to that development; the characteristics of welfare policy during the dictatorial regime and how those characteristics might have influenced the future policy of the 1970s; the influence of Portuguese political transformations in

¹² Robert Fishman, “Legacies of Democratizing Reforms and Revolution: Portugal and Spain Compared”, *Working Papers* (Instituto de Ciências Sociais Universidade de Lisboa 2005).

¹³ António da Silva Leal, “As Políticas Sociais no Portugal de Hoje”, *Análise Social* Vol. XXI (87-88-89) (1985 3°, 4°, 5°): 925-943.

¹⁴ Gosta Esping-Andersen, “Orçamentos e Democracia: O Estado-Providência em Espanha e Portugal, 1960-1986”, *Análise Social* Vol. XXVIII (1993 3. °): 589-606.

welfare growth, namely in the 1970s, underlining the health care dimension; and finally how the factors that developed important roles in the welfare retrenchment trend influenced the Portuguese case.

Methodology and sources

In order to develop answers for these issues, the research will draw a picture of the Western scenario regarding welfare retrenchment as initiated in the 1970s, in order to provide a comparison that might help to better understand and to put in perspective the Portuguese case. Thus, besides a discussion regarding the extent and the concept of welfare retrenchment, the factors that explain that phenomenon in the West will be outlined. Special attention will be given to Neoliberalism and the waning influence of political parties. Regarding the Portuguese case, the research will look at the way those factors acted or not, giving more insight on the health care dimension, as a case to vividly illustrate the general developments. It is necessary to underline that this thesis is more concerned with the political factors and, thus, deals with neoliberalism and political parties essentially through a more political history perspective.

It is important to define some of the essential concepts used in the following study, starting with Neoliberalism. In the research, Neoliberalism is addressed as a set of economic and political ideas, and ultimately policies, which posed challenges to the postwar welfare state establishment built on Keynesian economic ideas, to which neoliberal discourse was opposed and to whom it offered a set of alternatives that became prominent during the 1970s. The work of Daniel Stedman Jones¹⁵ is significant to understand the complexity of the term as the third chapter shall show. Another essential concept that must be clarified is “welfare retrenchment”. There are many definitions, a few of which will feature in the text. Yet the major interpretation, for this research, is tied to the idea that welfare retrenchment is not only a policy of cutbacks, but it is also a moment of change, a turning point in the “golden years” of the welfare state, when the tendency stopped being welfare growth but welfare downgrade instead.

Since the “West” or “the Western welfare establishment” are concepts used many times during the text, they also need some clarification. They are understood essentially as those Western European democracies and the United States which, during the postwar era,

¹⁵ Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton: Princeton University Press, 2012).

developed policies commonly associated with a fledgling welfare state (i.e. pensions, healthcare, etc), despite the different approaches to establishing a welfare state in each country. Another recurrent term is *Estado Novo* (literally New State), the name given to the dictatorial regime that ruled in Portugal. Officially the regime started with the approval of the 1933 Portuguese Constitution in which the characteristics of the dictatorship were structured. Alternatively, it can be considered a continuation, in civilian shape, of the military dictatorship that overthrew the First Republic in 1926. With a typical fascist set of ideas, flavored by unique characteristics, this regime came to an end with the so called Carnation Revolution (the carnation becoming a major symbol for the movement), on 25th April 1974.

Politics and ideas assume a considerable weight in the analysis mainly because they were rather important issues in Portugal during the 1970s, a crucial period for this research. Consequently, it is also important to make some remarks concerning the “left” and the “right”. As the welfare state is the major topic of this thesis, left is understood as the political dimension identifying the state as the main provider of welfare. Moreover, it is connected to a much more universal conception of welfare in which all citizens receive benefits regardless of their social or economic position. As for the right, it can be conceived as a position in favor of a more private approach to welfare provision options. It favors the market as the natural mechanism to regulate many dimensions of social policy. Thus the political right features a variation of benefits and entitlements that vary according to contribution and position in society.

It is important to refer to the time period of this investigation. Even though the specific developments and events that are mentioned went from the late XIX century until the last quarter of the XX century, there were shorter periods that were essential and that were given considerable attention. Thus, for instance the postwar period until the 1970s is underlined because of the welfare state growth registered during that period. The 1970s is also an important decade because it represented the beginning of the larger challenges to the welfare state consensus. On the other hand, the Portuguese revolutionary period between 1974 and 1976 is one of the most important chronological moments; it is a defining period for the Portuguese welfare state development. 1980 is the limit of the timeline of this research, although later developments are occasionally mentioned.

Regarding sources, a set of secondary literature was consulted in order to provide a solid scientific background. Concerning the theoretical basis of this research, concepts such as welfare retrenchment, Neoliberalism, and the welfare state provided the foundation in the English literature on such subjects. On the other hand, regarding the Portuguese case and its specifications, most of the literature was Portuguese language based. As a more conceptual chapter, secondary literature provided the main source of the first chapter. All of the other chapters addressed secondary literature with more emphasis on the second one where primary sources were used quite frequently. Nevertheless, on the third and fourth chapters, the primary sources were paramount.

Regarding primary sources, the research was concentrated in a cluster of documents connected to politics and ideologies since that is the major perspective through which the analysis is done. Two main sources were the 1933 and the 1976 Constitutions, because these documents provided the fundamental ideas and commitments guiding social policy. Another important source was the parliamentary debates in Portugal, both in the *Estado Novo* as well as in the democratic regime. These sources shed light on the ideas that the political discourse developed and on the choices that were made regarding welfare. It is important to note that there were no real parliamentary debates during the dictatorial period given the single national party. The constituent Assembly debate, that built the 1976 Constitution, and the parliamentary debates from 1976 to 1980 were the other two periods of parliamentary debates analyzed. Moreover, following the line of the political perspective, this study investigated the political programs of the newborn parties after the 1974 revolution, in order to better understand their principles, concerning welfare, and the way they were translated into actual developments. In addition, an analysis of the governmental budgets was done from 1974 to 1985 so as to investigate in a more tangible way the health care dimension expansion. Looking for a more general quantitative welfare perspective, a few sources of statistical data were consulted, such as PORDATA (*Portuguese Contemporary Database*) or INE (*Statistics Portugal*), both Portuguese statistical databases available online.

Outline

Finally, the structure of this thesis shall be drawn as follows. After this introduction, the first chapter is dedicated to the process of retrenchment since the 1970s, providing insight on the problems of the 1970s crisis, on the social policies that have followed

afterwards and on the discussion of the alleged dismantling of the “golden age” of the welfare state. The chapter underlines how that retrenchment process was conducted, providing emphasis on the role of parties and their ideas. Another important dimension is the establishment of neoliberal ideas in the 1970s, whose principles collided with welfare state assumptions that led to the general welfare state retrenchment. In the second chapter, the analysis draws on the Portuguese dictatorship. On the one hand it shows how the historical process in this period has influenced the welfare path in the Portuguese case. On the other hand, it tries to understand how social policy was made during the *Estado Novo*, posing the question of a potential welfare state before the democracy. The third chapter, looks directly at the notorious Portuguese deviating trajectory from the 1970s onwards. It discusses the role of the revolution, and how the political scenario and institutional framework shaped that welfare trajectory, investigating if the neoliberalism has had some sort of influence, with a deeper look into the health care dimension. The fourth and last chapter explores the role of the political parties both on welfare growth in general, and more specifically, that of healthcare. Finally, the conclusion summarizes the key findings, answers the main problem and sheds light on possible further research.

Chapter I - An Era of Welfare Retrenchment?

Welfare State

A general but accurate definition of the welfare state was given by Gosta Esping-Andersen stating, “By eradicating poverty, unemployment, and complete wage dependency, the welfare state increases political capacities and diminishes the social divisions that are barriers to political unity among workers.”¹⁶ Although Esping-Andersen centered his research on the specific social democratic welfare system, a part of his well-known welfare systems typology, this “definition” is considered a central idea of what welfare states (are supposed to) do. In each type, poverty, unemployment and wage dependency are central issues of any welfare state, though they can be tackled to different extents and in different ways.

This is a more political way of looking at the welfare state which is important for the argument, since the political dimension of the welfare state is a central keystone in this research. For example, Abram de Swaan is on the same track by defining the welfare state as a protection from the “economic hazards” of the urban-industrial way of living, in democratic capitalist countries.¹⁷ *The Handbook of European Welfare Systems* introduction also gives insight into a “[...] state activity, which [is] clearly connected to capitalism and representative democracy as a means of political decision-making, in which an institutionalized obligation to social security and support of the citizens exists[...].”¹⁸

The effects of both capitalism and industrialization on the origins of the welfare state are commonly accepted by authors. However, in the origins of the welfare state, democracy was not essential. In fact the beginning of social insurance policies was motivated by “reactionary” motives, namely examples such as Bismarck’s social politics enacted to gain political loyalties to the regime. Nevertheless, the maturing of the welfare state is connected, in most cases, to democracy and to many dimensions of this particular type of regime such as citizenship, an important aspect in terms of equality. Democracy

¹⁶ Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, (Cambridge 1990), 16.

¹⁷ Abram de Swaan ‘Social security as the accumulation of transfer capital’, in Abram de Swaan, *In Care of the State – Health Care, Education and Welfare in Europe and the USA in the Modern Era* (Cambridge: Polity Press, 1988), 152-217.

¹⁸ Klaus Schubert, et al., Introduction to *The Handbook of European Welfare Systems* by Klaus Schubert, Simon Hegelich and Ursula Bazant, (Routledge 2009): 4.

would turn out to be a strong objective of the most advanced welfare states in their policies, at least in theory.

Walter Korpi and Jiakim Palme have done extensive research on the power resources approach which states that markets can have negative effects in regards to poverty exacerbation. Welfare states are hence a means to redistribution and to affect the ongoing consequences of markets, aiming at the erosion of inequality and poverty. Thus, in this view, welfare mechanisms and prerogatives that “[...] change outcomes of market distribution, are of course important and form major parts of what T.H. Marshall (1950) once called social citizenship rights.”¹⁹

Therefore, the importance of a political dimension exists in the welfare state, more than simple administrative procedures regarding social security or bureaucratic calculations. The relationship of the welfare state with ideas and political regimes is in this way of the utmost importance. In this sense, welfare state momentum, that is the direction in which the development of the welfare state is going, is connected to the political debate and dominant ideas, a dynamic that is important for this research in the sense that political ideas and social conceptions assume large importance in the Portuguese case.

To sum up, the idea of the welfare state in this research is not so much concentrated on the different types of welfare regimes, but on the broader guiding lines that can be associated with a welfare purpose, especially during the period after WWII until the 1970s: full employment policies; a clear relevance given to state intervention in social policy; a beneficial view of equality; and the objective of widening the protection net to a larger portion of citizens. Consequently, for this research, relevance is given to a dominant tendency of improvements on the standard of living of the populations, which regardless of different types of welfare regimes, built a period of welfare expansion with no comparable moments in history. That welfare logic was, nevertheless, replaced in the 1970s by a new logic resulting in two opposing tendencies: one of welfare growth and another one of curtailment.

Welfare Retrenchment

One of the most discussed topics concerning welfare is the concept of welfare retrenchment. How was that idea defined in the literature? Paul Pierson, one of the most studied scholars on this topic argues that to pursue a policy of welfare retrenchment is “[...]”

¹⁹ Korpi and Palme, “New Politics and Class Politics”: 228.

to include policy changes that either cut social expenditure, restructure welfare state programs to conform more closely to the residual welfare state model, or alter the political environment in ways that enhance the probability of such outcomes in the future”²⁰. Paul Pierson’s argument is important, namely because of his own ideas regarding the extent of welfare restructuring, and a certain contradiction between his argument and the way by which he defines the question of welfare retrenchment. Later that contradiction shall be addressed. But, one of the ideas of this concept that should be underlined is the move toward a more “residual welfare state model”. Hence, also the logic of reducing welfare benefits. For instance, to develop a means-tested entitlement logic instead of a universal logic, can be considered a move to downgrade and thus retrench the welfare state, even though a welfare state is still functioning.

On the other hand, Gijs Schumacher, defines welfare retrenchment in his article as the “[...] commodification of labor market arrangements, by, for example, deregulating labor markets by reducing contract security to labor market outsiders, reducing the level of unemployment benefits or implementing new rules that make fewer people eligible for these benefits [...]”²¹. This definition implies a much more class-related vision, a flavor that does not go together with some of the ideas of welfare retrenchment present in the work of Pierson, for instance his views on the devaluation of the role of class problems during the retrenchment process.

Considering both definitions, one conclusion that can be deduced is that welfare retrenchment cannot be thought of as just a strict policy of mathematical cuts on social pensions or unemployment subsidies. It implies more than that: the surrounding context of welfare retrenchment involves complex phenomena beyond simple cuts. It has a quantitative dimension, which is more visible in Pierson’s research, when he talks about cuts, but the qualitative aspect is visible in both definitions. Remarkably, the context is particularly important to the case study of this research - Portugal and its different trajectory. Thus, welfare retrenchment is understood in this research in a broader perspective, considering not only specific cuts or curtailment of entitlements but also as a turning point in ideas regarding welfare policy, from an expansionary establishment

²⁰ Pierson *Dismantling the Welfare State?*, 17.

²¹ Gijs Schumacher, “ “Marx” or the Market! Intra-party Power and Social Democratic Welfare State Retrenchment”, *West European Politics*, Vol. 35 No.5 (August 2012): 1025.

consensus that characterized the “golden years” of the welfare state to a generalized rising tendency of welfare restructuring in both quantitative and qualitative terms.

A Trajectory of Retrenchment

Having defined the theoretical foundations of the welfare state, this chapter shall now attempt a closer look at the existence/extent of retrenchment in the welfare state. Since the 1970s, a debate has been raised concerning this phenomenon: a scholar discussion arguing the existence of a process of welfare retrenchment in Western societies, namely Western European countries and the United States of America, and how deep the retrenchment process permeates the discourse. The timing is important for this research. It is commonly accepted that in the 1970s the existence of the welfare state began to be questioned and processes of austerity measures were initiated. The “golden years” of the welfare state, according to Paul Pierson, were at an end, and postwar economic growth began to wane, welfare state policies suffered growing political difficulties.²² Thus, although the period that followed World War II was characterized by a solid welfare expansion, those “Trente Glorieuses” ended in the 1970s and were followed by new historical developments, notably a period of welfare downgrade, which lead Pierson to say: “[...] the 1980s turned out to be a brutal decade for the poor.”²³ Yet, the discussion goes further regarding the extent of that retrenchment phenomenon.

The research of Walter Korpi elaborated on the notion of a real retrenchment process. He spoke of welfare retrenchment and its actual extent, and questioned the idea that no major welfare retrenchment was on the rise.²⁴ An argument that, again, is questioned by other authors²⁵ indicating that welfare retrenchment has been limited. With an appealing title (*The Great Recession and Welfare State Reform: Is Retrenchment really the only game left in town?*) Kees Van Kersbergen, Barbara Vis and Anton Hemerijck conclude that

²² Paul Pierson, “The New Politics of the Welfare State”, *World Politics* 48 (January 1996): 239.

²³ Pierson, *Dismantling the Welfare State?*, 100.

²⁴ Walter Korpi “Welfare-State Regress in Western Europe: Politics, Institutions, Globalization, and Europeanization”, *Annual Review of Sociology* Vol.29 (2003): 590.

²⁵ Richard Clayton and Jonas Pontusson, “Welfare-State Retrenchment Revisited – Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies”, *World Politics* 51 (October 1998); Francis Castles, G. *The Future of the Welfare State: Crisis Myths and Crisis Realities*, (Oxford Scholarship Online: November 2004), 3.

retrenchment is indeed a strong general trend. However, despite its more common occurrence, the welfare state still offers opportunities for social investment despite having a much narrower scope.²⁶

The most cited perspective about this issue is the one argued by Pierson. Positioning his analysis on the UK and the USA, Pierson provides scrutiny on the welfare state path in these two countries as a mirror of a general retrenchment trajectory. The main argument of his work is that there has in fact been a retrenchment trend since the 1970s, but the welfare state has proven its resilience. The process of retrenchment has not severely affected the continuation of the welfare state. Referring to the two most known names of political change in the late 1970s and early 1980s, Margaret Thatcher and Ronald Reagan, Pierson explained that “[...] the challenge proved to be too much for both administrations”.²⁷

In order to better understand the discussion and provide a conclusion, one must look at the way different scholars prove their point regarding this topic. Pierson builds his arguments on data concerning social expenditure. His social expenditure analysis indicates that besides a somehow surprising modest retrenchment (which is not linear because it has different outcomes in different dimensions of welfare such as healthcare or the pension scheme), in both countries he considered, the real expenses of welfare increased.²⁸

How a country experiencing modest retrenchment increases social expenditure becomes an interesting phenomenon. The explanation is that in times of poor economic circumstances, social expenditure rises as citizens cope with economic adversities. Therefore a welfare retrenchment analysis cannot be based on social expenditure alone. In fact, Pierson somehow contradicts himself as he states, “Far from being simply a matter of immediate cuts in public spending, retrenchment is a complex multifaceted phenomenon.”²⁹ This view does not agree with his arguments regarding welfare retrenchment. The fact is that while arguing about welfare retrenchment he speaks, for instance, of two types of retrenchment. The first is systemic retrenchment, which refers to “[...] policy changes that encourage future cutbacks and residualization by altering that context”, in which change is organized. Governments can try to alter public opinion (especially those in favor of a stronger welfare state), defund the welfare state in order to

²⁶ Kees van Kersbergen et al., “The Great Recession and Welfare State Reform: Is Retrenchment Really the Only Game Left in Town?” *Social Policy & Administration* Vol.58, No.7 (December 2014): 883-904

²⁷ Pierson, *Dismantling the Welfare State?*, 2.

²⁸ *Ibid.*

²⁹ *Ibid.*, 17.

perpetuate future deeper retrenchment, and alter political institutions to facilitate more retrenchment or weaken welfare state interest groups.³⁰ The second type is programmatic retrenchment, which features short term alterations. However, it is this type that leads Pierson to state that the social expenditure levels have not decreased, that privatization or market solutions for social issues have not prevailed, and finally that welfare structures were unlikely to be severely modified.³¹ On the one hand, he builds his idea of modest retrenchment on social expenditure, yet on the other hand he says that it is more complicated than just analyzing social expenses. Pierson adds that welfare retrenchment is also related to modifications in other aspects, which can lead to more retrenchment in the long run.

Social expenditure as an essential indicator of welfare retrenchment is criticized by many scholars. Walter Korpi and Jia Kim Palme underline the problem of measuring welfare retrenchment with social expenditure by looking at unemployment which increased after the 1970s and led to more social expenditure when unemployment insurance transfers began to rise. The indicators used by these authors are different from Pierson because they are centered on social citizenship rights.³² These are generally labelled as the social insurance programs originating in the eighteen European countries i.e. sickness, workers' compensation, and unemployment insurance. With this in mind, Korpi and Plame look at England as an example – a country in which, following Thatcherism, social benefits have fallen steadily since 1979. In certain aspects, the country fell back to 1930 levels, they argue by saying, “In 1995, work accident insurance, with a 20% replacement level, was down to less than half of this level in 1930; unemployment insurance, with 24% to about two thirds of the 1930 level; and sickness insurance, with 20%, was at about the same level as in 1930.”³³

In a study regarding Denmark and the Netherlands between 1982 and 1998, the problem of social expenditure was tackled again in an interesting way. It was argued that social expenditure is insufficient and even “problematic” to analyze welfare state

³⁰ Pierson, *Dismantling the Welfare State?*, 146.

³¹ *Ibid.*

³² “The widely accepted new-politics hypothesis of only limited retrenchment has been called into question by analysis of cutbacks in terms of indicators of social rights, focusing on sickness, work accident, and unemployment insurance programs (...) and on changes in net replacement levels within 13 European countries.” – Walter Korpi, “Welfare-State Regress in Western Europe: Politics, Institutions, Globalization, and Europeanization”, *Annual Review of Sociology* Vol.29 (2003): 600.

³³ Korpi and Palme, “New Politics and Class Politics”: 432-433.

retrenchment, given that a considerably number of downgrading policies may only be empirically noticed in future social expenditure data.³⁴ This study argued that the best options for analyzing welfare retrenchment is micro data, which measures benefits levels and eligibility data for instance. Thus, in Danish unemployment benefit programs, “[...] the budgetary impact of the measures implemented sum up to retrenchment of 30%.” In early retirement schemes the retrenchment was up to 31,1%. Concerning the Netherlands, the study refers to an unemployment benefit program retrenched to about 33%, 17,4% for old-age pensions, and finally 61% for the disability pension scheme³⁵.

The “size of the public sector labor force”³⁶ is another indicator that is preferred to social expenditure. The importance of the size of the public sector is perceptible, since public services are a central dimension of the welfare state - “Childcare, education, retraining programs, and a great many other services promote social welfare in general, and at least some of these services benefit low-income groups in particular.”³⁷ The importance of the public sector restructuring brought about by the 1970s is visible in the data. Since then, several changes in the public sector and in its functionality have happened, aiming at objectives such as cost reduction, privatization (i.e. private practice in public services, social insurances and provisions, health care), allowing flexible unemployment (employment in the public sector in Sweden fell from 330000 in the 1980s to 210000 in the 1990s).³⁸ In the UK – “(...) the labor force of nationalized industry fell from 1.8 million in 1979 to less than half a million in 1997.”³⁹

Likewise, an example of welfare retrenchment not measurable by social expenditure could be changes in the essence of the system itself. In the 1980s, in Scandinavian countries, in many regards, means-tested assistance replaced the universalistic programs of social assistance. Therefore, modifications in the identities of welfares and to the way the welfare state works can also contribute to analyzing the degree of welfare retrenchment felt in the last decades, as mentioned before.

More than that, in looking at the UK context, Richard Clayton and Jonas Pontusson, contradict Pierson in his statement that there was a steady increase in public health spending

³⁴ Green-Pedersen, “Welfare-State Retrenchment”: 970.

³⁵ *Ibid.*, 971-974.

³⁶ Clayton and Pontusson, “Welfare-State Retrenchment Revisited”: 70.

³⁷ *Ibid.*, p.81.

³⁸ *Ibid.*, 92.

³⁹ *Ibid.*

since 1981. Those authors argued that it is more complicated than that. In fact, according to them, regardless of real growth, the expenditure of the British NHS (National Health Service) was not able to cope with the increasing healthcare demand, allowing severe deficiencies in the service. Moreover, their data demonstrated that, regarding total spending in Britain, the percentage of NHS fees experienced a growth from 1.9 percent in 1979 to 3.2 in 1994. Beyond that, it was shown that under the governments of Margaret Thatcher and John Major, the proportion of private solutions in the healthcare system increased significantly. “This combination of underfunding, increase fees, distorted priorities [...], and creeping privatization, warrants a less sanguine assessment than Pierson offers.”⁴⁰

The escalation of unemployment after the 1970s can be another useful way to analyze welfare retrenchment. Korpi underlines the importance of mass unemployment for welfare retrenchment and the necessity to look at social citizenship rights (as already indicated in this chapter), indicators that might present a deeper retrenchment process in some situations. The European welfare system had full employment as one of its central questions; one might even consider it, in the context of the golden years of expansion of the welfare state in Western Europe, as a social “protoright”⁴¹, especially with regard to the Scandinavian countries⁴². Therefore, the major unemployment which Korpi spoke about can be seen as a considerable welfare regress.

The idea of a modest welfare retrenchment process is therefore contested by a considerable number of scholars, and it is important to illustrate the point that seems most plausible: that there has been a real retrenchment process and effectively the welfare state has been strongly challenged and questioned since the 1970s. Thus, Walter Korpi and Jia Kim Palme present data in which the steady fall in “Net Replacement in Sickness, Work Accident, and Unemployment insurance”⁴³ (in 18 OECD countries) from 1975 onwards until 1995 is visible. The case of the U.K was singled out - with approximately 70% of replacement on work accident in 1975, the British welfare state presented in 1995 a percentage of 20%.

On an often forgotten dimension, poverty, Richard Clayton and Jonas Pontusson data engaged a general trend of rising poverty, contrary to the preceding trend towards a

⁴⁰ Clayton and Pontusson, “Welfare-State Retrenchment Revisited”: 86.

⁴¹ Korpi and Palme, “New Politics and Class Politics”: 428.

⁴² Clayton and Pontusson, “Welfare-State Retrenchment”: 76.

⁴³ Korpi, “Welfare-State Regress”: 600.

reduction of poverty enacted by the welfare state schemes. Data also showed that, for instance, the effectiveness of social spending with regard to fighting poverty has diminished considerably in the U.K. “The most obvious explanation would be that an increasing share of social spending has been allocated to people who are poor”.⁴⁴The analysis of these two authors also suggests that, regarding Sweden, Germany, the UK and the US, in the 1980s the growth of real social spending per person did not keep up with the corresponding growth of GDP per capita in a very pronounced way. Regarding the same logic but looking at people with age over 64, spending was much lower in the period 1980-93 than it was in 1960-80. More data on “unusual” indicators shows that “[...] public health spending as a percentage of total health spending [...]” has suffered a decrease in 10 of the 17 OECD countries with data available. In other countries where it did not fall, it had a growth rate of much less significance than it used to have.⁴⁵

This sentence summarizes this section’s thought and conclusion about the extent of welfare retrenchment after the 1970s: - “Waiting lines have become longer and the quality of health services provided by the public sector has deteriorated in at least some countries.”⁴⁶This section underlined the existence of a retrenchment process in Western society. Moreover it reviewed the discussion regarding the extent of this process. It seems clear that the indicators used to measure welfare state retrenchment are essential to understanding how deep the development became. The modest retrenchment argument of Pierson was built on social expenditure data; however, it seems straightforward to say that a more profound and sensible analysis of the welfare state during these years can show a deeper retrenchment, especially if analyzed through a more qualitative perspective, evaluating how the system dealt with problems such as poverty, inequality or unemployment, and eventually how a more progressive welfare identity is reformed towards a more conservative one - for instance, as mentioned before, by going from entitlements based on universal rights to entitlements centered on means-tested procedures. This welfare state retrenchment development, nevertheless, is not that apparent in the Portuguese case. However, before that discussion, it is important to look at what these developments in the history of the welfare state explain.

⁴⁴ Clayton and Pontusson, “Welfare-State Retrenchment Revisited”: 75.

⁴⁵ *Ibid.*, 79-80.

⁴⁶ *Ibid.*, 80.

What Can Explain Welfare Retrenchment?

The discussion in the previous section provided insight on the debate about the phenomenon of welfare retrenchment. One of the main conclusions is that there was a welfare retrenchment process, though it must be addressed not only from a quantitative perspective, looking at cuts and social expenditure, but also from a qualitative point of view, addressing shifts in the concept of welfare itself and how it handles social problems such as poverty, unemployment or increasing health needs. In addition, it is necessary to understand which factors explain that process: in this research project, two factors are underlined: neoliberalism and political parties.

Neoliberalism

Dismantling the Welfare State: Reagan, Thatcher and the Politics of Retrenchment – the title of Paul Pierson’s book - raises two issues. The first is that there is a debate regarding the welfare state, which seems to point to a true downgrading process; the second is that there are two important faces linked to this new moment in welfare state history. How can Reagan and Thatcher be singled out like this? Besides the fact they led their countries during this time of retrenchment, they are also, in a way, the main *political* names behind the establishment of neoliberalism as the dominant ideology both in world economics and politics.

Stedman Jones’ research on this ideology, or set of ideologies professed by very important economists such as Hayek or Friedman, proclaims a much more complex phenomenon, with many sources and phases. It accomplished many of its doctrinal assumptions: markets were deregulated, privatization of important economic sectors was carried, as well as public services. On many occasions, the labour movement was defeated in its demands and state control over international trade was severely diminished. Ultimately, the functioning of healthcare systems was shaped by free market procedures as opposed to a state regulation logic. Stedman Jones argues that even the strong foundations of the welfare state, such as “progressive income tax” or “universal public education”, suffered a downturn in the end of the 20th century.⁴⁷

⁴⁷ Jones, *Masters of the Universe*, 82.

The fact is that neoliberal ideas started to dominate political speech in the 1970s and since then it has been the main factor in the world political and economic environment. The goals of a neoliberal government could be summarized as follows: “Each government sought to strengthen the private economy by restricting governmental intervention and restoring a sense of dynamism and entrepreneurship in the marketplace.”⁴⁸ However, the implications of this ideology for the welfare state can be wider, since it affects all other potential factors behind welfare retrenchment.

Therefore, the market-driven and competition objectives present in neoliberal ideas have led to a certain common prescription regarding aspects of the welfare state: cuts in different budgets, cuts in benefits, cuts in public sector expenses, getting the same welfare results with reduced means, reduction of personnel, wage cuts, more expensive public services, and higher utilization costs,⁴⁹ as has been seen during the analysis on the extent of retrenchment. Consequently, some kind of effect on the welfare state’s global development is expected – “Both leaders repeated a list of familiar complaints: existing programs were expensive, intrusive, bureaucratic, fraud-ridden, and discouraged individual initiative.”⁵⁰

Nevertheless, neoliberalism was in part born of the crisis. Despite the vision among neoliberal economists that had the welfare state as a central cause of the crisis⁵¹, the fact is that the world crisis was initiated by the oil shocks of 1973, and opened the door for a “conservative wave”⁵² that pursued reforms to fight both a serious economic crisis and also the problems of post-industrialism that challenged the welfare state. On the other hand, the ideological questioning about the system was constructed on a discourse, shared by many political sectors from neo-Marxists to neoliberals, which stated that the welfare state and capitalism were in a lasting conflict, as the free-market outcomes of the latter were at odds with the welfare state’s redistributive objectives. Ultimately, the welfare state prerogatives

⁴⁸ Pierson, *Dismantling the Welfare State?*, 17;176.

⁴⁹ Pedro Hespanha, et al., “O Estado Social, crise e reformas” in *A anatomia da Crise: Identificar os Problemas para construir as alternativas – Primeiro relatório, preliminar, do Observatório sobre Crises e Alternativas*, CES - Centro de Estudos Sociais da Universidade de Coimbra (Dezembro 2013), 161.

⁵⁰ Pierson, *Dismantling the Welfare State?*, 105.

⁵¹ Barbara Vis et al. “To What Extent Did the Financial Crisis Intensify the Pressure to Reform the Welfare State?”, *Social Policy & Administration* Vol. 45 No.4 (August 2011): 342.

⁵² Pierson, *Dismantling the Welfare State?*, 1.

would always have to be reformed or reshaped to be in line with the demands of capitalism.⁵³

Concerning the influence of economically severe times, it must be considered that the economic dangers created by the oil crisis during the 1970s led governments to new economic preferences, such as welfare retrenchment. As Esping-Andersen argued “(...) until the 1970s, the norm was the stable family based on a male breadwinner”⁵⁴, a secure job, a few years of retirement, many years of working and steady economic growth. But the 1970s ended that logic. The new scenario was characterized by a decrease in economic growth prompted by the growth of the service sector and by an increase of social expenditure justified by developments such as the aging population, the larger participation of women in work force, together with modifications in family conceptions and very importantly the “(...)maturation of government welfare commitments(...)”. As Walter Korpi summarizes, these “(...) postindustrial changes generate intense and permanent pressures on government budgets (...) The cold star of austerity therefore guides governments of all political shades to attempt cuts in social expenditure.”⁵⁵

Indeed, these post-industrial factors posed a serious challenge to the functionality of the welfare state and justified the neoliberal responses that translated to welfare retrenchment. Consequently, factors such as “population aging, changing family patterns, new gender roles, decreasing economic growth rates, technological changes, internationalization of the economy, and changing relations between nation-states as a result of the end of the Cold War and political-economic integration in Europe” can help to explain how the social trajectory was reversed. Paul Pierson summarizes the question by considering that a recipe of economic troubles, a growing right-wing tendency, and the increasing costs of welfare due to the maturation of its mechanism (the best example is the growth of elderly pensions) led to “(...)growing calls for retrenchment.”⁵⁶

The prevalence of a neoliberal discourse in the Western Europe and the USA since the 1970s led to a series of austerity policies that, as has been seen already in this chapter, increased unemployment, poverty, inequality, and began a restructuring process within the welfare state that represented a break with expansionist welfare policies after WWII.

⁵³ Clayton and Pontusson, “Welfare-State Retrenchment Revisited”, 67.

⁵⁴ Gosta Esping-Andersen, *A Welfare State for the 21st Century, report to the Portuguese presidency of the European Union* (2000), 5.

⁵⁵ Korpi, “Welfare-State Regress”: 590.

⁵⁶ Pierson, *Dismantling the Welfare State?*, 1.

Neoliberalism will also contribute to subsequent factors: in fact, is impossible to speak of other factors that do not link to neoliberal developments - they can be seen as factors inside the umbrella of a wider factor.

General Decay of Left Wing Parties

In the next part of this chapter an answer is sought regarding the degree of influence that ideas had in this process, through one of their main political vehicles: political parties. Left-wing parties, even though they were not the only types of parties important for the welfare establishment in the postwar period, assumed relevance because of their decline as one of the main ideological sources in favor of welfare state development in the 1970s. Thus, Stedman, for instance, explores the left-wing ideological dominance until the 1970s, based on the influence of British Fabian Socialism and of Social Democracy.⁵⁷ In fact, one of the key points made by Stedman's analysis is precisely the neoliberal economist's objective to contradict this dominance and build a mirror image of it, based on their ideas, which is what happened.

The left-wing dominance during the expansion years of welfare is considered a single moment in history – "(...) left parties had come to be either dominant parties in governments or the major opposition parties". Although other political parties played a role in welfare expansion, something reinforced by the necessity of political consensus⁵⁸ (also evident in the case of Portugal), in general it can be said that left-wing parties are important everywhere. The example of the British Labour Party in 1945 and its role on welfare evolution in the postwar years is one of the most significant in that regard.⁵⁹ However, as Pierson argues, that importance was lost in the 1970s - "[...] there are good reasons to believe that the centrality of left party and union confederation strength to welfare state outcomes has declined"⁶⁰. Other authors follow Pierson in his argument that the power and significance of parties of the left and unions decreased during this time period.⁶¹ The election of Reagan to the White House and the first Republican majority since 1954 are

⁵⁷ Jones, *Masters of the Universe*, 138.

⁵⁸ Korpi, "Welfare-State Regress": 589.

⁵⁹ *Ibid.*

⁶⁰ Pierson, *Dismantling the Welfare State?*, 151.

⁶¹ Clayton and Pontusson, "Welfare-State Retrenchment Revisited": 68.

symptomatic of the political turn to right-wing parties and ideas in the US, more willing to enact changes in welfare states as Korpi's data shows below.

As Stedman argues, although referring to later developments: "The conservative [...] Right had become harder, more uncaring, and had regressed in its economic outlook to a pre-Great Depression policy of savage cuts, which ignore even the lessons of the neoliberal economists themselves."⁶² The author emphasizes the link between conservative sectors of society with the ideological assumptions of neoliberal economists, a connection that influenced the shift in the welfare establishment of the postwar period.⁶³

An interesting point is that made by Gijs Schumacher regarding the "regression" of left-wing parties. He indicates that financial demands to guarantee a stable budget and mounting concerns with high inflation and monetary stability have restricted the maneuvering space of left-wing parties – "Without the possibilities of large-scale budgetary expansion, the left no longer expands the welfare state."⁶⁴ On the other hand, it can also be argued that despite the typical image of the "welfare party" associated with social-democratic parties that, ideologically, should not support welfare retrenchment, there are examples of social-democratic countries that followed retrenchment measures and others that did not.⁶⁵

Regardless, the data provided by Korpi and Jiakim Palme indicates that with left-wing governments the risk of having retrenchment policies is "significantly" lower than with center-right parties⁶⁶ The fact is that the loss of importance of one of the central defenders of welfare policies, left-wing parties, with maneuvering space or not, could be seen as an important factor regarding the general path of welfare retrenchment.

The Importance of Parties

Whether they are of the left or the right, it is important to interpret the role of parties in general, and their influence on the trajectory of the welfare state. One recurrent topic of

⁶² Jones, *Masters of the Universe*, 341.

⁶³ *Ibid.*, 8.

⁶⁴ Schumacher, "'Marx' or the Market!": 1026.

⁶⁵ *Ibid.*, 1024.

⁶⁶ Korpi and Palme, "New Politics and Class Politics": 441.

discussion are the two opposite approaches on welfare state retrenchment, the “new politics” defended by Pierson and the “power resource approach”.

The first leads to Pierson’s notion that the politics of welfare retrenchment are rather different from the ones of expansion. At the retrenchment level, parties do not play a role as the retrenchment trajectory is perceived to be inevitable, and the politicians have to deal with a complex public opinion and new interests groups defending welfare state.⁶⁷ It is precisely through the “new politics” perspective that he links the phenomenon of welfare retrenchment with the postindustrial developments that created budget deficits and a preference for more cuts, which faces the opposition of new groups (the elderly for instance) in welfare state defense. On the other hand, the “new politics” approach does not account for “[...] analysis of cutbacks in terms of indicators of social rights, focusing on sickness, work accident, and unemployment insurance programs [...] and on changes in net replacement levels [...]”⁶⁸.

Consequently, class-related parties and parties in general are irrelevant to the retrenchment process (“new politics”), but not in the eyes of the “power resource approach”. This perspective argues that welfare state momentum should be perceived as resulting from class social conflicts, between major economic interest groups and more disadvantaged citizens. Basically, this perspective highlights the importance of the vote patterns created by these latent distributive conflicts and, therefore, partisan politics assume importance.⁶⁹

Thus, this chapter addresses two approaches, one that denies the role of parties on the retrenchment process and other that claims the opposite - they still have something to say. Yet, one of the wider effects of neoliberalism regarding welfare as concerning political powers too, is the idea of “no alternative”⁷⁰, a “Thatcherite” idea arguing that ultimately there was no alternative besides austerity policies conducive to welfare retrenchment. In that sense one might think that “new politics” is correct by arguing that in this “era of austerity”, the neoliberalism discourse put in practice by politicians has made it more

⁶⁷ Pierson, *Dismantling the Welfare State?*, 8.

⁶⁸ Korpi, “Welfare-State Regress”: 600.

⁶⁹ Korpi and Palme, “New Politics and Class Politics”: 425.

⁷⁰ Francis Castles, G. *The Future of the Welfare State: Crisis Myths and Crisis Realities* (Oxford Scholarship Online: November 2004), 4.

difficult for the parties' own ideas/ideologies to play a role, being constrained by the economic and political context.

In fact some scholars apparently agree with that idea. Esping-Andersen seemed clear when he spoke of a tide of “necessary” and “inevitable” change in welfare⁷¹. On the other hand, the strength of those policies is framed by some of the most important institutions in the global level – “Growing demands on the welfare state decrease the political room to maneuver. EU agreements and international financial markets pressure nationally elected politicians in the majority of EU member states to pursue only austerity policies [...]”⁷² In some literature there is a visible awareness that the people consider in some cases voting as futile because of the dominant “blockage” of austerity policies, and that, ultimately, essential economic and social mechanisms have been taken away from democratically elected national governments due to trans-national accords, such as the Maastricht Treaty.⁷³ Curiously, there has been the idea that there is no time to be a political party, only for governing.⁷⁴ But is that the case? Is indeed the parties' role no longer relevant?

Walter Korpi and Jia Kim Palme state that despite the dominance of austerity and economic pressure on welfare, politics can still play a role. Nevertheless, as has been seen earlier, the classical forces defending welfare policies have been substituted by new actors. Literature assumes that the rise of these new actors has made welfare states need the political parties and social/labor movements less. However, Walter Korpi and Jia Kim Palme thesis goes along with the power resource approach in the sense that the role of socioeconomic class struggle still mattered in times of retrenchment. Actually, Korpi and Palme's data showed that, at least regarding the 18 countries analyzed, the risk of having retrenchment policies was lower with left-wing governments than with center-right parties.⁷⁵ For instance, in Belgium and the Netherlands the beginning of the 1980s were considered a period where parties' struggles about “saving measures” begun to start in earnest and “[...] shifts in the ideological composition of cabinets to right [...] led to the

⁷¹ Esping-Andersen, *A Welfare State for the 21st Century*, 3.

⁷² Kees van Kersbergen et al., “The Great Recession and Welfare State Reform: Is Retrenchment Really the Only Game Left in Town?”, *Social Policy & Administration* VOL. 48, No. 7 (December 2014): 894.

⁷³ Armin Schäfer, Wolfgang Streeck (Ed.) *Politics in the Age of Austerity*, (Polity Press, 2013), 108.

⁷⁴ *Ibid.*

⁷⁵ Korpi and Palme, “New Politics and Class Politics”: 434.

first clear welfare state cutbacks”. Nevertheless later, both left-wing and right-wing parties pursued both cutbacks policies and expansionary responses.⁷⁶

Various authors have provided a close look at the partisan system and at its importance in these questions. In research devoted to welfare retrenchment in Denmark and in The Netherlands, Christoffer Green-Pedersen identified the objective of parties to pursue retrenchment measures even when facing electoral risks as an important element on the politics of retrenchment (as seen by Pierson). Permanent austerity restrained the action of governments, and with the objective of good economic performance in mind, political leaders have become more prepared for welfare retrenchment. As they have had to justify their options to a potentially “dangerous” electorate, that justification strategy was framed on the assumption that the politics of welfare retrenchment could be seen as solutions for political and economic problems: - “[...] they take away benefits from some undeserving group or improve the economic viability of the welfare state”⁷⁷. To achieve this, they need political consensus, and that depends on the partisan system.

Thus, according to Green-Pedersen, a bloc and a pivotal party system can be distinguished. The first one refers to a system in which left-wing and right-wing blocs agree on the political subjects. This is only possible with a left-wing party in office, as is the case of Denmark in Green-Pedersen’s article. The pivotal system is characterized by three main political parties, a right-wing, a left-wing and a center. This latter type functions as a pivot between the two other blocs, dominating the political developments and balances. Welfare retrenchment as a political consensus emerges when the center party follows that type of political solutions. The best example is the Dutch case of the Christian Democratic Party (CDA).⁷⁸

The Danish case, with its bloc system, proved that political parties did matter to a certain extent. Their governments with right-wing tendencies could never achieve welfare retrenchment consensus from 1982 to 1993. In fact, they managed to impose welfare retrenchment, with the “agreement” of the voters due to economic problems faced by the Danish economy, but that political leverage was short and they became vulnerable to ideological attacks by the social democrats, who end up putting strains on the political

⁷⁶ Peter Starke et al., “Political Parties and Social Policy Responses to Global Economic Crises: Constrained Partisanship in Mature Welfare States”, *Journal of Social Policy*, Vol.43 Issue 02 (April 2014): 234.

⁷⁷ Green-Pedersen, “Welfare-State Retrenchment”: 967.

⁷⁸ *Ibid.*

objectives of the Danish government, making them retreat in their objectives. Eventually, the social democrats won elections and also started a retrenchment policy that was more consensual this time, according to the bloc system.⁷⁹

In the Netherlands, the government at this stage gave the motto “No nonsense” as an introduction to austerity policies for the welfare state, as in Denmark, but here the pivotal system came to the fore. In the 1986 election, the government underlined the success of their policies in fighting the economic crisis, and the PvdA (the Labor Party, in opposition), despite some oppositional demagoguery, also promised a somewhat ‘austere’ policy. Thus, the three major parties agreed globally on a welfare retrenchment strategy with this political consensus. In this case, Green-Pedersen argued that the pivotal characteristics of the CDA succeeded in managing to attract the other major Dutch parties into the center. Thus, Dutch governments were able to pursue restructuring measures based on a political consensus around the “economic necessity”⁸⁰ of welfare state retrenchment.

The idea of “no mirror image”⁸¹ between the politics of expansion and the politics of retrenchment thus seems to lose ground – political consensus was crucial in the welfare state development, and apparently it kept being important in times of retrenchment. Therefore, the parties’ role is important for analyzing the trajectory of welfare retrenchment. If the loss of importance of left-wing parties helps in the explanation, the importance of parties in general can be seen as twofold. On the one hand the political and economic scenario decreases the importance of different parties; on the other hand, parties can still, to a certain point, make a contribution about welfare retrenchment and on the way it is pursued or not, depending on each national political context.

To sum up, in the first chapter of this thesis a definition of the welfare state was provided, taking in account the importance of the political dimension present in the welfare state. Accordingly, a description of what the concept of welfare retrenchment entails for this research argument was also given, underlining the fact that retrenchment is not just about cutting benefits but also about a different conceptualization regarding the aim of a welfare state. That retrenchment gathered even more relevance in the text by building the argument on the scholarship discussion regarding the existence and/or the level of that phenomenon, from which the existence of a retrenchment trend in welfare policy since the

⁷⁹ Green-Pedersen, “Welfare-State Retrenchment”: 975.

⁸⁰ *Ibid.*, 978.

⁸¹ Pierson, *Dismantling the Welfare State?*, 1.

1970s can be identified. The last section elaborated on two factors that were essential for that process: neoliberalism as an ideological and empirical challenge to the welfare state establishment, and the political parties as influential actors in the process.

Chapter II – *The Social Approach before the 1970's*

In order to understand the context in which the specific case of the Portuguese welfare state growth started in the 1970s challenging the retrenchment logic, it is important to look at the previous period. This chapter draws its analysis from two assumptions: Firstly, that the social policy trajectory was already rather different during the first half of the twentieth century and during the 1960s vis-à-vis the welfare progress of the postwar period; secondly, that those differences and particularly the *Estado Novo* social approach were influential in a Portuguese retardation concerning welfare, as compared to the Western achievements until the 1970s, notably after WWII. The chapter initiates its analysis with a general review of the welfare developments in the West precisely to make the mentioned differences clearer with the Portuguese case, which comes after.

A Welfare Trajectory

It can be argued that the beginning of the social trajectory that has led to the current idea of the welfare state began in the late XIX century. This period represented the beginning of the social authoritarian model of Bismarck in Germany, a model based on the gathering of loyalties to the regime through the provision of social benefits supported by social insurance policies aimed at a specific layer of society. On the other hand, it was a moment for state intervention after a long period in which “[...] *laissez-faire* had become the leading economic ideology [...]”⁸². If the social adversities brought by industrialization and the rule of market were central in the search for state regulation, this new social attitude exemplified by the rule of Bismarck was seen as a preventive measure facing the more radical social ideas that were being spread through Europe.

Moreover, in countries such as England, France, and notably Germany, the state enacted policies to “strengthen the population”. Measures were taken to improve the health care of the citizens, motherhood, and child development. Through that logic many organizations were also created: “antenatal clinics, child-care centers, inoculation and school milk programs”⁸³. Furthermore, the First World War acted as a stimulus for even more state intervention.

⁸² de Haan, “The Western European Welfare”: 305.

⁸³ *Ibid.*

During the intra-war period, again in Germany, the Weimar republic introduced social rights in the constitution. Yet, that development would be short lived, as the advance of Nazism and deterioration of the Weimar regime progressed. The unemployment problems would be solved by a “warfare state”. With that peculiar transition, a social policy “[...] that burdened the state with tasks which were beyond its capacity”⁸⁴ ended. War World II was, however, perhaps the most important moment in the development of the welfare state, a moment where state intervention and social expenditure rose to unprecedented levels⁸⁵, both during warfare state time and after the war with the continent under reconstruction.

The publication of the Beveridge Report in Britain in 1942 with its “Messianic tone”⁸⁶ was a crucial moment for the modern welfare state. This famous social document enacted the universalization of protection, a strong redistributive policy and the enlargement of the field of risks⁸⁷ and was part of an intellectual momentum that established the foundations of modern welfare. Individuals such as Richard Titmuss or T. H. Marshall link social provisions with citizenship arguing for the universalization of social rights.⁸⁸

The postwar period until the 1970s is known as the “Trente Glorieuses”, a period of time that joined economic growth and the stable development of modern welfare. It started with the assumption that only a central institution could lead the process of reconstruction of postwar Europe⁸⁹ and was supported by a new institutional context. Avelãs Nunes underlines the importance of the left after the war, relating their initial strength to the prestige gathered by multiple national resistance movements during the war. France and England are exemplified as countries where war caused left-wing parties to win resoundingly in the first elections after the war. Therefore, he links welfare improvements to the prevalence of moderate left-wing parties, notably social-democratic, and also to the left-leaning positions of Christian democrats.⁹⁰ Ido de Haan follows the same line of thought when speaking of a political ascendancy of both social-democratic parties and

⁸⁴ Peter Flora and Arnold J. Heidenheimer, “The Historical Core and Changing Boundaries of the Welfare State” in Peter Flora and Arnold J. Heidenheimer, *The Development of Welfare States in Europe and America*, (New Brunswick 1984): 19.

⁸⁵ António Avelãs Nunes, *As Voltas que o Mundo Dá... Reflexões a propósito das aventuras e desventuras do Estado Social*, (Edições Avante 2010), 93.

⁸⁶ *Ibid.*, 19

⁸⁷ Pimentel, “A Assistência Social e Familiar”:487.

⁸⁸ Flora and Heidenheimer, “The Historical Core”: 20.

⁸⁹ Avelãs Nunes, *As Voltas que o Mundo Dá*, 93.

⁹⁰ *Ibid.*, 94.

Christian Democrats during the thirty years after the war. These political forces were together on the development of the modern welfare state in a progressive momentum far from radical positions and they agreed on a crucial idea for welfare state “[...] labour as the central category of social order (...)”.⁹¹

However, it must be said that the establishment of a modern welfare state in the Western Europe and in the USA did not entail a single model. Esping-Andersen established a well-known typology, considering essentially three regimes⁹²: the Liberal regime, fundamentally turned to more modest benefits and to the use of market-based schemes; the Corporatist regime, characterized by their work-based insurance entailments and the importance of social organization based on the family; and finally the Social-Democratic regime, where the universalist principles were dominant as social benefits schemes, underlining the equality aim. Nevertheless, as Ido de Haan states, grounded on Esping-Andersen’s arguments, they share the core of an idea of “[...] de-commodification, that is, “the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation” ”⁹³. This common ground is important to this chapter since its content does not emphasize the different types of welfare states, rather it elaborates on the idea of the welfare state as a general social phenomenon that was able to “uphold a socially acceptable standard of living [...]” Thus, as said in the previous chapter, the most important thing is to give insight into a tendency of welfare improvement and growth, which did not have an empirical influence in Portugal

This section sketches a summary concerning the main characteristics of the trajectory towards the modern welfare state in Western Europe, giving insight into a general idea of progression of what we think of as welfare, notably more intense after the WWII. It is therefore important to look with greater detail at the Portuguese social history that shaped that country’s social context until the 1970s, before the 1974 revolution and the transition to democracy.

⁹¹ de Haan, “The Western European Welfare State”: 310,

⁹² Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 30-31

⁹³ Gosta Esping-Andersen, *The Three Worlds of Welfare*, .37. quoted in de Haan, “The Western European Welfare State” :310.

Before the Estado Novo

The following sections elaborate on the welfare developments in Portugal before the 1970s, emphasizing the differences in the Portuguese case. Portuguese literature has already pointed to what appears to be a meager social policy and a lack of solid welfare development until the 1970s, a perspective underlined by the comparison with the Western developments, notably during the “Trente Glorieuses”. For instance, the article by Irene Pimentel about social assistance during the 1930s and the 1940s in Portugal strongly argues that a universal social security system linked to citizenship rights - in her argument essential characteristics of a tangible welfare state - could only exist after the Carnation Revolution. She characterizes the Portuguese welfare state development as “late” and different from the processes seen in other European countries.⁹⁴

By the late nineteenth century, when Bismarck started to implement his social insurance policies, the Portuguese social approach was still highly influenced by medieval procedures. One of the main institutions was the *Conselho Geral de Beneficência*⁹⁵, whose main objective was to avoid begging. The same objective was shared by religious institutions, such as mendicant orders that provided charity and assistance to the poor. Another strong example are the *Misericórdias* (since about the fifteen century), religious institutions linked to hospitals with a long tradition of poor relief and charity. “Even though the Portuguese state have had some specific interventions [...] it can be said that until the late XVIII century Portuguese social assistance is mostly a private and religious matter.”⁹⁶

Finally, in the late nineteenth century and early twentieth century, the monarchical state started a new social approach, albeit deeply insufficient and superficial. It was based on the creation of pensions for employees of the navy and state-owned factory workers. Furthermore, in 1907 the Retirement Fund was created (*Caixa de Aposentações*) for factory workers. These measures might be seen as a similar attempt to gather loyalties and block the effect of socialist revolutionary ideas among the labor movement. Yet, it was a complete failure in the sense that the regime fell in 1910, giving birth to the First Republic.⁹⁷

⁹⁴ Pimentel, “A Assistência Social e Familiar”: 477.

⁹⁵ Eduardo Vítor Rodrigues, “O Estado e as Políticas Sociais em Portugal”, *Sociologia: Revista do Departamento de Sociologia da FLUP* Vol. XX (2010): 203.

⁹⁶ Fernando Rosas (Dir.), *Dicionário de História do Estado Novo*, Bertrand (1996), 70. – My Translation

⁹⁷ Rosas (Dir.), *Dicionário de História*, 796.

The Republican regime proclaimed, in the 1911 constitution, the right to social assistance (article 3, point 29), and reinforced the need to end begging through public policies. In 1911 the National Assistance Fund was created with the purpose of providing help for the homeless and to fight widespread poverty.⁹⁸ Another important measure was the creation of the Ministry of Labor and Social Insurance (*Previdência*). However, the instability caused by economic crisis, the participation in World War I and a fragile parliamentary regime underlined the insufficient nature of republican social policy. In 1919 the state created mandatory insurances for disease, work accidents and disability pensions for the working population aged 15 to 75, a measure that together with the first serious pension system (for public workers only) in 1924 came close to Bismarckian policies followed in the previous century in Germany.

Nevertheless, the results were still unsatisfactory given the social unrest that influenced the fall of the First Republic. By the beginning of the *Estado Novo* the social situation was characterized by a weak organization of social policy, where the role of the state, a crucial institution in the development of welfare state, was restricted to coordinating a few private institutions on the fight against the begging problem. A general policy that continued in the first years of the new regime, signaling that there would be few changes, was the transfer of social assistance problems from the jurisdiction of the Labor Ministry to a General Direction of Assistance, subordinated to the interior ministry.⁹⁹

Thus, on the one hand the scenario before the *Estado Novo* was characterized essentially by a poor relief character, based on ancient mechanisms, and on the other hand it developed attempts to reconfigure social policy, or in fact to create one, despite the failure ultimately personified in the fall of the First Republic. The next section elaborates on the *Estado Novo* period and on the extent to which the social picture did or did not change, following the Western welfare development of the postwar period.

The Estado Novo

In 1926 a military coup ended the First Republic, a regime characterized by inherent instability and by a failure to cope with some of the theoretical social assumptions present in, for instance, its constitution. The military dictatorship that followed the fall of the

⁹⁸ Rodrigues, “O Estado e as Políticas Sociais”: 203.

⁹⁹ Rosas (Dir.), *Dicionário de História*, 71.

regime end up giving birth to the *Estado Novo*, a dictatorship that, if joined with the years of military dictatorship, lasted nearly fifty years, “[...] a period [...] of basically absolute government, the longest in Portuguese history since the reign of John V [Eighteenth century]”¹⁰⁰, and that shared a substantial number of doctrinal characteristics with Italian Fascism and German Nazism, especially with the Italian pattern, although it had its own strong specific canons. The words of Boaventura de Sousa Santos outline briefly some of the main ideological characteristics of this regime, characteristics that help to understand its social policy. In his words, the *Estado Novo* made the “[...] apology of the poor, but happy family, united and hardworking, with simple tastes and with no ambition of social climbs, an ideology full of rural mythology and religious mysticism [...]”¹⁰¹

The 1933 constitution is the foundational document of this regime, and it was approved by plebiscite with a illusory majority. After this, the fundamental foundations of the *Estado Novo* were finally established. Political parties were forbidden (excluding the single regime party – *União Nacional*), as well as unions and secret societies. In 1934, after elections, the parliament was occupied by 90 deputies from the single national party. In 1936 the *Legião Portuguesa* was created, a voluntary organization whose aim was the protection of the sanctity of the new regime, as well as the *Mocidade Portuguesa*, a typical fascist mandatory juvenile organization formed so as to better *educate* the young spirits on the doctrine of the regime. The political policy, PIDE (International Police in Defense of the State), was institutionalized, although it had a previous existence during the military dictatorship.¹⁰²

One of the main dimensions of the *Estado Novo* was its corporatist character that in particular shaped Portuguese social policy. The 1933 constitution declared in the fifth chapter that “The corporations, associations or organizations [...] aim to accomplish scientific, literary, artistic or physical education objectives; *goals of assistance, charity*¹⁰³ [...] and they will be regulated [...] by special norms.”¹⁰⁴ Thus the document clearly expresses that the responsibility of social policy was on the corporations and other institutions. The role of the state should be centered on guidance and supervision.

¹⁰⁰ H. de Oliveira Marques, *Breve História de Portugal*, (Editorial Presença: Lisboa 1996), 640. – My Translation

¹⁰¹ Santos, “O estado, as Relações Salariais”, 22. – My Translation

¹⁰² Marques, *Breve História de Portugal*, 628.

¹⁰³ My Italics.

¹⁰⁴ *Constituição Portuguesa de 1933, Artigo 5º* [Portuguese Constitution of 1933, Article 5] – My translation.

The analysis of the parliamentary debates made during the research reveals the state of social policy at that time. The deputy Pinheiro Torres praises the Portuguese charity system: according to this deputy the “[...] private assistance; our genius, of the heart, invented this marvelous thing, the Misericórdias, a reflection in the hearts of the very infinite mercy of God.”¹⁰⁵ The constitution itself stated that the education dimension, for instance, belonged to the family and to official or private institutions, which should cooperate with the family. Moreover, the official speech reflects the significance of family for the corporative building as a nuclear institution from which the social life emanated, and as a denial of individualist conceptions¹⁰⁶ – “The State ensures the establishment and defense of the family as a source of conservation and development of the race, as a primary base of education, of discipline and social harmony, and as a keystone of all the public order [...]”¹⁰⁷.

Regarding the *Estado Novo* period, social policy can be divided into two main dimensions: social assistance (*Assistência Social*) and social welfare (*Previdência Social*). In 1933, the new constitution erased the former republican right to public social assistance. Instead, the document referred to state duties as “coordinating, incrementing and controlling all social activities” and “ensuring better conditions for the most needed, trying to provide them standards of living compatible with human dignity”.¹⁰⁸

In 1944, the Social Assistance Statute reinforced the idea of a complementary role of the state regarding social assistance, it was mostly a concern of private institutions. The state had merely a guiding and scrutinizing function to safeguard and to regulate private social initiative and to encourage it in case of need. Social assistance should be done in harmony with social welfare institutions and other corporatist organs, avoiding and combating “laziness”.¹⁰⁹ Nevertheless, the authoritarian essence of the regime was always present, and social policy was centralized because everything had to be done under the protective eyes of the state. On the other hand, the document underlined, again, family as main receiver of eventual social benefits as opposed to an individual approach – *Everything*

¹⁰⁵ *Assembleia da República – Diário das Sessões*, 1932: p.375. [Assembly of the Republic - Diary of the Sessions] – My translation.

¹⁰⁶ Ana Campos and Maria Manuela Rocha, *Corporativismo e Assistência social: natureza e produção do Estatuto de Assistência Social*. 4.

¹⁰⁷ *Constituição Portuguesa de 1933*, Article 11 – My translation.

¹⁰⁸ Rosas (Dir.), *Dicionário*, 71. – My translation.

¹⁰⁹ Pimentel, “A Assistência Social e Familiar”: 480.

*in the Nation, nothing outside the Nation*¹¹⁰. Finally, the document specified the role of social assistance as a complement to social welfare, but with no direct connection to mandatory regimes.¹¹¹

Additionally, the Institute of Support to Family was created, another organization that showed the *Estado Novo* social concept as based on a corporatist vision of society, starting from the bottom – the family. Highly bureaucratic, all off this institution's matters referring to familiar social assistance had to be approved by ministerial dispatch. By this time, the concept of social assistance benefits was mainly based on goods, such as health services for instance. In order to receive such provisions, an inquiry was made to inspection the level of need of people and to adjust assistance according to the economic level of each case.¹¹² On the subject of healthcare, for instance, the document highlighted preventative actions, underlining motherhood and childcare. That assistance, however, was to be done at home and the mentioned previous inspection was necessary to analyze each case.¹¹³

Portuguese authors argue that despite these modifications, little changed in Portugal in terms of an assistance that remained “[...] isolated and casuistic, in a deeply administrative conception of social activity [...]” and characterized by an “[...] insufficient level of protection provided by the public assistance”¹¹⁴. Although an interconnection of institutions and objectives was theoretically desired, the fact is that social assistance was characterized by the dispersion of services and goals, and many imbalances.

Therefore, social assistance was, until the 1960s, insufficient to account for Portuguese social problems. Data and literature contribute to a sketch of Portuguese reality. For instance, regarding education, in 1960 the illiteracy rate was 26,6 % for males and nearly 40% for women¹¹⁵. Data for previous years was not available, yet it is easy to understand that the situation would be worse. Investigations into the rural workers of the winery region of Douro expose the living conditions of a considerable part of the Portuguese population – “[...] the diet of the rural salaried registered protein and caloric deficits of nearly half of the necessary minimum.”¹¹⁶ As for wages (in the industrial sector),

¹¹⁰ A *Estado Novo* famous mote. – My translation.

¹¹¹ Rosas (Dir.), *Dicionário*, 71.

¹¹² *Ibid.*

¹¹³ Campos and Rocha, *Corporativismo e Assistência Social*, 5.

¹¹⁴ Fernando Rosas, “O Estado Novo (1926-1974)” in *História de Portugal*, José Mattoso (Dir.) (Estampa Lisboa 1993-1995): 72. – My translation.

¹¹⁵ See Table 11.

¹¹⁶ Rosas, “O Estado Novo”: 57 – My translation.

the reality was quite miserable, in the sense that, as Rosas' calculations show, the average salary was not even enough for a familiar frugal diet (the salary would only cover 75% of basic expenses). The urban picture was not any better, while in the capital (Lisbon), modern life and cosmopolitanism existed, living conditions in laborer neighborhoods, with no electricity, sewers or canalized water, created phenomena of begging, precisely in the richer parts of the city. Both the city councils and the government tried to deal with the phenomenon using "suppliant repression" or with systematic charity programs – "soup for the poor; outfits for poor girls; winter assistance".¹¹⁷

Concerning the second dimension of the Estado Novo social policy, social welfare, it is necessary to make a distinction from social assistance. While social assistance was supposed to account for anomalies, misfortunes and unexpected events of life such as nature disasters, orphanhood, prostitution or even begging, social welfare was more economic in the sense that it was more connected to employment and was expected to cover unemployment, disability, and disease.¹¹⁸ Earlier it has been said that to keep up with the social "demand" of the beginning of the twentieth century, the First Republic created the first mandatory social insurances, giving birth to the Funds of Pension and Reform. Although the Republic legislated them as mandatory, their practical effect was meager. Those mandatory insurances were supposed to act in old age, disease, disability or work disasters.¹¹⁹ With the coming of the *Estado Novo* these insurance systems were developed into a broader institution, the Social Welfare System (*Sistema de Previdência Social*), that dominated social institutions from 1935 to the military coup of 1974.

The link between social welfare and employment was strong. The National Labor Statute (*Estatuto do Trabalho Nacional*) was an important document for Portuguese social policy. In it, the connection between social welfare and the corporative organization structure was clearly established: those corporations should be the ones to enhance and organize the social welfare institutions and their functioning. It is also relevant to say that the capitalization of those institutions was supposed to be done by employers and employees. No contribution was made by the state.¹²⁰

¹¹⁷ *Ibid.*, 99 – My translation.

¹¹⁸ Campos and Rocha, *Corporativismo e Assistência Social*, 5.

¹¹⁹ Rosas (Dir.), *Dicionário*, 796.

¹²⁰ Rosas (Dir.), *Dicionário*, 796.

Back in 1935, the organizational structure of social welfare was condensed into one general regulation law, which created four categories: social insurance institutions from the corporative organizations; the Reform Funds and Social Insurances Funds; the associations of mutual help; and finally the social insurance institutions for the state. Although this law entailed an expansion of the protection system, it was too slow: seven years later (1942) the percentage of workers covered by those institutions was 6,3 %. However, in the late 1940s the government enacted a small change of policy allowing itself to participate directly in the formation of such institutions. By the year 1950, the number 6,3% increased to 37,3% of workers, and in 1960 to 50%, yet the reality was different: for instance, in the agricultural sector, around 80% were “[...]effectively out of the system.”¹²¹ On the other hand, the areas covered by such programs were quite constricted. For instance, with regard to commercial and industrial activity workers, disability, old age and disease were somewhat covered, but there was no unemployment protection. Agricultural workers were in an even worse situation, with only death subsidy and some medical assistance, in what was a highly ruralized country.

The 1960s

So far this chapter has followed the Portuguese welfare trajectory since the late nineteenth century with emphasis on the *Estado Novo* regime. Based on a very corporatist bias at the service of the dictatorial political approach, social policy was far from coping with social needs, and thus no solid welfare state development was noticeable. In the late 1950s, despite the so called “*pax salazarista*”¹²² (*salazarista* after the name of *Salazar*, the dictator that dominated political life from the early 1930s until 1968), the climax of consolidation of the *Estado Novo* (internally and externally), the country was about to enter the 1960s with only 20%¹²³ of the rural population (its largest fraction) covered by any kind of social protection.

Therefore, when the modern welfare state was already a concrete reality, with a strong de-commodification flavor and universal social security attributes, such as in England after the Beveridge Report, Portugal was unable to perform deep reforms on a

¹²¹ *Ibid.*, 796.

¹²² Fernando Rosas, “O país, o regime e a oposição nas vésperas das eleições de 1958” in *Portugal Contemporâneo*, António Reis (Dir.) vol. V (Lisboa: Alfa 1992): 15.

¹²³ Pimentel, “A Assistência Social e Familiar”: 483.

system that remained dependent on the assistance of private institutions, the church, and Cristian charity as a pillar of the existent welfare system in Portugal.¹²⁴ Even if such institutions can be considered potential providers of welfare, their poor-relief logic was at odds with Western postwar tendencies, a trend that was embodied in a welfare concept that aimed to improve education, “[...] personal development, health, well-being, and, according to some, even happiness.”¹²⁵ Thus, the official speech underlined a kind of “social mystic”¹²⁶ based on charity and poor relief made through “[...] private assistance; our genius, from the heart, invented this marvelous thing, the Misericórdias, a reflection of the very infinite mercy of God.” Furthermore, the official discourse was aware of the social situation – “They suffer so much! If you could see them closer! The house in which they live! The houses in which they die! If you could see, for instance, the way their sons are educated on that horrible school street!”¹²⁷ Expanded further, a deputy secretary of state admitted that ““a time of social security, of right to education, right to work and to health care, does not blend well with the distribution of soup’ activity that already had ‘its opportunity and beauty in a context of monastic charity.’”¹²⁸

In order to improve the situation, in 1962 a new law regarding social security was introduced with the objective to “harmonize” the type of assistance, creating a “general regime” of benefits and extending their scope. Besides, the new law established a district structure for the administration of benefits, something done by each specific institution. The social benefits were categorized in two different groups, one of short-term benefits, such as motherhood or disease, and others with regard to long time benefits as disability and old age. The first group was administered by the district structure, nevertheless the second group was run by the National Pension Fund.¹²⁹

Likewise, one of the most important modifications present in this law was the forging of a link between social assistance, healthcare and social welfare so as to achieve a more effective social policy. Regardless of these modifications, the structural problems of Portuguese social policy, namely the insufficient amount of problems covered and the enormous number of people not covered in any situation proved difficult to overcome. The

¹²⁵ de Haan, “The Western European Welfare State”: 312-313.

¹²⁶ *Assembleia da República – Diário das Sessões*, 1935: p.241.

¹²⁷ *Ibid.*, – My translation.

¹²⁸ Pimentel, “A Assistência Social e Familiar”: 504. – My translation.

¹²⁹ Rosas (Dir.), *Dicionário*, 798.

lack of unemployment subsidies, and the fragile protection of agriculture workers and their families (a large proportion of the Portuguese population) were issues that can help to illustrate the situation.¹³⁰

Despite difficulties, however, these modifications led to a growth in social expenditure reaching 4% of GDP in 1969, compared to the beginning of the 1960s when the percentage was about 2,6% of GDP.¹³¹ One of the most important factors in that increase was the establishment of family allowances during the 1940s.¹³² After WWII, the family allowance was incorporated on the general social security systems in countries such as England or in the Scandinavian group. This was in opposition to the corporatist vision of the *Estado Novo* family allowance, which was often provided by the employees outside the protection system and upon mandatory receipt of compensation funds.

Thus, during the 1960s, the regime demonstrated a certain will to improve the social protection policies. An interesting view on this reformation period is present in the analysis of Oliveira Marques, who argued that the *Estado Novo* did not ignore the poor conditions in which a large proportion of the population lived. He argued that social welfare, social assistance, as well as social housing were essentially ways the state could keep left-wing ideas away both the industrial and agricultural sector - namely communism - and thus prevent revolutionary uprisings as other states did in the late nineteenth century. The increase in the state expenditure with public workers insurance, starting in the 1960s, can be considered an example of such attempt¹³³. Besides the political specificity of being a dictatorship in a largely democratic Western Europe, the Portuguese case was characterized by the lack of a solid welfare commitment/development, as compared to the welfare state impetus that characterized the postwar period in the West. Accordingly, Esping-Andersen argues the notion that Salazar's rule was contrary to serious social reformation. He could not be compared to Bismarck, for instance, in the sense that the German chancellor viewed social policies as a strategy to keep social peace.¹³⁴ However, it cannot be ignored that this 1960s attempt to improve social policy was conducted during a decade that can be

¹³⁰ Rosas (Dir.), *Dicionário*, 798.

¹³¹ Daniel Fernando Carolo, José António Pereirinha, "The development of the Welfare State in Portugal: Trends in Social Expenditure between 1938 and 2003", *Revista de História Económica, Journal of Iberian and Latin American Economic History* (2010): 13.

¹³² *Ibid.*

¹³³ See Table 8.

¹³⁴ Esping-Andersen, "Orçamentos e Democracia": 204.

considered an uninterrupted period of decay, characterized by a colonial war on three different fronts and growing social instability that lasted until the regime came to an end.

The Marcellista Spring

After the previous reflection on the *Estado Novo*, a distinctive sub-section is needed to make it clear that, despite the continuation of the dictatorial regime and of its guidelines, the change in the head-of-state brought some differences despite being rather brief. In 1968, the old dictator Oliveira Salazar suffered a severe accident that kept him away from power until his death in 1970. In his place the structure of the regime nominated Marcello Caetano as leader of the government and the *Estado Novo*. Initially, the pattern followed in the 1960s remained, but a new model was also initiated. This model reformed social assistance and social welfare and reformed interaction with beneficiaries who had been seen mainly as passive agents. “Social Assistance assumes itself as part of a social policy, as ‘the collaboration of the society with the people for their active intervention in social life and by the removal of needs, and the compensation of dysfunctions.’”¹³⁵

In addition, the creation of the Cabinet of Social Studies, inside the Health and Assistance Ministry came into being as part of a cabinet that was supposed to study and evaluate social problems and produce documents stating the best options in terms of social policy. With that cabinet, a journal (*Informação Social*) was created as a space for *debating ideas*¹³⁶ concerning social problems and their possible solutions.¹³⁷ An interesting point is made by Carolo and Pereirinha who designed an *Estado Novo* second pattern to improve the system mainly in regards to rising social expenditure after the modifications of the 1960s. According to them, as a result, “[...] population coverage had become almost universal by 1973.”¹³⁸

It became apparent that the social expenditure increase was deeper from 1969¹³⁹ to the end of the dictatorial regime, corresponding to the Marcellista Spring, a period of change that accompanied a more open policy that some believed could initiate an

¹³⁵ Rosas (Dir.), *Dicionário*, 72. – My translation.

¹³⁶ My italics.

¹³⁷ Rosas (Dir.), *Dicionário*, 72.

¹³⁸ Carolo and Pereirinha, “The Development of the Welfare State”: 26.

¹³⁹ The Figure 1 shows an increase in the social security expenditure as a percentage of GDP.

institutional transition towards democracy. It changed the names of many fascist institutions, allowed the temporary return of important exiled individuals and pursued a change in social policy.¹⁴⁰ In fact, Marcello Caetano introduced the concept of *Social State* (*Estado Social*) as different from the corporatist state. Theoretically the new regime concept involved a very different social approach, but in reality not much changed.¹⁴¹ The concept of *Estado Social*, which literally translated actually means welfare state, can be interpreted as a conceptual attempt of the regime to bring Portugal closer to the wider Western welfare establishment, perhaps as part of a strategy to cope with the crisis in the last years of the regime. During his time in office, Caetano addressed some of the welfare state's deficiencies, notably the sectors of the population not covered by any scheme: those who were not considered professionally active (such as agricultural workers) and professionals (such as domestic workers or hairdressers). Thus, considering the period between 1971 and 1974, the social expenditure rose “[...] at an annual rate of 35-37 percent, in nominal terms.” In 1973, social expenditure accounted for 6% of GDP and much of that was due to higher pension expenditure with “[...] both incapacity-related old age, in both the general scheme and a new special scheme for rural workers. [...] the greatest increase was in old age pensions for rural workers.”¹⁴²

Some of the literature states considerable development of social policies and notably a growth in social expenditure – “ «Welfare effort», measured by the share of social expenditure in GDP, grew steadily until 1973, that is, during the whole New State period. However, it was at the end of the 1960s that the greatest growth rate took place, and this lasted until sometime after the democratic revolution in 1974”¹⁴³. In an optimistic view, Carolo and Pereirinha underlined the dimension of social expenditure and spoke of a widening process of the covering system that was supposedly almost universal at the end of the regime. Their argument is that the military coupe of 1974 had no significant influence on the ongoing path of a welfare growth throughout the *Estado Novo* period, mostly during its last fifteen years. However, further analysis contradicts this argument because it is based mostly on quantitative analysis and lacks a qualitative component.

As mentioned previously in this thesis, social expenditure is insufficient by itself when analyzing welfare states. The Portuguese case, during the *Estado Novo* period,

¹⁴⁰ Marques, *Breve História de Portugal*, 640-641.

¹⁴¹ Carolo, Pereirinha, “The Development of the Welfare State”: 13.

¹⁴² *Ibid.*

¹⁴³ Carolo, Pereirinha, “The Development of the Welfare State”: 26.

especially in its final years, can easily account for this analysis. Despite the improvements that were more visible during the 1960s and the 1970s, the concept of the welfare state was never designed in accordance with the structural ideas that dominated the Western welfare state establishment after WWII. Western broad features such as full employment objectives, a clear relevance given to state intervention in social policy, a beneficial view of equality, and the objective of widening the protection net to a larger portion of citizens were not visible under the dictatorship's direction. Rather, social policy was based on very specific concepts such as social assistance or social welfare, or even the later “social state”¹⁴⁴ of Marcello Caetano that was continuously based on the corporatist approach, linked to employment and employee contributions and with a lasting shade of charity. In some continental/corporatist welfare states, a corporatist essence may not be an impediment but rather a different path to welfare development, but the fact is that the corporatism of the dictatorial regime was not able and was not ideological predisposed to enhancing social improvements. It was rather a regime mechanism meant to perpetuate the dictatorial order.

An illustrative example is the family allowance, which had a considerable impact on social expenditure, but was only attributed to the “head” of the family, and was not given to single mothers or rural families.¹⁴⁵ Thus, other analysts have argued that in 1973, notwithstanding the developments of the years of Marcello Caetano, “[...] about 1/3 of the families did not have the minimal income (about 42 “contos”) to secure the satisfaction of essential necessities. Almost 30% of the Portuguese did not get the minimal consumption of proteins (30g per day), being 44% from rural areas, and did not have habitation according to minimal standards (36% of houses did not have electrical power and 41% had no sanitary devices).”¹⁴⁶ This dark scenario exemplifies the *Estado Novo*'s social policy failure and the need for serious reform.

Estado Novo, an overview

As this chapter illustrates, with more emphasis on the *Estado Novo* Portugal was not able to enact deep social reforms that would lead to a more modern welfare state as seen in other Western European countries. The golden years of the welfare state, between

¹⁴⁴ Angêlo dos Santos, *O Estado Social – Análise à luz da História* (Lisboa A. dos Santos, 1970), 15.

¹⁴⁵ Pimentel, “A Assistência Social e Familiar”: 507.

¹⁴⁶ António Reis (Dir.), *Portugal Contemporâneo* vol. V (Lisboa, Selecções do Reader's Digest: Alfa 1996), 136. – My translation.

WWII and the 1970s was not a reality in Portugal. Despite the corporatist social approach followed by some countries during this period (notably Fascist Italy, Nazi Germany, as well as the Vichy regime) Portugal did not take part in the steps that characterized the trajectory of a modern welfare state until the 1970s. A child mortality rate around 30% in the 1970s and an illiteracy rate of 29%¹⁴⁷ (the biggest in Europe) are two examples, added to those already presented, that account for the failure of the dictatorship's social policy.

However, it is interesting to underline how deep the dictatorship factor was in preventing the appearance of a Portuguese welfare state before the 1974 revolution. An analysis of the political discourse, for instance the opinion that the regime had towards the social developments in Europe, is a useful addition to this analysis. In that sense, for the *Estado Novo* the Beveridge plan “[...] could not teach anything to our country because ‘only we, the Portuguese people, in this sweet and blessed peace, will, with resolution and trust in the future, follow the safe path of the “progressive accomplishment” of our doctrine, developing, in swift rhythm, social welfare.’”¹⁴⁸ The discrepancy between the regime ideology and the European politics of welfare is visible and sheds light on the gap between the discourse of European democracies and the “proudly alone” speech of the dictatorial regime over 40 years. Among with the official ideology of the regime was the idea that a public social initiative could produce a wave of dependence and social inertia. The sanctioned idea regarding social assistance rested on a “[...] ‘formal denial of those collectivist communist and socializing principles, that considered charity offers as humiliating for those receiving it [...].’”¹⁴⁹ The path was on the Portuguese tradition and not on what was happening outside its borders – “‘We have a doctrine and with it we can solve proudly [alone] all of our problems.’”¹⁵⁰

This aversion to public social policy can explain the social identity of this regime. Contrary to the “Trente Glorieuses” process of welfare expansion - pursuing universal entitlements, providing benefits and de-commodification as social rights based on a public structure - the *Estado Novo* argued that “By transferring [...] to society and to the state the economic and social responsibilities of each person, the ‘dangerous concepts’ of universal social security would lead to the annihilation of the spirit of initiative and took away from

¹⁴⁷ Rosas, “O País, o Regime e a Oposição”: 136.

¹⁴⁸ Campos and Rocha, “Corporativismo e Assistência social”: 15. – My translation

¹⁴⁹ Deputy Carlos Borges quoted in Campos and Rocha, *Corporativismo e Assistência social*, 13. – My Translation.

¹⁵⁰ *Ibid.* – My translation.

each individual the best stimulus regarding ‘working and producing, preventing and saving’[...].”¹⁵¹ This disconnect between a state that delivers social transfers to private entities but then wants to control said funds gives insight into the weight of the dictatorship as barrier to welfare growth. It was a regime that through supervision discriminated between the “bad”, the “social parasites”, and the “good” poor - the only category that received support such as single mothers, children and orphans.¹⁵² In fact, Portugal was far from being one of the cases, of which De Haan spoke, of conservative governments which accepted “[...] and even contribute[d] to the development of a state and social order that appeared to be deeply tainted by socialist ideals.”¹⁵³

Yet the rule of Marcello Caetano, at least, can be interpreted as an attempt to change. There is also a shift on the speeches. The political debate was centered on aspects such as the 13th month, social justice as an objective or the role of the state in providing social benefits. That shift, however, was always accompanied by more conservative and suspicious arguments addressed by the “old-school” and radical members of the parliament¹⁵⁴. During the first moments of Marcello Caetano’s government, a small breeze of change was felt and indeed social welfare became enlarged as modifications were made. But that moment of change never succeeded and the consequent failure was connected to the power of the remaining hardline segment of the regime. Even though the aforementioned modifications produced no deep changes, they were not seen as positive by the older generation of power and other sectors that still retained a fair amount of influence. In their view, the traditional approach was much more comfortable and appreciated. As a result, these new policies were abandoned at the beginning of 1970 as many of their protagonists were discharged and many services and institutions were blocked and some became extinct.¹⁵⁵ In the most detailed piece of work about the concept of Caetano’s social state, Ângelo dos Santos named as primary objectives of the head of state an increase in national prosperity and the equitable distribution of that same prosperity among all citizens. Yet, quoting Marcello Caetano, he warns about the excesses of freedom.¹⁵⁶ The parliamentary debates also translate this kind of limit to social advances and more than that they show a clear (and new) “confrontation” between opposite sides. A

¹⁵¹ Pimentel, “A Assistência Social e Familiar”: 506.

¹⁵² *Ibid.*, 482.

¹⁵³ de Haan, “The Western European Welfare State”: 300.

¹⁵⁴ *Assembleia da República – Diário das Sessões*, 1971: p.1243,1381.

¹⁵⁵ Rosas (Dir.), *Dicionário*, 72.

¹⁵⁶ Ângelo dos Santos, *O Estado Social – Análise à luz da História*, 15.

good example is a moment during a parliamentary session, when a deputy questions the existence of censorship in times of a “social state”.¹⁵⁷

A more assertive example is provided during a debate concerning healthcare, where deputy Jorge Correia stated everyone was in agreement on medicine serving the new concept of social state, in so far as that in those days no single individual could cope with the expenses of a serious disease. Correia argued, “The Portuguese that can deal with such expenses are rare. We all understand that, and so do the doctors. Therefore I underline again our will of collaborating with an assistance at the service of the Social State, but in no possible way do we wish that the medicine should be socialized in this country.”¹⁵⁸ As a result this was an important moment for a possible change. However, it was blocked by the old-school section of the regime, making it clear that a strong and permanent modern welfare commitment could only be achieved by revolutionary breakdown. Esping-Andersen drew a good summary of the case regarding the context in which the revolution develops by saying, “The deep deficit in terms of social security inherited from the dictatorship can help to explain the reason why the 1976 Constitution and ulterior reforms gave so much relevance to social policy.”¹⁵⁹

It is visible that Portuguese social policy during the dictatorial period showed some characteristics close to the continental/conservative welfare states, in the Esping-Andersen typology.¹⁶⁰ Reference was made to the importance of corporations, the central role of the family or the link of the existent benefits to employment. Nevertheless, the conservative welfare state regimes, such as Germany in the postwar period, did stimulate the wider welfare state development centered on the concept of de-commodification. That was not the case in Portugal. Plus, the *Estado Novo* possessed its very own corporatist approach dependent on the dictatorial demands of the regime and incomparable to the democratic continental welfare types. The reliance on church and charity was deeply contrary to the more state-based comprehensive social policies tendency, which characterized the post-war welfare state development. Finally, the Portuguese case does not present a visible path into standards of living improvements. Thus there is enough evidence to say that, previous to the democratic period, there was no welfare commitment comparable to the Western postwar welfare state. Even the attempts of Caetano and the concepts brought by him failed,

¹⁵⁷ *Assembleia da República – Diário das Sessões*, 1971: p.2600.

¹⁵⁸ *Ibid.*, 1973, p.4783 – My translation.

¹⁵⁹ Esping-Andersen, “Orçamentos e Democracia”, 600.

¹⁶⁰ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, (Cambridge: Polity Press 1990), 37.

in part because of a regime crisis centered on the colonial war issue in the 1960s/1970s, and because they were insufficient. The success of a revolution five years after the arrival of Caetano to power emphasizes that failure.

To sum up, it is important to underline the argument that follows the ideas present in this chapter. The political and social trajectory followed by Portugal until the 1970s is one of deep differences regarding the track that most western European countries embraced, and the gap is flagrant after the Second World War when modern welfare states took off towards thirty years of development and social improvements. By that time, the Portuguese dictatorship preserved its social guidelines blocking the possibility of a Portuguese welfare state before the 1970s even when times seemed to be changing. The coming democracy would found wide space for welfare state development, even in times of retrenchment.

Chapter III - Portugal At The End Of The “Golden Age” Of Welfare State

“Understanding how social policy expansion can occur in an environment where pressure to reduce budget deficits is high is a critical aspect of welfare state building in the current period.”¹⁶¹

The objective of this third chapter is to demonstrate how and why Portugal followed a different path regarding welfare state development. This thesis has already explored the process of general welfare retrenchment and offered a picture of what the Portuguese social policy was before the 1974 revolution, underlining the influence that the social and political context might have had specifically in the Portuguese case. At this moment, it is important to observe to what extent one of the most significant factors of welfare retrenchment – Neoliberalism – played a role in the Portuguese context. In order to do so, this chapter firstly focuses its attention on Neoliberalism itself, providing more insight on its ideological dimension and how this influenced a reversal of social policies in Western society.

Secondly, an explanation of the 1974 revolution and its context is provided, with emphasis on the historical developments and on the doors that political contingencies opened to later changes. The third section develops an analysis on the political and social choices made towards a welfare state policy, while also looking at the role that the rising neoliberal ideology might have had. The analysis shows that the period following the Carnation Revolution was characterized by a growth in welfare influenced by the political scene created after the revolution and the subsequent revolutionary period. Finally, in order to provide more insight on how that welfare state expansion was conducted, the last section highlights the specific case of healthcare, a crucial dimension for the case of Portugal.

Neoliberalism

The first chapter devoted attention to some aspects of neoliberalism that are important for this thesis, due to their influence on the welfare state. Nevertheless, it is

¹⁶¹ Miguel Glatzer, “Revisiting “Embedded Liberalism” – Globalization and the Welfare State in Spain and Portugal” , in *Globalization and the Future of the Welfare State*, edited by Miguel Glatzer and Dietrich Rueschemeyer, (University of Pittsburgh Press 2005): 107.

important to underline some key features of this ideology with regard to the welfare state, to frame the analysis of the case of Portugal. Thus, it is essential to define the term ‘neoliberalism’ with more detail. The research of Daniel Stedman Jones on the problematic of neoliberalism is vital to better understand it: he claims that the term itself has become distorted by diverse interpretations and theoretical origins. He underlines that the concept is used many times “as a catch-all shorthand for the horrors associated with globalization and recurring financial crises. But transatlantic neoliberalism, [...] is the free market ideology based on individual liberty and limited government that connected human freedom to the actions of the rational, self-interested actor in the competitive marketplace”.¹⁶²

The concept of neoliberalism that started to be politically applied in the 1970s rejected some liberal ideas and accepted others, and it evolved in different ways until the 1970s, and more intensely with the rise to power of Margaret Thatcher and Ronald Reagan. On this phase of development of the ideology, its theorists underlined that social problems, such as poverty or inequality, should be solved by the free market and by deregulation, reducing the role of the state in the people’s situation. The governments of Thatcher and Reagan were not revolutionary at all, since those policies were already being made during previous governments. Yet, the “ideological focus” and neoliberal emphasis explored by these two politicians established the dogma of “nothing works unless the private sector works”¹⁶³.

It is valid to say that during the 1940s, 1950s and early 1960s, there was a wide political consensus, regardless of party, concerning the welfare state and associated issues, such as full employment objectives. Nevertheless, Daniel Jones posits a growing movement underneath this political consensus regarding state intervention. More than a discomfort among businessmen and conservative politicians that were unhappy with the postwar establishment, this neoliberal movement had an intellectual foundation that matched some of the complaints and concerns of a conservative-right movement that was developing during the postwar period.¹⁶⁴

¹⁶² Jones, *Masters of the Universe*, 2

¹⁶³ *Ibid.*, 326.

¹⁶⁴ *Ibid.*, 135.

Thus, neoliberal ideas were not only an issue of the 1970s onwards. The foundations can be traced to the final years of World War II, when intellectuals such as Friedrich Hayek and Karl Popper, among others, constituted the “Monte Pelerin Society”, a scholarly movement of intellectuals trying to mirror the development of the intellectual context that had supported the New Deal and the British social democratic welfare state - a background of academic work on the left, done more specifically by social democratic intellectuals, which prompted the dominance of leftist discourse. This new group of intellectuals were building a critique to those policies, constructing an alternative that could gradually change the ideological momentum. This was supposed to be a measured and subtle move from one ideological settlement to another, enabling future empirical political realizations and policy reforms that were successful in the 1970s. By that time, “Transatlantic neoliberalism (...) became a conscious political movement and moved beyond simply an academic critique”¹⁶⁵ as it had been until the 1970s.

The economist Milton Friedman was the central face of this later neoliberal phase, embodied in the “Second Chicago School”¹⁶⁶. An admirer of Hayek but more radical with regard to the existence of minimum state regulation, to which he fiercely objected, this Nobel Prize of 1976 was one of the main responsible for the acceleration of the neoliberal establishment during the 1960s. Through an ample group of think-tanks, intellectuals, journalists, important and influential newspapers, neoliberal ideas managed to penetrate the dominant political class. Eventually, they gradually shifted the political context from one centered on Keynesian economics, on full employment commitment, and on the welfare state, to an opposing one.¹⁶⁷

The neoliberal ideas that were incorporated in politics during the 1970s and 1980s were influenced by Friedman, praising a set of notions that fundamentally opposed the ones in practice since World War Two. Hence, those neoliberal ideas, that started to prevail in Western economic and political thought, proclaimed the superiority of market mechanisms to regulate all dimensions of both economic and political affairs, and thus opposed any state intervention, whether through the shape of economic planning or economic regulation.¹⁶⁸ The free market was considered the ultimate solution to deal with a wide group of political

¹⁶⁵ Jones, *Masters of the Universe*, 138.

¹⁶⁶ *Ibid.*, 95.

¹⁶⁷ *Ibid.*, 134.

¹⁶⁸ *Ibid.*, 8.

and economic questions such as the fields of “[...] law, regulation, the family, welfare, and sex, that had previously been considered outside the realm of markets.”

Trust in the free market as the ultimate mechanism to offer “freedom to mankind” led neoliberal discourse to considerer inequality as something necessary and “(...) as a motor for more social and economic progress.”¹⁶⁹ Moreover, the postwar tenet of commitment to full employment was heavily criticized by neoliberal thinkers: Friedman considered it “a dangerous chimera”¹⁷⁰ since it threatened to unleash unbearable inflation rates, one of the main concerns for neoliberal economists. A full employment economy such as the one claimed by Keynesian economists would lead to an unstoppable wage increase, exacerbated by the power of labour unions,¹⁷¹ that would then increase inflation rates. Another concept tolerated by neoliberalism was the existence of large monopolies, something that the first neoliberals saw as potentially harmful for the economy. Yet in the 1960s and 1970s, neoliberal economists found themselves much more cohesive regarding the essentially benevolent nature of monopolies and the harmful nature of trade unions, considered as a “threat” to a free market system.¹⁷²

These are some of the characteristics that obtained political relevance and application starting in the 1970s, when the economic context provided a favorable climate for the empirical testing of neoliberal theories. From 1968, in order to prevent what the Keynesian American economists foresaw as an “imminent recession”, a course of expansionary stimulus began a process that would culminate in the fracture of the Bretton Woods monetary system (an international monetary agreement) in 1971. That development unleashed an uncontrolled inflationary path, ending the “long boom” of the postwar period, and opening the door for the neoliberal alternative, gradually developed in the last 30 years and now seen as the only solution.¹⁷³

Thus, politicians, facing stagflation (a conjuncture of high unemployment, little or no economic growth and rampant inflation) enabled by the collapse of the Bretton Woods system, the oil shocks of 1973 and 1979, the Vietnam War, and Watergate, found in neoliberal policies a concrete alternative to the previous political and economic consensus

¹⁶⁹ Jones, *Masters of the Universe*, 8.

¹⁷⁰ *Ibid.*, 207.

¹⁷¹ *Ibid.*, 194.

¹⁷² *Ibid.*, 93.

¹⁷³ *Ibid.*, 214.

around Keynesian policies.¹⁷⁴ The first clear indication of the new ideas' prevalence was the “[...] move from fixed to floating exchange rates after 1971, something that had been advocated by Friedman since the 1950s.” That change implied exchange rates going up or down according to general markets as opposed to being stable on a fixed value. On the other hand, the shift from public intervention to unusual private solutions regarding social policy was already visible.¹⁷⁵ Following a tendency, started in the 1960s, to consider market-based solutions as valid regarding problems related to welfare, both Jimmy Carter in the USA, and Harold Wilson and James Callaghan in the United Kingdom, both from the Labour Party, initiated policies of deregulation on some political issues (in the case of the USA, on banks and transport), of reducing expenses, and, notably, of abandoning the sacrosanct full-employment objective, in order to deal with inflation. Those first policies ended up leading to an “[...] overarching philosophy of free markets”¹⁷⁶ by the 1980s.

In conclusion, the overarching dominance of neoliberal policies was possible both because of the empirical application that Thatcher or Reagan, among others, made of these ideas in an harsh economic context, and because of the ongoing theoretical construction aimed at a shift from a specific ideology to a completely opposed one. It was these new dominant ideas, characterized by the trust in free market mechanisms, acceptance of unemployment and inequality, and the faith in deregulation, that represented a strong challenge to the welfare state establishment, whose redistributive policies, aimed at more equality, were severely criticized by neoliberal thinkers and later politicians as responsible for a society of “dependents”¹⁷⁷ (dependents on welfare state benefits).

The April Revolution – Perspectives of Paradigm Change

Having examined the concept of neoliberalism and the reasons why it posed a challenge to the welfare state, it is time to look at what was happening in Portugal in the 1970s. The *Estado Novo* was going through a deep crisis during the last years of the regime. In economic terms, several developments accounted for the ultimate end of the regime: the growth of the commercial deficit, the decrease in the growth rate, the increasing and

¹⁷⁴ Jones, *Masters of the Universe*, 215.

¹⁷⁵ *Ibid.*, 216.

¹⁷⁶ *Ibid.*, 5.

¹⁷⁷ *Ibid.*, 64.

unsustainable weight of the colonial war (fought on three fronts to avoid the liberation of Portugal's colonies), the decrease in the real value of wages together with an inflationary trend that caused widening inequality, and all of this taking place in the shadow of the 1973 oil shocks.¹⁷⁸ However, economics is not enough to explain the fall of the regime.

The moral, political and material weight of a colonial war in Africa, which had gone on for 13 years and with no political solution in sight, was one main factor for the end of the dictatorship. The justification of a war made to defend Portuguese territory was losing ground among the population, and pressure from the international community to end the war was rising. Moreover, the war was a direct factor in the fall of the regime. Besides feelings of pointlessness regarding the long period of the conflict, it was modifications in the access to the military career that prompted the creation of the so-called “Captains’ Movement” in the summer of 1973, from which the *Movimento das Forças Armadas* (Armed Forces Movement, or MFA) would later originate. At first, this was guided by professional motives regarding modifications, namely the intention of the government to facilitate the access of militiamen officials to the permanent board of officials. Later, the movement concentrated on a possible political solution to the war, but only after February 1974 did it decide to overthrow the regime – ““What made the 25th of April inevitable was the necessity of solving the problem of war in Africa” ”.¹⁷⁹

On the 25th of April 1974, the *Estado Novo* was given an effective end at the hands of a military revolution, conducted and masterminded by the MFA, paving the way for a new national order. The “social pressure cooker” expression used by historian Fernando Rosas¹⁸⁰ to refer to the social tension accumulated through 48 years of dictatorship had finally exploded. A direct cause was the colonial war on three fronts that Portugal had been fighting for more than a decade against independence movements in its African colonies (Angola, Mozambique, Guinea-Bissau), and the career claims of discontented official, which would light the fuse among the Armed Forces to do something to change the state of things. The transformation of the military coup d'état into a “revolutionary explosion” can

¹⁷⁸ José Medeiros Ferreira, “Portugal em Transe (1974-1985)”, in *História de Portugal*, José Mattoso (Dir.) Vol. VIII (Estampa: Lisboa, 1993): 17.

¹⁷⁹ Costa Gomes quoted in José Medeiros Ferreira, “Portugal em Transe (1974-1985)”, in *História de Portugal*, José Mattoso (Dir.) Vol. VIII (Estampa: Lisboa, 1993): 26.

¹⁸⁰ Fernando Rosas, “A Revolução Portuguesa de 1974/75 e a Institucionalização da Democracia” in *Portugal: 30 Anos de Democracia (1974-2004)* Loff, Manuel e Pereira, M. da Conceição Meireles (Coordenadores – [Coord.]) (Editora da Universidade do Porto: Porto 2006): 16.

be explained by three main reasons: the neutralization of the Armed Forces as a central element of the coercive power of the state; the weakening of the power of the state; and finally, the explosion of old and deep social tensions.¹⁸¹

According to Rosas, the first major liberalizing prerogatives were taken and not “given”, and thus, “[...] that is one of the most important genetic characteristics of the Portuguese democracy: a political democracy whose foundations are a direct consequence of the revolutionary process”.¹⁸² This argument points to the importance of the revolutionary period that followed the coup, emphasizing the idea that the welfare benefits brought ultimately by the new regime were “taken” by a revolutionary impetus. That had consequences for social policy, and thus, for the welfare state. The idea of a strong bond between Portuguese democracy and the welfare state influenced by the characteristics of the revolution is important for this thesis’ argument because of the constraints that it placed on the political choices available.

After the revolution, an attempt to dismantle the dictatorship structures was rapidly conducted. Politically exiled personalities started to return, the most acclaimed being Mário Soares and Álvaro Cunhal, who were soon to be political opponents and major personalities on the political scene of the new regime, the first as leader of the *Partido Socialista* (PS, Socialist Party) and the second of the *Partido Comunista Português* (PCP, Portuguese Communist Party). Political prisoners were released. The headquarters of the PIDE-DGS (political police) were stormed and taken. Américo Tomás and Marcello Caetano, the institutional faces of the regime, President of the Republic and President of the Council of Ministers respectively, were quickly sent to exile in Brazil.¹⁸³ The corporatist fascist regime that had dominated the country for more than 40 years through the muzzle of dictatorship had come to an end. Nevertheless, the weight of years of fascism would be reflected on the new regime. The legitimation of the new establishment and of its actors, such as political parties, was dependent on the ability to convey a resonant difference from the previous regime and a radical change, namely with regard to social policy.

The time between Marcello Caetano’s capitulation and the approval of the 1976 Constitution was characterized as a deeply troubled period, and at the same time, rich in

¹⁸¹ Rosas, *A Revolução Portuguesa*, 19-20.

¹⁸² *Ibid.*, 22. – My translation.

¹⁸³ *Ibid.*, 22-23.

ideological and political terms, but also containing dangerous moments in which the peace in Portugal was threatened. It is important to underline some key moments of that pre-constitutional period to understand the political environment that characterized the foundations of the Portuguese welfare state. As soon as November 1974, General Spínola, President of a “Salvation Junta” that was in charge of the temporary government, displeased with the position both of the PS and PCP on the fate of the colonies (while these parties wanted full independence, the general had a more conservative perspective), summoned the so called “Silent Majority”, in other words, those people that supported his ideas, which in his mind was the majority of the Portuguese population¹⁸⁴. PS and PCP, together with other parties, mostly those of the extreme left wing, and some military units, barricaded the main accesses to the city of Lisbon, fearing a dictatorship would return in the form of General Spínola. Following the failure of the “Silent Majority”, Spínola was replaced in the command of the “Salvation Junta” by General Costa Gomes, the new President of the Republic, who nominated Colonel Vasco Gonçalves for Prime Minister of the provisional government¹⁸⁵, whose left-wing perspectives influenced later radicalization developments.

On 11th March 1975, a new coup d'état attempt led by General Spínola was made as a “reactionary” move against what, in his view, had become the revolutionary period, so as to reestablish the “purity of the 25th of April”¹⁸⁶. However, he failed once again. After that, the political actions of Vasco Gonçalves radicalized the revolutionary moment, using the COPCON (Operational Command Center of the Continent) led by Otelo Saraiva de Carvalho, an important military figure of the radical left. From that moment on, the prime minister enacted a process of nationalization of banks, large companies, and insurance companies. It was also a time of agrarian reform, a rural revolutionary development already in progress, as could be noted in the rural region of Alentejo, where the expropriation of lands and goods were at the time a common phenomenon.¹⁸⁷ This radicalization trend resulted from fierce ideological conflicts and from the mentioned goal of legitimization, which placed a great emphasis on socialist ideas. Thus, in this period a strong left bias was

¹⁸⁴ Rosas, *A Revolução Portuguesa*, 26.

¹⁸⁵ Rui Ramos, “Idade Contemporânea (Séculos XIX-XXI)” in *História de Portugal* Rui Ramos, et al. coord. Rui Ramos (Lisboa: A Esfera dos Livros, 2009), 718.

¹⁸⁶ *Ibid.* 727 – My translation.

¹⁸⁷ *Ibid.*

recognizable which, by demanding benefits and higher standards of living for the people, made a difference on the expansion of welfare in Portugal in the following years.

The continuous leftist-socialist trend became even more evident when the first pact between MFA and the parties was signed on the 11th of April 1975, an agreement that established limits to the action of the future constituent assembly, and thus preserved the political role of the MFA bodies¹⁸⁸. In fact, it is important to emphasize the power of the MFA, since as the revolution was carried out by military action, they were a powerful actor during this period, from 1974 to 1976, and maintaining a fading influence until 1982, when the last military organ recognized in the constitution was abolished (the Revolution Council). On 25th April 1975, a date chosen not by chance, the first democratic elections for the constituent assembly took place, where the major winner was the PS, followed by the Partido Popular Democrático (PPD, Democratic Popular Party, later PSD). One of the most important conclusions after that result was that the PCP's "revolutionary legitimacy" had translated to weak representation on the assembly, while the "legitimacy of the votes", and so of the parliamentary democracy, personified by the more moderate PS, was preferred by the voters. Nevertheless, the social upheavals did not stop, and the PCP was not ready to surrender its "revolutionary legitimacy"¹⁸⁹.

At this moment, the so-called "Burning Summer" of 1975 began, a time of the most extremist developments in the revolutionary period. The tensions among the most popular parties, PS and PPD, and Prime Minister Vasco Gonçalves and the PCP, backed by the Revolution Council (the group of officials of the MFA that was supposed to supervise the unfolding of the revolution), increased significantly. Many street demonstrations took place, supporting different political actors, parties' headquarters were assaulted, and industries and large properties were occupied. As a mirror development, groups nostalgic for the *Estado Novo* arose to oppose the evident socialist strain in the political scene.

Portugal was as close to becoming a left wing dictatorship (a strong possibility and the basis of the PS arguments against the PCP) as it was to becoming a right wing dictatorship again.¹⁹⁰ There were evident attempts, pursued by Vasco Gonçalves and the MFA (always with the indirect support of the PCP), to disregard the legitimacy of the

¹⁸⁸ Rosas, "A Revolução Portuguesa": 28. – My Translation

¹⁸⁹ *Ibid.*, 29.

¹⁹⁰ *Ibid.*, 28.

constituent assembly elections, something that could have led to severe upheavals, opening the door to an eventual civil war. Finally, Vasco Gonçalves was dismissed in September, and was replaced by Admiral Pinheiro de Azevedo, but the situation did not undergo a substantial change as was expected. In fact, the problematic context surrounding the development of the Constitution might be a key aspect to understanding how that document became so progressive. The main points of the document were inclined toward clearly left wing positions, as will be shown later, thus the revolutionary context that surrounded the work of the constituent assembly might have had a singular influence on the fundamental law of the new regime, and notably on the social commitments assumed in the document.

Finally, on the 25th of November, another final attempted coup by a radical paratrooper unit was stopped by the so called “Group of Nine”¹⁹¹, a MFA group of moderate military personnel, with a mirror military offensive commanded by Ramalho Eanes, future President of the Republic, who blocked the objectives of the radical left in Portugal. The moderate essence of those personnel modeled the direction for the new developments. Afterwards, the political environment began to cool down until the approval of the democratic Constitution on 2nd April 1976, a moment that symbolically represented a new political development aimed at the establishment of a parliamentary democracy dominated by the party system.

Welfare State Growth

This political alteration, exemplified by the 25th April Revolution, represented an opportunity to make a break with the past and open the door for new kinds of social policies, which derived their nature from emphasizing the contrasts with the previous regime. Accordingly, the legitimation of this new regime was reliant on the level of contrast both to the old establishment and also to the reactionary attempts to return to a right-wing dictatorship.

Thus, with the revolution, a new set of opportunities was possible concerning social policy. After the political shift, Portugal had the chance to construct a modern welfare state in contrast with the general welfare retrenchment trend that was starting to prevail in the

¹⁹¹ Rosas, “A Revolução Portuguesa”: 30.

West. On a long term perspective, data collected revealed a pattern of welfare state growth in Portugal in the last quarter of the twentieth century. Even though regarding some indicators¹⁹² those improvements apparently begun during the 1960s and before the Carnation Revolution, after 1974 a strong boost was initiated.¹⁹³ Some authors have already identified this pattern, considering Portugal's welfare state and the "[...] generalization of qualitative and quantitative social rights [as] late processes [...] They were born on the precise moment in which other countries, where they first had born – as post-1945 France and England with the plan of the conservative Beveridge of 1942 – were being questioned with recessive measures (...)." ¹⁹⁴

Therefore, despite the establishment of a trend of general Western retrenchment during the 1970s, the power shift and the radical process that followed between 1974 and 1976, allowed developments in several dimensions of social life, improvements that contrasted sharply with the *Estado Novo* social policy. The worker's assemblies and worker's plenaries created in the revolutionary period led the provisory governments to enact the minimum wage, for example. The workers managed to achieve increased salaries, the 13th month, collective bargaining, Christmas subsidy, better social welfare, pregnancy assistance, illness and disability assistance, unemployment subsidy, general access to healthcare, and even rent control.¹⁹⁵ The social wave begun by the Carnation Revolution led to the following months being characterized by a mounting trend of social improvements in Portugal, forming the basis for a welfare development vitally connected to the revolutionary development and so, in many regards, showing a path towards a more social-democratic type of welfare system. This development was prompted by the vigorous destruction, in a few months, of the institutional and political pillars of the *Estado Novo* that, as argued before, could be considered as "[...] juridical-political obstacles to a Welfare State Progression in Portugal." ¹⁹⁶

As argued by Miguel Glatzer, in a context of welfare downturn and harsh economic conditions, Portugal's democracy born "(...) after the Golden Age of the welfare state from the 1950s to the 1970s (...) [was] still compatible with welfare state development." ¹⁹⁷.

¹⁹² See Figure 1, Table 1 and 4.

¹⁹³ See Figure 1, 2, 3 and Table 1 and 2.

¹⁹⁴ Varela and Guedes, "Sindicatos, Neoliberalismo e Estado Social": 80. – My translation

¹⁹⁵ *Ibid.*, 77.

¹⁹⁶ Daniel Bessa, "As Políticas Macroeconómicas do Post-25 de Abril – Ascensão e Declínio do Estado Social Português", *Revista Critica de Ciências Sociais*, nº 15/16/17 (Maio 1985): 330. – My translation.

¹⁹⁷ Glatzer, "Revisiting "Embedded Liberalism"": 107.

Hence, the idea that the structural change brought by the revolution led to the birth of a Portuguese welfare state is plausible. Additionally, this notion is underlined by the fact that this development happened precisely when the concept of the welfare state was being confronted and questioned in the West.¹⁹⁸ A survey of the literature on that subject shows a consensus regarding the uniqueness of the Portuguese case. Boaventura de Sousa Santos¹⁹⁹, Frank Hansen and Carlos da Silva²⁰⁰, Pereirinha²⁰¹ and Robert Fishman²⁰² are some of the authors that highlight the Portuguese pattern as contrary to most other Western countries. Silva Leal goes further in this singularity, arguing that neither the economic feasibilities, criticisms made by neoliberalism or more conservative alternatives were present in the mind of the main actors in the first two years of democracy, since they were, in the words of this author, “[...] guided by the most pure progressive spirit [...]”²⁰³

A return to the discussion made about welfare state regression can provide insight at this moment. Previously, social expenditure was generally characterized as an insufficient way to measure growth or changes in the welfare state – “Social expenditure as an essential indicator of welfare retrenchment is criticized by many scholars. [Such as] Walter Korpi and Jiakim Palme [...]”²⁰⁴ However, to a certain extent, even Pierson’s perspective, which relies on social expenditure, can corroborate the welfare state growth in Portugal. For example, according to Glatzer, and looking from a longer-term perspective, healthcare advanced from 0,2% of GDP in 1974 to 5,6% in 2008; education expenses accounted for 1,4% of GDP in 1972 and in 2008 that value had risen to 4,4% of GDP; as for social security, it represented 5,6% of GDP in 1974, but in 2008 it had risen to 16,1% of GDP.²⁰⁵

Collected data show in more detail a clear image of what had happened from 1970: a tendency of growth in expenses with social security (although the *Estado Novo* was an outlier) taking a more prominent position in social policy. For example, social security

¹⁹⁸ António da Silva Leal, “As Políticas Sociais no Portugal de Hoje”, *Análise Social*, Vol.XXI (87-88-89), (1985): 942.

¹⁹⁹ Santos, “O Estado, as Relações Salariais”, 7.

²⁰⁰ Frank Hansen and Carlos Nunes da Silva “Transformation of the Welfare States after World War II: the cases of Portugal and Denmark”, *Environment and Planning C: Government and Policy* vol.18 (2000):765.

²⁰¹ José António Pereirinha, et al., “From a Corporative Regime to a European Welfare State” in Klaus Schubert, Simon Hegelich and Ursula Bazant, *The Handbook of European Welfare Systems* (Routledge 2009): 399.

²⁰² Fishman, “Legacies of Democratizing Reforms”: 17.

²⁰³ Leal, “As Políticas Sociais”: 942. – My translation

²⁰⁴ See 1st Chapter, p.18.

²⁰⁵ Miguel Glatzer, “Revisiting “Embedded Liberalism””: 112.

accounted for 3,8% of GDP in 1972, and in 1973 that value rose to 4,4%, reaching 5,1% in the year of the revolution. A year later, it rose to 6,6% and in 1976 to 7,2 of GDP. Yet in 1978 and 1979 the percentage decreased to 6,6% and 5,7% respectively.²⁰⁶ Using these data, social expenditure, in this case the expense of social security, did not provide very strong support for the thesis of a growing welfare state, at least in the short term. However as Glatzer has shown, the evolution is clear from a long term outlook.

As argued in the first chapter, an evaluation of the welfare state must take into consideration different indicators. For instance, a strong case in favor of this thesis are the remarks made by Walter Korpi and Jiakim Palme²⁰⁷, who underlined the importance of unemployment, both to explain why social expenditure might be an erroneous indicator and as an indicator itself. It is important to remember the significance of full employment to the concept of the welfare state during the “golden years”; it was seen as a “protoright”.²⁰⁸ Robert Fishman’s argument is important in this particular case. He elaborates on the idea that Portugal was successful in employment measures aimed at full employment objectives after the revolution. He states, “[...] Portuguese unemployment was consistently low, often near the bottom of the range of variation found within the EU.”²⁰⁹ In his article, an argument is developed exposing the differences between the democratic transitions in Portugal and Spain (Spain in 1975) making the point that Portugal’s path to revolution was decisive for achieving more job security, as well as a faster rise in living standards²¹⁰ compared to the reforming path followed by the Spanish as her people transitioned to democracy. Furthermore, Fishman considered that the nationalizations brought on by the revolutionary period in Portugal were important to contain the “[...] recession-induced threat to employment of the 1970s and early 1980s.”²¹¹ The nationalization of the banking sector, and mainly of major bank (CGD) during the revolutionary period was also underlined as having played an essential role in restraining some of the neoliberal ideas.

That political option can be seen as a sign of left-wing dominance, and according to Fishman it helped to keep employment levels high, given the national bank’s role in financing small firms, self-employed persons, new kind of jobs and trainees.²¹² Other

²⁰⁶ See Figure 1 and Table 10.

²⁰⁷ Korpi and Palme, “New Politics and Class Politics”.

²⁰⁸ *Ibid.*, 428.

²⁰⁹ Fishman, “Legacies of Democratizing Reforms”: 6.

²¹⁰ *Ibid.*, 7.

²¹¹ *Ibid.*, 14.

²¹² *Ibid.*, 23.

authors also give insight into the role of the national banking sector regarding employment policies. Bessa states that “[...] such an extensive role regarding employment policy and the defense of jobs as the issues that came to be credited to the public bank sector”²¹³ could not be accomplished by private banks. The constitution played a very important role, namely regarding the rigid employment policy that it imposed. This will become clearer as this paper expands this thought further.

Another example of data that goes beyond social expenditure is the “micro data”²¹⁴ described by Christoffer Green-Pedersen, which can be considered a set of wider social benefits. It basically explores a more qualitative approach to the welfare system. Multiple authors have described the beginning of an expansion of the social protection arch in Portugal. Rodrigues²¹⁵ mentioned the creation of the 13th month, considerable disability supplements, more benefits for mothers, a death subsidy and survival pensions.²¹⁶ Boaventura de Sousa Santos underlined important legislation regarding labor that was achieved under the strong pressure from the labor movement that emphasized restrictions on unemployment, the minimum wage, collective contracts and wage value increases.²¹⁷ Glatzer showed that during the first six months following the coupe, “[...] nominal wages increased by 25 percent, and by as much as 100 percent in the textile industry.”²¹⁸ He correlated this to the strength of CGTP (a key labor union) and his link to the PCP. In fact much of the power of the PCP in the revolutionary period was based on his strong connection with the labor movement, whose main archetypal institution was the CGTP.

The increase in the generosity of benefits is visible in the share of salary values as a percentage of GDP. In 1973, wages accounted for 43,7% of GDP; in 1974 that number rose to 48,9% and to 57,6% in 1975. These data demonstrate a much more inclusive regime and a political concern aimed at citizens - an insightful change in social policy – proving a more generous regime had come into being. In fact, Boaventura claimed that that labour legislation “[...] followed the model used in Western social democracies, sometimes even going beyond it”.²¹⁹

²¹³ Bessa, “As Políticas Macroeconómicas”: 334. – My translation.

²¹⁴ Green-Pedersen, “Welfare-State Retrenchment”: 970.

²¹⁵ Eduardo Vitor Rodrigues, “O Estado e as Políticas Sociais em Portugal”, *Sociologia: Revista do Departamento de Sociologia da FLUP*, Vol.XX (2010): 205.

²¹⁶ See Table 7.

²¹⁷ Santos, “O Estado, as Relações Salariais”, 23.

²¹⁸ Miguel Glatzer, “Revisiting “Embedded Liberalism””: 124.

²¹⁹ Santos, “O Estado, as Relações Salariais”: 23. – My translation

The months constituting the revolutionary period that followed the military coup was characterized by an emphasis on the dissolution of the corporative system, fundamentally aimed at the old labor institutions. The previous negation of collective contracts had been replaced by (uncontrolled) collective negotiation operating under conditions mostly favoring workers. Similarly to Boaventura, Daniel Bessa²²⁰ underlined achievements as the right to strike, the beginning of solid public interventions defending jobs, increases in transfers from the still existent social welfare with progressive and universal characteristics and public consumption growth (although less related to labor) that supported the use of the nationalized Bank of Portugal. According Bessa, liquid surplus of “exploitation” decreased from 41,1 to 26,5% of GDP, the share of contributions to social security increased from 5,6 to 7,2% and public transfers increased from 4,8% to 9,15% of GDP (initial numbers from 1973).²²¹

The importance of this radical process between 1974 and 1975 (and continuing in a more moderate fashion into 1976) is visible when examining the creation of multiple workers’ assemblies and workers’ plenaries. These developments increased the social pressure that led the government to update the minimum wage. The workers managed, through what Raquel Varela calls “Wild strikes”,²²² to achieve a new set of rights and benefits that contributed directly to the establishment of a welfare state. “[...] School transport networks; [...] new schools, cafeterias and school residences, [...] subsidies for poor students and distribution of school milk”²²³ are representative of measures that were part of a wider mentality change, especially in regards to the conditions of women and children. For Glatzer, it was a revolution of values and customs, thus, he emphasized the role of women arguing that the higher participation of women in the workforce raised pressure towards welfare state improvements that ended up creating more jobs for women.²²⁴ The social rights of women, such as the right to work, originated a new feminine approach, one that had to balance family and a job. At the same time, that new approach created more jobs in accordance with changes happening inside the family structure that were caused by a larger commitment to full employment. This led to the expansion of

²²⁰ Bessa, “As Políticas Macroeconómicas”: 325-330.

²²¹ *Ibid.*, 331.

²²² Varela and Guedes, “Sindicatos, Neoliberalismo e Estado Social”: 77.

²²³ *Ibid.*, 76. – My Translation

²²⁴ Robert Fishman, “Legacies of Democratizing Reforms”: 20.

positions in domestic service for those women who could not perform traditional household duties anymore.

Richard Clayton and Jonas Pontusson demonstrated that the size of the public force was also a strong indicator of welfare growth.²²⁵ In the Portuguese case, the construction of welfare, made official with the 1976 Constitution, certainly would imply an enlargement of the public sector. In 1974, workers in the public sector accounted for 200,000 jobs, but today there are 800,000, a majority of whom are doctors and professors and other professions belonging to several dimensions of the welfare state. This provides a clear relationship between the development of the welfare state and the increase in the number of public employees. For example, Roleira Marinho (PPD), a deputy in the constituent assembly, referred to some aspects of health in Portugal by emphasizing the rehabilitation and construction of general health and hospitals mostly in more remote areas of the country.²²⁶ The qualification process and hiring of human capital to the system is emphasized through state intervention, which could only mean a larger public sector in Portugal.

A general picture of welfare state development has been drawn. However, more detail is needed both on the characteristics of that construction and on the influence of neoliberal ideas. When the 1974 revolution occurred in Portugal, a generalized worldwide economic crisis was dominating the scene, enabling, as it has been said in the beginning of this chapter, political leverage for neoliberal ideas to expand not only in theory, but also in practice. Politicians from both the left and the right faced economic stagflation leading them to abandon Keynesian ideas and add much more emphasis on neoliberal procedures, something that brought negative implications to welfare states and its more progressive assumptions, as it has been shown in the first chapter – “cuts in different budgets, cuts in benefits, cuts in public sector expenses, getting the same welfare results with reduced means, reduction of personnel, wage cuts, more expensive public services, and higher utilization costs”²²⁷. But that was not the case in Portugal. In fact Portugal’s journey to becoming a fully-fledged welfare state was made under much poorer economic conditions than those found in most of Western Europe countries. Thus, even though Esping-Andersen suggested that those countries needed a specific economic growth level to enhance welfare

²²⁵ Clayton and Pontusson, “Welfare-State Retrenchment Revisited”: 70.

²²⁶ *Assembleia da República – Diário das Sessões*, 1975: p.1594.

²²⁷ See 1st Chapter, p.23.

state development²²⁸, Portugal is a rather deviant example. If good economic conditions were necessary for welfare growth in most Western countries, the Portuguese case showed welfare development under bad economic conditions. That particularity highlights both the uniqueness of this case as well as the weight of the deep political transformations seen in 1970s Portugal.

The Social Policy Impetus

In fact it is in political developments that answers can be found for this welfare development. The fact acknowledged by Glatzer is insightful: “Democracy by coup d’état led by a left-wing revolutionary military remains exceedingly rare.”²²⁹ The military revolution that finished the longest dictatorship in Europe was indeed a very peculiar development in a late twentieth century capitalist Europe and it was natural that it would give birth to further developments. Contrasted with a conservative right-wing dictatorship, its left-wing nature and the radical developments that followed were fundamental to different outcomes in regards to welfare state policy. An analysis of the political discourse present in the constituent assembly and on the final product of that organ - the 1976 Constitution - provides insight and perspective on how neoliberal ideas were completely blocked and how a choice towards welfare development with strong social democratic welfare system features was pursued.

The social and political bias of the discourse in the constituent assembly is explicit. Even what might be characterized as moderate parties such as PPD developed an undeniably strong emphasis on social and civic rights. They were interpreted by the deputies as key to development, alongside the duties of the state to socialize medicine, education, urban space, housing, and of course, social security. This is not new since, as De Haan underlined in his research, postwar welfare developments involving more conservative political forces accounted for the development of a social order flavored by socialist proposals.²³⁰ Consequently there was a social consensus regarding a more progressive social policy. In Portugal, that consensus was borne from the need to stress a contrast with the *Estado Novo*. The predominant idea was that years of state absence in the role of alleviating social problems and constructing social policy in general should at that

²²⁸ Esping-Andersen, “Orçamentos e Democracia”: 598.

²²⁹ Miguel Glatzer, “Revisiting “Embedded Liberalism” ”: 111.

²³⁰ de Haan, “The Western European Welfare State”: 300.

moment be opposed by an interventionist state that could assume the responsibility for the welfare of the people. Moreover, a deeper look at the exposed ideas in the assembly makes evident the left-wing positions regarding matters as the collectivizing the means of production, worker participation in the process of administrating the company and participation in the structure of institutions that deal with basic sectors of economic life such as finance, natural resources, and defense.²³¹

Alfredo de Sousa (PPD) provides insight into the economic projects of his party, namely the socialization of the means of production, economic planning, although democratic and decentralized, agrarian reform, and modifying the concept and nature of companies and involving workers in that process. Ideas that together with similar approaches to healthcare, education and social security could pave the way to what would be, in his idea, an equal society, under a “social-democrat project.”²³² In fact, as Esping-Andersen explained, “[...] the transition is a period of continuous political modification in which emerging political parties try to define themselves aiming to future electoral completion. Likewise, it is most likely a particularly intense period of popular demands towards the repair of old injustices and the satisfaction of long before repressed necessities.”²³³

The importance of those demands in political speech is evident. On multiple occasions, the question of universal rights (specifically social rights) and social security and healthcare is underlined by many deputies and reflected in their proposals during the constituent assembly.²³⁴ Moreover, for a full commitment to universal security, the constitution should entail a complete protection provided by the state against “[...] old-age, disease, disability, widowhood, orphanhood and unemployment, through means of hospital and medical care, pensions, subsidies, allowances or other tools that the law can create.”²³⁵ The welfare commitment is clear, but of equal importance is to see how politics in Portugal opposed specific ideas of neoliberal discourse.

²³¹ *Assembleia da República – Diário das Sessões*, 1975: p.482.

²³² *Ibid.*, 547.

²³³ Esping-Andersen, “Orçamentos e Democracia”: 594.

²³⁴ *Assembleia da República – Diário das Sessões*, 1975: 28/08/75, 19/09/75, 10-09-75.

²³⁵ *Ibid.*, 1975, p. 1253 – My translation.

The Antithesis to Neoliberal Thought

Evidence has suggested that this social policy impetus during the two first years after the revolution was developed with no neoliberal influence. Deputy Furtado Fernandes (PPD) built a strong critique on liberal ideas, arguing that they “multiplied inequalities, economic and political dependency, alienation and social disintegration everywhere. And it threatens the future of mankind [...] not liberal or neoliberal, PPD is a party devoted to the construction of a socialist society.”²³⁶ The antagonism with neoliberalism is categorical. That rejection can be justified by the prevalence of leftist ideologies, which rose as the stronger opposing ideas against the previous conservative right-wing regime. It can be deduced that in the first years of democracy, there would be a deep rejection of everything that might reflect more conservative ideas, something that helps to explain not only the revolutionary discourse but also the more progressive positions of certain political actors.

José Luís Nunes (PS), in the first legislative session, expressed his view that Portugal was a country in transition to socialism, a socialism that would end the “exploitation of men by men.” The major social powers aimed at the success of that transition would be the rural workers, the laborers, small and medium-sized entrepreneurs and industrials, middle class, revolutionary intellectuals and the “protector” – MFA. They were seen as opposed to the monopolies and large properties, something accepted by neoliberal ideas.²³⁷ He also expressed as a crucial condition for that success a planned economy with an “anti-monopoly” essence and agrarian reform developed by workers based on the “[...] expropriation of the large estates.”²³⁸ Thus, an emphasis on a planned economy and a trend against economic monopolies became visible ideas defended in the constituent assembly. The intervention of Alfredo de Sousa, presented earlier, is also a suitable example of this trend.

In addition, while neoliberals seemed to consider the potential power of the trade unions as harmful because of their influence on wage policies, Portuguese politicians saw union and even employee’s involvement in the management of social security and labor politics as a fruitful exercise. The party *Movimento Democrático Português*, (MDP Portuguese Democratic Movement) even considered that unions should have an exclusive

²³⁶ *Assembleia da República – Diário das Sessões*, 1975 p. 1243 – My translation

²³⁷ *Ibid.*, 1976 p.37

²³⁸ *Ibid.*

participation in social security institutions – “And why? Because we think that social security exists precisely to and for the workers”.²³⁹

A very important aspect was the nationalization objectives. Neoliberal economists saw free market mechanisms as the best option for a large part of the social and economic problems, but the ideas that were dominant during this period in Portugal were completely opposed to the prevalence of free markets and private property. The banks were nationalized by the provisory governments as mentioned before, but the nationalization and state intervention policy went beyond that. The policy that was dominant in Portugal in those first years following the Carnation Revolution was aimed at expropriating large possessions²⁴⁰, at the socialization of healthcare,²⁴¹ the nationalization of the means of production,²⁴² and the socialization of social security to be financed by the state.²⁴³ These were actual objectives that highlight the picture of a revolutionary and radical environment in which the Constitution was written. Yet how were those ideas translated into law by the 1976 Constitution? Given the weight of leftist ideas in the constituent assembly and in the country itself, the document approved on the 2nd April 1976 was significantly leaned toward a left-wing ideology, and so it can be considered a document in opposition to neoliberal thought. It should be stated that its first revision was only made in 1982. As Esping-Andersen notes, “[...] the 1976 Constitution and ulterior reforms gave so much relevance to social policy.” In reality, the first article of the document was sufficiently clear – “Portugal is a sovereign Republic, based on the dignity of the human being and on the will of the people, committed to its transformation into a society without class division.”²⁴⁴

The document expressed the objective to become a socialist society²⁴⁵, where the working classes could possess a democratic political power. To accomplish that, the state had the duty to socialize the means of production and wealth, to create conditions that could lead to the promotion of welfare and a higher standard of living for the people with special emphasis on the working class.²⁴⁶ This socialist influence can be considered essential when

²³⁹ *Assembleia da República – Diário das Sessões*, 1975, p.160 – My translation.

²⁴⁰ *Ibid.*, p.409.

²⁴¹ *Ibid.*, p.3169.

²⁴² *Ibid.*, pp. 482, 647.

²⁴³ *Ibid.*, p.1719.

²⁴⁴ *Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976 – Artigo 1º [Constitution of the Portuguese Republic – Original Text of the Constituion, approved on the 2nd May 1976 – Article 1] - My translation.*

²⁴⁵ *Ibid.*, Article 2.

²⁴⁶ *Ibid.*, Article 9.

explaining why despite suffering the same economic troubles as other countries, Portugal deliberately enacted a countercyclical welfare expansion. Again, the previous establishment had significant influence: the *Estado Novo* at its ideological core represented socialist ideas as the main enemy to be dealt with –“To the Marxist and atheist socialism, [the *Estado Novo*] opposed, in time, the revolutionary proselytism of the Social State, traditionalist and Christian.”²⁴⁷ Heavy repression for decades ended up reflecting a natural prominence of those ideas when the regime was deposed, and the 1976 Constitution represented an altogether new set of ideas as it came into being.

In terms of the welfare state, the Constitution was a very strict document. Besides declaring the right to personal integrity, the right to freedom and security, freedom of expression, freedom of the press, religious freedom, and freedom of association, the constitution stated the right to a universal, general and free national healthcare service, the right to housing, with dignifying comfort and hygiene conditions ensured by the state, through social housing programs, and the reformulation of urban transport networks and social equipment.²⁴⁸ Moreover, the 63rd article ensured the *right* of every citizen to social security. It professed as the duty of the state to “[...] organize, coordinate and subsidize a unified and decentralized social security system in accordance with the participation of the unions, associations, and other workers institutions.” Potential private institutions with these purposes were allowed, but they had to be regulated by law and were submitted to the *inspection* of the state. The system would guarantee protection for the citizens in cases of disease, disability, old age, orphanhood, widowhood and unemployment. The constitution also declared the protection in all situations where there might be a lack or diminution of basic means of survival. The gradual institutionalization of a welfare state system was visible and one characteristic that must be highlighted is the responsibility of the state to finance such a system - contrary to neoliberal mechanisms and to the economic tide.

Along with these reforms, economic planning and nationalization were imperative to the Constitution’s goals. “The development of the revolutionary process demands, in the economic plan, the collective appropriation of the main means of production.”²⁴⁹ Furthermore, economic planning and nationalization were spread throughout variable dimensions of the economic and social structure. Worker commissions, social security

²⁴⁷ *Assembleia da República – Diário das Sessões*, 1971: p.1243 – My translation.

²⁴⁸ *Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976* – Articles 9, 64 and 65.

²⁴⁹ *Ibid.*, – Article 9 - My translation.

institutions, or healthcare institutions should elaborate economic plans.²⁵⁰ Likewise, articles 91 and 92 show that an economic plan was one of the objectives most emphasized by this Constitution. In fact, the document declared the creation of a major plan that would guide the economic structures towards the construction of a socialist economy. More than that, the plan had an “imperative character,” that controlled the public sector and defined the guiding lines of potential private enterprises.²⁵¹ Again, the opposing trend to neoliberal ideas is strong, since private solutions were the focus of economists such as Friedman as were the objections to a planned economy, signs of state intervention and regulation.

One of the most important political dimensions that was totally opposed to what neoliberalism recommended was the employment policy which was designed to protect the employees. In fact, more than a “protoright”, the Portuguese constitution unilaterally declared employment a constitutional right. In the context where the full employment policy of the postwar settlement had come to an end in order to protect inflation, this was a significant alteration. “It is up to the state to ensure the right to work, through the application of economic and social policy plans,”²⁵² this article, besides showing a clear advance regarding matters such as genre equality or professional formation, emphasized the objective of full employment policies and the right to material assistance to those unemployed. Moreover, a second section of this new provision declared unilaterally the forbiddance of firing without just cause, a rule that neoliberalism is specifically opposed to, due to its core argument that state regulation be totally replaced by free market mechanisms and rules.

Many of the ideas established during the revolutionary period came to be legalized through the 1976 Constitution. The crucial document of the new regime posed a significant and singular antithesis to the widespread rising dominance of neoliberal ideas. This renunciation, even at a time of economic and financial instability, showed that Portugal, even as other nations all over the West were suffering, paved the way for the establishment of a modern welfare state. The political rejection of neoliberal ideas continued its path due to the lasting influence of the revolutionary “[...] singular founding moment.”²⁵³

²⁵⁰ *Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976* – Articles 23, 55, and 58.

²⁵¹ *Idem* 91, 92.

²⁵² My translation.

²⁵³ Fishman, “Legacies of Democratizing Reforms”: 40.

The Healthcare Service

This section considers a specific dimension of the welfare state – healthcare. At this moment it is important to develop a more particular analysis on one specific element of the welfare state, in order to give the argument more depth and insight. What is the case with Portuguese health and if it was influenced by neoliberalism ideas is the main question. The *Serviço Nacional de Saúde* (SNS, National Health Service) discussion begun almost at the same time as the Carnation Revolution triumphed.

During the discussion of the constituent assembly, deputy Miller Guerra (PS) summarized with a few main points the real situation of healthcare in Portugal inherited from the dictatorship. It is worthwhile to underline his arguments: the lack of a single health structure with a focus; the heavy imbalance regarding the distribution of human capital (a larger proportion of doctors in Lisbon, Porto and Coimbra and little or no doctors in many interior regions). According to him, the *Estado Novo* system used to be divided in three distinct structures: one organized by the state (“which only crudely can be called a hospital network”) a proto-state one - social welfare -, and the private sector one. This last one was severally attacked by him, being accused of taking large profit from a population that had no other solution than to turn to the private sector.²⁵⁴ According to Paulino de Sousa, Portugal in 1970 had one of the worst infant mortality rates in Europe at 58,6‰ . Only 37 % of childbirths happened in hospitals.²⁵⁵ The severity of the situation coupled with the regime’s desire for legitimacy, lead to deep social reforms.

It was the ideas leading the assembly, motivated by previous arguments, which built a progressive article in the Constitution regarding healthcare. In fact the leftist tendency that dominated the constituent assembly was visible in healthcare issues: “True equal access to medical services is only possible through a socialist society. However, as healthcare is an inestimable good, the socialization of medicine must precede, or go along with, the general socialization.”²⁵⁶ Thus, the first and second sections of Article 64 of the 1976 Constitution emerged from the approval of the constituent assembly and declared that

²⁵⁴ *Assembleia da República – Diário das Sessões*, 1975: p. 1719. My translation

²⁵⁵ Paulino Artur Ferreira de Sousa, “O Sistema de saúde em Portugal: realizações e desafios”, *Acta Paul Enferm* 2009 (Especial 70 Anos): 886.

²⁵⁶ *Assembleia da República – Diário das Sessões*, 1975: p. 1721.

“Everyone is entailed to the right of healthcare and to the duty of defending it and promoting it. [...]”. More than that, it stated that “The right to healthcare is achieved through the creation of a universal, general and cost free national healthcare service, through the creation of economic, social and cultural conditions that can ensure protection from childhood to old age, and through the constant improvement of living and working standards. As well as through the promotion of a scholarly, popular physical and sportive culture, and also through the development of sanitary education for the people.”²⁵⁷

Moreover, under constitutional law, the state had the obligation: to grant access to preventive care for all citizens, and medical assistance for healing and rehabilitation regardless of their economic condition; To ensure rational and efficient medical and hospital coverage in every territory; To aim its policy towards the socialization of medicine and the medical supply sector; To discipline and control private medicine, and to join them with the national healthcare service; and lastly to discipline and control the production, commercialization and use of chemical, biological, and pharmaceutical products and other means of treatment and diagnosis.²⁵⁸ These prerogatives ensured a very progressive type of healthcare system, which stresses a qualitative emphasis regarding the development of this particular welfare dimension.

Given the universal essence, the free nature, and the leading role of the state (contrary to neoliberal ideas), one might ask if quantitative data corroborate a real growth in healthcare after the revolution. OECD data show that in 1970, Portuguese health expenditure was 2,6% of GDP. In 1975, the number had increased to 5,4% and in 1980 to 5,6 %. In terms of public expenditure on healthcare, there was a clear growth trend where in 1972, Portugal public spending on health was 1,6% of GDP rising to 3,2% and 3,6% in 1975 and 1980 respectively.²⁵⁹ Factors other than social expenditure numbers are central to the achievements that can be attributed to healthcare reform. Life expectancy, both for men and women, increased five years between 1970 and 1985; the child mortality rate at 55‰ in 1970 dropped to 18‰ in 1985; and as for location of birth²⁶⁰, in 1970 around 110,000 babies were born at home and 65,000 at a hospital, but by 1985, 20,000 births occurred at

²⁵⁷ *Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976* –Article 64

²⁵⁸ *Ibid.*

²⁵⁹ Paulino Artur Ferreira de Sousa, “O Sistema de Saúde em Portugal: realizações e desafios”, *Acta Paul Enferm* (2009): 889.

²⁶⁰ See Figure 6.

home and around 110,000 at a hospital.²⁶¹ Moreover, data has showed a health growth also on the personnel dimension, namely doctors, which underlines this improvement trend.²⁶²

It can be argued that this healthcare improvement trend was already present in the last years of the dictatorship, due to the reformative wave of Caetano's first attempts to modify healthcare, as shown in the previous chapter. But, an analysis of different sources, such as *Pordata* portray a much more positive trend after the revolution. The data collected show a trend of increasing expenditure before the revolution: for instance in 1972, the state spent the equivalent of 2,8 million Euros²⁶³ on health nearly doubling to 5 million in 1973. However this number increased to 7 million a year later and 9,5 million in 1975, and, despite a decrease to 9,1 in 1976, as history approached the approval of the SNS law in 1979, a particularly pronounced increase in those values is visible. In 1977, expenditure reached 61,6 million; in 1978 it rose to 133,2 million; in 1979 another increase brought the total to 188,5 million reaching 234,8 million in 1980.²⁶⁴ In terms of government expenditure with health as a percentage of GDP, this source showed a trend of upward growth. In 1972, Portuguese public spending on health was 0,2% of GDP. That percentage rose to 0,4% in 1975 and 2,8 % in 1980²⁶⁵. The ratio of government expenditure per capita on health was 0,3 in 1972, which increased to 1,0 in 1975. It is clear that the following years presented a more pronounced increase when in 1980 the ratio reached 24,0 , an increase that can be tied to the creation of the SNS which rose to prominence the following decade.²⁶⁶

These data show that together with the qualitative welfare construction, health quantitative improvements were being made. Nevertheless, the decisive turning point regarding healthcare in Portugal was the approval of the SNS law and its institutionalization in 1979. Despite the mandatory creation of a national health service present in the constitution, it was only three years later that the system was created. The delay was undeniably caused by political instability “Between 1976 and 1983, the country had nothing less than 10 governments, two of which were functional and three of which were

²⁶¹ INE - Instituto Nacional De Estatística, *25 de Abril – 40 Anos de Estatísticas*, (Lisboa, 2014), p.61.

²⁶² See Table 9.

²⁶³ Despite that the currency at that time was the previous Portuguese “Escudo”, this data source converted the value to “Euros”.

²⁶⁴ See Table 3.

²⁶⁵ See Table 5 and Figure 4.

²⁶⁶ See Table 6 and Figure 5.

presidential nominations.”²⁶⁷ In fact, the draft of the law was laid to public discussion in 1978, through the efforts of the II Constitutional Government’s Minister of Social Affairs, António Arnaut. Yet, the mentioned instability brought a new government to office, suspending for months the discussion of the new law.²⁶⁸ This changed on the 17th May 1979, after a fierce discussion during the previous months in parliament when the law that created the SNS was approved. Although the fourth chapter analyzes the political discussion surrounding the SNS law, providing a picture of the importance and influence of the political parties’ struggle in the development of healthcare reform, it is important to say that the document was approved by the left-wing parties, rejected by the CDS (a right-wing party), and obtained the abstention of the PSD (a center-right party at the time).²⁶⁹ The analysis of such voting patterns and different proposals will provide insight into how even with the entry of neoliberal discourse in the political scenario, welfare state breakthrough was still possible.

The document was not influenced by neoliberal ideas, such as private solutions, deregulation, market mechanism or means-tested eligibility for example. The Western trend of welfare state review, supported by a strong ideological corpus embodied in neoliberal thought, showed little relevance to the development of the healthcare dimension of the Portuguese welfare state. Its law probably could have been developed in a different political context but hardly in such a progressive way. One of the main characteristics of the law was that it defined the government as fully responsible for the healthcare policy. State regulation would be the motto for Portuguese healthcare. Furthermore, Article 50 (concerning financing) declared: “It is the duty of the State to allocate the indispensable financial resources to the SNS in order to secure its progressive implementation and consummation.”²⁷⁰

Article 4, in accordance with Article 64 of the 1976 Constitution, regarded the system as accessible to all citizens, irrespective of economic or social condition. Additionally, the service was granted to foreigners and all stateless and political refugees. These guarantees could not be restricted in any way, requiring the service to provide an extensive series of medical care considering the “[...] promotion and vigilance of health,

²⁶⁷ Varela and Guedes, “Sindicatos, Neoliberalismo e Estado Social”: 77.

²⁶⁸ *Assembleia da República – Diário das Sessões*, 1978: p.1254.

²⁶⁹ *Idem*, 1979, p.2149.

²⁷⁰ *Projecto de Lei do Serviço Nacional de Saúde*, Artigo 50º [*National Healthcare Service Bill - Article 50 - My translation*].

prevention of disease, diagnosis and treatment of the patients as well as social and medical recovery.”²⁷¹ Portugal approved a system that was both universal and totally financed by the state, something that was countercyclical to the discourse that was starting to prevail in the West. The first chapter of this thesis explored Richard Clayton and Jonas Pontusson’s work regarding the British NHS in which they stated, “While fees in the NHS increased from 1.9 percent of total spending in 1979 to 3.2 percent in 1994, the role of private enterprise within the healthcare sector increased considerably under Thatcher and Major. This [accounted for a] combination of underfunding, increased fees, distorted priorities [...]”²⁷² In the Portuguese case, private practice was considered, and it was given space for a complementary existence. Nevertheless, those services should always be subject to the “discipline” and control of the state.²⁷³ In the spirit of the 1976 Constitution, “It is given to the patients and healthcare professionals the right of participation in planning the administration of services.”²⁷⁴ To accomplish this, the National Healthcare Council and regional local councils were created. In a similar light, Article 7 declared that access to healthcare be cost free inside the system, considering the eventual existence of symbolic moderating values, in order to rationalize the use of some services²⁷⁵.

This third chapter confronted neoliberalism as an important factor regarding welfare retrenchment and the post 25th April 1974 political developments of Portugal. Portugal followed a process of creation and expansion of a welfare state in direct confrontation with what had become the political and economic consensus. Neoliberalism, as a significant influence on welfare state evolution, did not play a role during the creation of the welfare state in Portugal. A very specific group of political contingencies, and a particular institutional environment that lent itself to economic and political ideas that were antagonistic to neoliberal proposals were the key variables to understanding the rather particular welfare path of Portugal. That path can be illustrated by the construction of the SNS, a body functioning in opposition to neoliberal logic.

²⁷¹ *Projecto de Lei do Serviço Nacional de Saúde*, Article 4 - My translation.

²⁷² Clayton and Pontusson, “Welfare-State Retrenchment”: 86.

²⁷³ *Projecto de Lei do Serviço Nacional de Saúde*, Article 52.

²⁷⁴ *Ibid.*, - Article 23 - My translation.

²⁷⁵ *Ibid.*, - Article 7.

Chapter IV – *Political Parties in Times of Retrenchment*

Welfare state retrenchment has been recognized as a visible trend in Western societies since the 1970s. To varying degrees, social consensus regarding welfare state has been questioned - mainly by neoliberal discourse - yet Portugal's case challenges that pattern. The previous chapter showed a welfare state expansion in Portugal precisely during the initial phases of a wider turning point in Western social policy, motivated by a meagre welfare context inherited from the dictatorial period, and by a very specific set of political developments that enabled both political discourse and political action to depart from neoliberal ideas regarding social policy, namely on healthcare.

This chapter will address the role of political parties regarding this welfare expansion. As the first chapter showed, political parties were an important variable in explaining welfare state retrenchment. Whether considering Korpi's argument left-wing parties' lesser importance²⁷⁶, or Pierson's argument for the loss of importance of political parties in general, or their reduced room for maneuver, the fact is that the role of parties, whether in the expansion or the retrenchment of welfare cannot be ignored, especially given a rather dynamic political context, such as the one evident in the second half of the 1970s in Portugal.

The analysis of parties' behavior in specific developments of this period should help understanding whether the arguments regarding the influence of parties in the outcomes in welfare policy, provided in the first chapter, can account for the Portuguese case and how this contributes to an explanation of welfare development in Portugal. Moreover, it is important to elaborate on why and how the parties' ideas and actions were crucial for the process of welfare growth in Portugal, especially with regard to healthcare. In order to accomplish this, the first section will give insight on the new Portuguese political parties and the partisan system that grew after the Carnation Revolution. Their characteristics are important for understanding their role in welfare. The second section considers the political parties in Portugal as one of the factors responsible for the expansion of the welfare state, analyzing the importance of the political context, and more specifically its influence on the ideas developed by different parties, and how those ideas were realized in the development of new social policy. One of the most important fields to understand partisan prominence

²⁷⁶ See 1st Chapter p.25.

is healthcare, where the *Serviço Nacional de Saúde* (SNS, National Health System) achieved the status of “(...) law (...) that better accomplished the ideals of justice and equality of the 25th of April.”²⁷⁷, and it is in the final section where partisan actions and ideas regarding healthcare are discussed.

Portuguese Political Parties

With the end of the dictatorial period, a new political establishment could be created. Political parties were forbidden by the old regime; however, with the culmination of decades of dictatorship, the moment had come for partisan liberalization, previously restricted to a single fascist party since the end of the First Republic.²⁷⁸ In fact, political parties did not play a role in the coup that overthrew the *Estado Novo* establishment, since it was a military action. Yet, this type of institution was essential to the developments of the revolutionary period that followed the *coup d'état*. Other political actors were important to understand aspects of this period, such as the labor movement or even the people actions and demands. In a similar vein, this analysis focuses on the parties' role as crucial variable in welfare state development.

In the first chapter, Pierson's ideas regarding the role of the parties were highlighted. According to his “new politics” approach, parties could not play a role in the retrenchment process starting in the 1970s. The new variables of interest groups and complex public opinion, as well as post-industrialist developments, left no space for political parties to make a difference.²⁷⁹ However, Portugal in the 1970s did not have as developed a welfare state as those on which Pierson built his hypothesis. In fact, the previous political regime had meant that Portugal had avoided certain substantial social developments, as the country did not suffer from an ageing population, and so it did not have visible “new actors” for the defense of the welfare state, nor problems with pensions by the maturation of a welfare state.²⁸⁰ Thus, this research has enabled the hypothesis of a wider maneuver space for political parties in Portugal, which does not correlate with Schumacher's argument of lesser room for maneuver due to budgetary limitations. In Portugal, it was the ideological

²⁷⁷ Manuel Alegre – Acceded May 13th, 2015. Available at: <http://www.manuelalegre.com/302000/1/000252,000010/index.htm> - My translation

²⁷⁸ Carlos Jalali, *Partidos e democracia em Portugal 1974-2005: da revolução ao bipartidarismo* (Imprensa de Ciências Sociais, 2007), 17.

²⁷⁹ Pierson, *Dismantling the Welfare State?*, 8.

²⁸⁰ See 1st Chapter, p.28.

effervescence after the revolution that permitted such room for left-wing parties in spite of the economic problems of the time.

Despite the great influence of the armed forces in the new political order, the fact is that the military was relatively prompt in starting the process of delivering power into civil hands and accepting a political system based on parties. Thus, in October 1974, the first Provisional Government created a law that gave political parties the exclusive role in electoral activity.²⁸¹ This document was only one part of a wider process concerning the establishment of political parties as the main actors in the post-April 25th context. A period of passionate ideological discussion and 48 years without freedom of association gave rise to a considerable number of parties in this period, highlighting the conceptual and civic activity in Portuguese society, which for so many years was deprived of such prerogatives.²⁸²

This rising set of parties was deeply biased toward left-wing ideas. It is necessary to mention that it was also Pierson who made the argument of a general decay of left-wing parties in the 1970s, as shown in the first chapter.²⁸³ Schumacher justified that loss of importance with the argument that there was no space for budgetary expansion, a key element in the left-wing parties' welfare policies.²⁸⁴ Nonetheless, collected data has revealed a set of parties that mainly turned to left-wing positions, many of which held an abundance of radical positions.

Among the sample of 16 parties' programs and principles consulted, at least 9 stated as objectives the abolishment of the capitalist system²⁸⁵ and the "(...)founding of a communist society (...)"²⁸⁶ following the ideas of "(...)the Marxist-Leninist doctrine, by the teachings of Marx, Engels, Lenin, Stalin and Mao Tsé Tung(...)"²⁸⁷, or they aimed at an "expropriation by the state, with no compensation for any economic central sectors, of

²⁸¹ José Medeiros Ferreira, "Portugal em Transe (1974-1985)", in José Mattoso (Dir.) *História de Portugal*, Vol. VIII Estampa (Lisboa, 1993): 239.

²⁸² *Ibid.*, 240

²⁸³ Pierson, *Dismantling the Welfare State*, 151.

²⁸⁴ Schumacher, "Marx" or the Market!": 1026.

²⁸⁵ *Programa e Estatutos do PCP* [Program and Statutes of PCP] (VII congresso (extraordinário) realizado em 20/10/74), 11.

²⁸⁶ Estatutos da OCMLP – Organização Comunista Marxista Leninista Portuguesa [Statutes of the OCMLP – Communist, Marxist, Leninist Portuguese Organization], 1. - My Translation.

²⁸⁷ *Partido Comunista Português (Reconstruído)* – Estatutos [Portuguese Communist Party (Rebuilt) - Statutes] (1976) - My Translation.

transport and communication, of all bourgeoisie property and of imperialism”²⁸⁸. Even what might be considered as right-wing parties showed a considerable deal of care in underlining their social concerns and avoiding clear demarcation from the left: the Liberal Party considered that “the program of the Liberal Party does not represents a reminiscence of the old liberalism, on the contrary, the Party has a strong social flavor, founded in participatory freedoms”²⁸⁹; the CDS characterized itself as being open to “all center-left and center-right democrats who considered themselves as alone in the tasks that must be pursued [...]”²⁹⁰. The prevalence of such a bias and the dominance of left-wing parties confirms that after the revolution, the importance of left-wing parties was undeniable. Whether that was translated into a commitment to welfare development is something that will be elaborated upon later in the chapter.

A more detailed analysis of the four main parties of this period also gives insight into this left-wing bias. Firstly, the *Partido Comunista Português* (PCP, Portuguese Communist Party) was the only party able to keep a solid, hegemonic, yet clandestine structure during the resistance. This fact gave the party an advantage over all the others, having what can be considered a party “machine”²⁹¹. Thus, during the revolutionary period, as a well-organized and solid political structure, the PCP was efficient in managing the various dimensions of the revolutionary period, such as the unions, the popular power present in demonstrations, appropriations, general social demands, and in controlling the media. The PCP revolutionary strategy, its “revolutionary legitimacy” and the “armed arm” of MFA, allowed the communists to be the only party participating in all provisional governments, where it had success in its objectives, for example, the V Constitutional Government radical performance.

Founded by Diogo Freitas do Amaral on the 19th of July 1974, the Centro Democrático Social (CDS, Democratic Social Center) was a kind of “recycling bin” of personalities of the *Estado Novo*, mainly from the Marcello Caetano era. In the same way, it gathered around itself personalities connected to the previous regime, such as Adriano

²⁸⁸ *Frente Eleitoral de Comunistas (Marxistas-Leninistas) – Estatutos e Programa* [Electoral Front of Communists (Marxists-Leninists) – Statutes and Program] - My translation.

²⁸⁹ *Partido Liberal – Paz, Liberdade, Justiça, Desenvolvimento* [Liberal Party – Peace, Liberty, Justice, Development] - My translation.

²⁹⁰ CDS – Centro Democrático Social – Declaração de Princípios [CDS- Social Democratic Center – Declaration of Principles], 6 - My translation.

²⁹¹ Raby, quoted in Manuel Loff, “Fim do Colonialismo, Ruptura Política e transformação Social em Portugal nos Anos Setenta” in Loff, Manuel e Pereira, M. da Conceição Meireles (Coord.) *Portugal: 30 Anos de Democracia (1974-2004)*, (Editora da Universidade do Porto: Porto, 2006): 176.

Moreira, who had been Minister of Ultramar under Salazar. Therefore, it was the party that leaned most toward right-wing and more conservative ideas. Its ideological hesitancy in the first years of activity was justified by the “(...) partisan system’s left-wing bias (...)” a fundamental characteristic of the period that followed the Carnation Revolution²⁹². Nevertheless, it did not escape the period’s social aversion to everything that represented ideas closer to the right-wing political spectrum. It was, indeed, the most damaged party for those reasons, which mostly benefitted the PSD, the other right-wing party, who gained points through its more centrist and at times even leftist approach.

The Partido Popular Democrático (PPD, Popular Democratic Party), which later would rename itself the Partido Social Democrata (PSD, Social Democratic Party), was a “(...) congregating element of conservative and popular powers, socially not elitist (...)”²⁹³. Hence, it emerged from a “(...) catholic liberal group, the SEDES, (...) which aggregated the moderate and technocratic liberal faction of the opposition to the old regime, being essentially an urban elite of middle and higher class. Notably, it gathered the “Liberal Wing”, elected for the National Assembly in 1969(...)”²⁹⁴. Thus, three of its founding faces (Magalhães Mota, Sá Carneiro e Pinto Balsemão) had been deputies in the old regime, belonging to the liberal wing of the *Estado Novo* single-party. The initial program of this party held, as prominent features, a democratic-socialist ideology, and a concern for the social welfare of the population with regards to healthcare, housing, social security and education.²⁹⁵

Lastly, the PS was the party that best translated its program into approved proposals in the constitution.²⁹⁶ The PS of 1974 was a left-wing party that considered that “wealth produced in those capitalist countries [France, Germany and the USA] is achieved through the exploitation of man by man, through manipulation of the people.”²⁹⁷ Thus, it was a

²⁹² Manuel Loff, “Fim do Colonialismo, Ruptura Política e transformação Social em Portugal nos Anos Setenta” in Loff, Manuel e Pereira, M. da Conceição Meireles (Coord.), *Portugal: 30 Anos de Democracia (1974-2004)* (Editora da Universidade do Porto: Porto, 2006): 176- My translation.

²⁹³ *Ibid.*, 183. - My translation.

²⁹⁴ Carlos Jalali, *Partidos e democracia em Portugal: 1974-2005: da Revolução ao Bipartidarismo*, Imprensa de Ciências Sociais, (Lisboa 2007), 141 - My translation.

²⁹⁵ *A Social-Democracia para Portugal, programa do Partido Social Democrata [The Social-Democracy for Portugal, program of the Social Democratic Party]* (com aprovação no 1º Congresso Nacional 23,24 de Nov. 74), 5.

²⁹⁶ Mónica Brito Vieira and Filipe Carreira da Silva, *O Momento Constituinte – Os Direitos Sociais na Constituição* Edições Almedina (Coimbra, Novembro 2010).

²⁹⁷ *O que é o Partido Socialista [What is the Socialist Party?]* (1974) - My translation.

social-democratic party that had its ideological ground between the totalitarian projects of the PCP, the radical left and radicalized MFA military officials, and the center and the right. In practical matters the ideological left “majority” after the revolution translated into two electoral victories for the PS: “The PS is, in fact, the convincing winner of the Constituent Assembly elections, by reaching a total of 116 deputies, something that will give it the position of the key party during the deliberation of the Constitution and the establishment of political democratic power in Portugal.”²⁹⁸ In the first election for the regular parliament (1976), the PS won again with 34,8% of the vote (1 911 769 votes), followed by PPD/PSD with 24,3% (1 336 697 votes), with the CDS in third place with a percentage of 16 % (877 494), and finally the PCP with 14,3 % (786 701).

The argument of José Medeiros Ferreira regarding this set of parties is valid: he suggests that there were two instances of institutional conflict in the partisan system. The first, during the revolutionary period, was against the parties that defended a plural parliamentary democracy as opposed to any form of direct democracy. Therefore, both the PSD and CDS accepted the prominence of the PS during 1975 and 1976 in the political conflict against the power of the PCP and other allies such as the more radical faction of the MFA. The second was during the constitutional period, where the political balance was determined by different and varied alliances and actors, leaving the previous establishment behind.²⁹⁹ With two electoral victories in the first two free democratic elections in Portugal, and the gradual, moderate path followed by the country after the 25th of November, it could be argued that the PS was the most successful party in these first two years of democracy, deeply linked to the welfare state growth in Portugal, specifically through the establishment of a constitution heavily aimed at building a modern welfare state structure. This notion contradicts the argument of the loss of importance of left-wing parties, since it was more than just one main party, rather the party system that was heavily biased toward the left, something that turned out to be essential for welfare growth, as the next pages will underline.

Medeiros Ferreira’s argument is also important to compare with the statement on the partisan system made by Green-Pedersen.³⁰⁰ In the first chapter, this author’s argument was outlined, drawing attention to the importance of the party system to welfare

²⁹⁸ Ferreira, “Portugal em Transe”, 245. - My translation.

²⁹⁹ *Ibid.*, 242.

³⁰⁰ See 1st Chapter, p.29.

retrenchment issues. In it, he underlined the bloc system, whereby both left- and right-wing parties agree on social policy, and a pivotal system whereby there are three main parties - one in the left, one in the center and one in the right - and according to him, retrenchment was pursued when the center party addressed that type of policy. The Portuguese case is too specific to fit entirely within Pedersen's analysis, given that these parties were new, with the exception of the PCP, and that there was a highly complex context of revolutionary essence during the first years of the new regime. Although it could be considered to be in the first phase, a bloc system with left- and right-wing parties, the dominance of a left-wing party, PS, meant the system was too left-biased. However the social party consensus of which Pedersen speaks regarding retrenchment in a pivotal system is interesting for Portuguese case, since although the partisan system in Portugal also provided some political consensus, it was not towards welfare retrenchment, but rather the exact opposite.

Therefore, it must be emphasized that the profound changes regarding social policy that the 1976 constitution demanded were also the result of a political consensus, based on the conjunction of ideas from all the parties, with the general desire of a modern welfare state in Portugal.³⁰¹ Thus, the 1976 constitution, accordingly, reflected the importance of, for instance, the CDS in bringing the logic of the Universal Declaration of the Human Rights to the text as a main guidance for fundamental personal rights, which the CDS emphasized in order to counterbalance the authoritarian PCP approach. For the PCP, the rights should have been connected to the collectivization of the means of production. The PCP, as a Marxist party, placed more emphasis on the economic organization. The PS had the major role regarding economic, cultural and social rights. The PPD, with many jurists, elaborated on the main fundamental rights proposals.³⁰² Hence, despite the prevalence of leftist ideas, welfare development is also connected to the contribution of all parties, together in a consensus towards social policy reform, and that does not go along with the notion of a break in the importance of the political parties, when facing assumptions of “no alternative” or “no time to be political parties”.³⁰³

³⁰¹ Vieira and Silva, *O Momento Constituinte*, 115.

³⁰² *Ibid.*, 12.

³⁰³ See 1st Chapter, p.27.

Political Parties – Actors of Retrenchment?

It is clear that there was a leftist bias in the partisan system and, following that, a social consensus regarding the importance of welfare state, as in fact had been the case during the “golden years” of Western postwar welfare. The question is to understand why the political system was so left-biased and was so concerned with improving social policy, and how eventually that translated into welfare state development. The fact that these were new institutions was important, since the legitimation of the rising regime was dependent on the capacity of its actors to clearly make a break with fascism. In order to do so, both evidence of disdain with regard to the previous context and a strong connection to the values of the resistance and of change were needed. In that sense, both the political actors in their general actions and the constitution should signify a sound demarcation concerning the past, underlining the contrast, specifically with political freedoms and social rights. Medeiros Ferreira gives the example of the Indian constitution of 1949, written not only with a clear objective of highlighting the independence from the U.K, but also to underline the protection level given by social rights, as it was also done in the South African Constitution (1996) to symbolize a rupture with the apartheid regime.³⁰⁴

Besides a need for legitimation that was dependent on a clear contrast with the right-wing dictatorial regime, partisan left-wing bias and the importance that welfare state assumes in their objectives could be explained by the revolution and the revolutionary period that followed, more or less, for two years. The *Estado Novo* regime, built on 48 years of political domination, had for decades restricted the freedom and liberty of the citizens at many levels, as well as their rights, namely social rights as addressed in the 1976 Constitution. These characteristics of the regime were responsible for the long-lasting accumulation of social tension. Furthermore, those tensions were vital for the necessity of parties to present their ideas concerning social rights.

Since it was a military revolution, the position of the armed forces was important after the success of the coup. Nevertheless, the parties’ role was considered by the MFA, and soon these institutions would be represented in all provisional governments. On the one hand the CDS, the more conservative of the major parties, was the only party not present in the provisional governments, and on the other, this was a phase of a certain level of

³⁰⁴ Ferreira, “Portugal em Transe”: 101.

dominance by the PCP. The fact that the PCP was present in the provisional governments since 16th May 1974 was a clear sign of the dominance of leftist discourse – “The PCP was the only communist party in the government of a country in West Europe (...)”³⁰⁵ and in fact was also the only one to remain loyal to Moscow. Literature on the subject shows the Soviet influence on the PCP’s role during the revolutionary period: the necessity of quick nationalization; the suspension of “class enemies”; control of the means of public communication and of *propaganda*; the seeking of a tactical alliance with the Armed Forces; union control; and the strengthening of extra-parliamentary powers, namely through the use of local power.³⁰⁶ Notably, the party guided its action towards these objectives and accomplished them in several key instances underlining the ultimate objective of taking the power through the revolutionary path - “[...] the protagonist of the movement, the Armed Forces Movement (MFA), was heavily Marxist in its thought and, at least in part, allied with the Portuguese Communist Party, the most rigorously committed to the Leninist-Stalinist mythology of the Marxist State [...]”³⁰⁷

As for the other parties, the PS had an increased relevance as a more moderate party promoting an ideal of parliamentary democracy against the direct democracy argued by the PCP. The influence of the political action of the PS among civic society (wide mobilization, street demonstrations all over the country) was significant in creating a popular feeling that proved more favorable to the 25th November developments (described in the previous chapter) and the final institution of a pluralist parliamentary democracy.³⁰⁸ Nonetheless, the period between 25th April 1974 and 25th November 1975 was particularly rich, both in ideas, such as radicalism, and political instability. As the third chapter demonstrated, the revolutionary period was one in which civil war was as close as a new or old kind of dictatorship. The events of the 11th March 1975, when an attempt of a conservative right-wing coup d’état led by General Spínola was seen as an attempt to return to the previous establishment³⁰⁹, prompted a definitive turn to a more radicalized left discourse. The provisional government had by then enacted a process of nationalization of banks, large companies, insurance companies, agrarian reforms (rural revolutionary development was

³⁰⁵ Ferreira, “Portugal em Transe”: 257 - My translation.

³⁰⁶ *Ibid.*, 256.

³⁰⁷ João Medina, “Democratic Transition in Portugal and Spain: a Comparative View”, *Revista de História e Teoria das Ideias* Vol.17 (Faculdade de Letras da Universidade de Coimbra: Coimbra 1995): 576.

³⁰⁸ Ferreira, “Portugal em Transe”: 246.

³⁰⁹ *Ibid.*, 727.

already in progress) as could be noted in the vastly rural region of Alentejo, where the expropriations of land and goods were now a common phenomenon.

The literature also sheds light on the social temperature at the time: “On March the 8th, a PPD street demonstration was counter-protested in Setubal by about 200 individuals shouting “down with the PPD” and “long live the PCP and communism”. The police intervened, firing several shots, but it was not able to re-establish order and ended up being surrounded in the police station.”³¹⁰ Facing events like this, the PPD became more flexible and less critical of the MFA than it used to be. So it integrated the Fourth Provisional Government, responsible for most of the nationalizations. This period also registered several attacks of the radical left on the CDS headquarters across the territory³¹¹. Freitas do Amaral, founder of the party accused the radical left of planning the destruction of both the CDS and the PPD.³¹² Therefore, the radicalization of the revolutionary period, as a way to distance political actors from an eventual return to the previous establishment, only underlined the leftist bias, both in the party system and generally spread throughout society, and notably in popular action, – “[...] in many instances, spontaneous social protest [...] took various forms among which were public trials, the appropriation of land by the peasants, mural drawings in the major cities [...]”³¹³. This ideological impetus was dominant and favored the construction of a welfare state. The rejection of the neoliberal discourse and the contrary path in social policy were translated by the parties into the 1976 Constitution, a document to which it is worth returning, so as to analyze the parties’ role in this particular foundational document.

If the constituent assembly and the constitutional document proved something, it was the ability of the political parties to contradict the argument of “new politics theory” that argued towards a loss of importance of party politics, that they had no time to be parties but only to rule.³¹⁴ That political relevance seen in the Portuguese case was the result of the very specific context of founding a whole new regime,³¹⁵ and the climax of that process was the approval of the new Constitution.

³¹⁰ Ferreira, “Portugal em Transe”: 248 - My Translation.

³¹¹ *Ibid.*, 252.

³¹² *Ibid.*

³¹³ Medina, “Democratic transition”: 580.

³¹⁴ Armin Schäfer, Wolfgang Streeck (Ed.) *Politics in the Age of Austerity* (Polity Press, 2013), 163.

³¹⁵ Medina, “Democratic Transition”: 589.

Despite the relevance of parties in the new regime, they were conditioned by the MFA on the Constitution issue. In 13th April 1975 the first MFA/Party pact was signed by the PCP, PS, PPD, MDP, CDS, and FSP. It was a document where the MFA committed itself to ensure the organization of free elections for the Constituent Assembly. But, the pact also meant a political regime under military guidance, centered on the Revolution Council (a military-supervising institution) and on the MFA Assembly, and a situation where the Presidency of the Republic was elected by an electoral college constituted by the MFA Assembly and by a future legislative assembly.³¹⁶ The pact established boundaries to the constituent assembly, which, as the MFA was mostly dominated by left-wing discourse, might have helped in the Constitution's leftist disposition.

Previously the essence of the Constitution was emphasized as proclaiming a political order that did not consider neoliberal ideas in its social approach. But what was the importance of a political document established in a considerably specific radical period for a permanent commitment to welfare development? Filipe Carreira and Monica Vieira make an interesting point regarding the deputies that, in their view, wrote in the document a mandatory tone for future governments, a social commitment that was underlined by the necessary 2/3 majority to revise the Constitution.³¹⁷ In constitutional logic “[...] there is an evident intension of detailed implementation of the content of the DESC [Economic, Social and Cultural Rights] and of the set of measures that they demand from the state (...)”³¹⁸. A look into the Constitution validates that interpretation since the document literally stated as citizens' rights issues such as universal healthcare, and universal social security system and even the right to employment.³¹⁹

The endorsement of authentic welfare promises in the Constitution through the action of political parties had tangible consequences: “[...], although the introduction of economic, social and cultural rights in the constitution might not ensure the implementation of the inherent promises, it has concrete political consequences (...)”³²⁰. In the view of this thesis, the political consequences were the commitment to a policy that pushed welfare state growth through, despite the dominant retrenchment tendency in Western societies. As

³¹⁶ Vieira and Silva, *O Momento Constituinte*, 29.

³¹⁷ *Ibid.*, 14.

³¹⁸ *Ibid.* - My translation.

³¹⁹ Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976 – Article 64, 63 and 51.

³²⁰ Vieira and Silva, *O Momento Constituinte*, 50 - My translation.

key elements of the making of the new Constitution, political parties were responsible for this social commitment, even though influenced by both the MFA/Parties pact and by the political context in general. If one analyzes the final document and the major parties' programs, it is visible that, mostly, their principal ideas were written into the Constitution. For instance, both the PPD and PS established in their programs the objective of full employment³²¹, an objective that the 63rd article of the Constitution embodied. The PCP in its program established as an objective the prohibition of firing with no just cause, which appeared in point b) of the 53rd article, declaring unilaterally the prohibition of firing with no just cause.³²²

The argument of Filipe Carreira and Monica Vieira, that the PS was the party that best translated its program into actual approved proposals, gains more weight by observing the party's program regarding social security and healthcare. In the program, it was stated that a universalized national healthcare system (SNS) should be created, such as the one demanded by the constitution regarding social security: "The Government will ensure that all the citizens have the right to social security, without discrimination or preference, aiming at the full coverage of risks, made possible through their respective financial income, charged as a tax"³²³. Again, the Constitution demanded a social security system of that kind.³²⁴

It is interesting to observe that the leading welfare approach was based on the social-democratic welfare type. The fact is that the 1976 Constitution declared the right to a universal state-funded social security system to every citizen, a universal and free healthcare system, a universal and free basic education system, let alone the right to employment. This set of entitlements aimed at a social-democratic environment that might be explained by the significance of a social-democratic party such as PS in the constituent assembly, for, as stated above, this party was the most successful in translating its principles into law, but, again, not without the mentioned political consensus regarding social policy.

³²¹ *A Social-Democracia para Portugal, Programa do Partido Social Democrata [The Social-Democracy for Portugal, program of the Social Democratic Party]* (com aprovação no 1º Congresso Nacional 23, 24 de Nov. 74).

³²² Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976 – Article 53.

³²³ *Programa para um governo PS [Program for a PS Government]* (1976), 61 - My translation.

³²⁴ Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976 – Article 63.

This commitment to welfare objectives demonstrates a counter-cyclical development from the Western society, and was influenced considerably by a fierce objective of establishing clear borders and differences with the previous regime, providing a considerable set of benefits for a deprived population. Besides, that commitment might have been influenced by the notion of popular support for the determined political path at that moment, and to the political forces that would pursue that path in the constituent assembly.³²⁵ The contrast with the statement of Green-Pedersen regarding his research in Denmark in the first chapter is interesting: while in his article the parties had to justify retrenchment because of economic problems, in Portugal the parties had to pursue welfare development to deal with both the people's demands and social problems.³²⁶ Moreover, if the revolutionary essence of the constitution could also be justified by the context of a number of political forces with a set idea of social policy, the different origins of those common objectives regarding that policy were important, for instance the social doctrine of the Church in the case of the CDS and PPD, and the left-wing conceptions of PCP or PS.³²⁷

This political consensus towards the development of a welfare state is visible during the constituent assembly. It was as a clear sign of a new foundation of society, which could be seen by the people as completely opposed to the previous establishment. The deputy Júlio Reis (PS) recounted the “[...] trauma of half a century of fascist dictatorship, with its brutal repression of freedoms, and a whole parade of crimes against human dignity.”³²⁸ Amílcar de Pinho (PPD) presents a similar position: “Let them all know that it was fascism's mistakes, many of them intentional and covered up, that explain this peoples' terrible living standards”³²⁹. Similarly, Martelo de Oliveira (PPD) draws a picture of the social situation during the dictatorship, underlining the “shameful” situation of the physical and mentally disabled, orphans, single mothers, the elderly and sick people. Against that picture he contrasted the creation of a universal social security and healthcare system.³³⁰

There is a great significance to the level of importance that the deputies of the different parties gave to the past, a past which the second chapter acknowledged as

³²⁵ Vieira and Silva, *O Momento Constituinte*, 51.

³²⁶ See 1st Chapter, p.29.

³²⁷ Vieira and Silva, *O Momento Constituinte*, 52.

³²⁸ *Assembleia da República – Diário das Sessões*, 1975: p.784 - My translation.

³²⁹ *Ibid.*, p.1751 - My translation.

³³⁰ *Ibid.*, 1975: p. 1291.

insufficient to deal with Portuguese social necessities, which prompted a desire for the founding of a new regime, with a clear break from the previous dominant ideas. That rupture enabled a left-wing discourse to prevail over other ideas (such as neoliberal ones), although not without a necessary political consensus on the necessity of welfare state development (60% of the constitution was approved with unanimity and only CDS voted against it in the final vote³³¹). The argument of a particularly important politician regarding the *Serviço Nacional de Saúde* (SNS) development, emphasized the ideological momentum that allowed to the Portuguese case to defy the growing consensus regarding the end of the “golden years” of the welfare state: “The right is in the past, with its infamous set of exploitations.”³³² However, was this grace period for the welfare state permanent?

The Political Parties and the SNS

The party consensus on the welfare state in the 1976 Constitution was specifically present in the creation of the SNS. Thus, the break with the fascist past is also an objective in healthcare. As Filipe Carreira argues, it rhetorically underlined the desire of leaving behind a “dark history” through the creation of a free, universal and general SNS, which was demanded by the constitution.³³³ However, between the approval of the Constitution in 1976 and the end of the 1970s, the social context started to change. With the “consolidation of democracy” the contentment of political parties in the partisan system was becoming apparent, putting aside ideas and motivations³³⁴. As the revolutionary climate started to fade, political positions went on to differ from the period of 1974-1976.

In the first election of the parliament, PS won again with 34,8% of the votes (1 911 769 votes), followed again by PPD/PSD with 24,3% (1 336 697 votes), with a third place for the CDS with a percentage of 16 % (877 494) and finally the PCP with 14,3 % (786 701)³³⁵. With this victory in the parliamentary election, the PS formed the government alone. However, the bad economic situation and the conflicts between Prime Minister Mário Soares and Ramalho Eanes, President of Republic, made the PS government weak. After a successful vote refused by the opposition parties, the government fell. Then,

³³¹ Vieira and Silva, *O Momento Constituinte*, 12.

³³² *Assembleia da República – Diário das Sessões*, 1979: p.2130 - My translation.

³³³ Vieira and Silva, *O Momento Constituinte*, 119.

³³⁴ Jorge Miranda, “Democracia e Partidos, Hoje” in *Revista Mestrado em Direito* Osasco, Ano 7, Nº2, (2007): 2.

³³⁵ Ferreira, “Portugal em Transe”: 242.

through a parliamentary arrangement, the PS and CDS got together in a coalition, but that government also lost strength. Soares resigned as prime minister in July 1978 and afterwards, three governments by presidential appointment followed, during 1978 and 1979, until the victory of the coalition of PSD and CDS (AD, Democratic Alliance) in the 1979 elections with an absolute majority,³³⁶ something that brought changes into the political discourse.

In fact 1979, as the previous chapter showed, was the year in which the SNS law was approved. The third chapter discussed the most important characteristics of the SNS as a strong welfare-committed law with entitlements that were directly distinct from neoliberal ideas. As has been observed, the 64th article of the constitution established the right to healthcare and a commitment to the creation of a universal and free healthcare system. Also in the health sector, the political parties' commitment to a radical rupture from the previous establishment is apparent, as well as a rejection of the ideas of evolution in the last years of the dictatorship, for as the second chapter observed, the *Marcellista* period, despite no deep modifications, did attempt certain improvements. That rejection might be explained by a general need of legitimation both of the new regime and of the political parties.³³⁷ In the constituent assembly, José Niza (PS) summarized the healthcare situation thusly: “I do not need to be a doctor to blame a whole exploitative system, instituted so that the exploitation process could linger and survive in this country, though disguised with names such as “social insurance”, “Peoples’ Funds” and “Assistance”, [...] lesser benefits, that, even avoiding the revolutionary impetus did not stop the [...] the course of history.”³³⁸ According to José Reis (PS) the cornerstones of the new Portuguese approach on healthcare were its free-of-charge nature, universalistic and broad character, embedded within the socialization of healthcare in Portugal - a socialization that would need a revolution in medical and hospital structures, in education, in mentality, in cultural assumptions, on the health professionals, creating a whole new large structure – the healthcare system (where the doctors in the public service could not practice private medicine)³³⁹.

As can be seen, both the desire to revolutionize the situation of healthcare inherited from the previous regime and the leftist bias present during the revolutionary period in which the constitution was written and approved, explain the constitutional demand for the

³³⁶ Ferreira, “Portugal em Transe”: 243, 250.

³³⁷ Vieira and Silva, *O Momento Constituinte*, 17.

³³⁸ *Assembleia da República – Diário das Sessões*, 1975: p.1253 - My translation.

³³⁹ *Ibid.*, 1975: p.3169.

creation of SNS, which is strong evidence of Portuguese welfare state development. The SNS project resulted primarily from the efforts of the PS, namely by António Arnaut, Minister of Social Affairs in the PS I Constitutional Government.³⁴⁰ Behind the initiative to create the SNS was the PS program which devoted special attention to the healthcare system³⁴¹ and the 64th article of the Constitution – “The right to healthcare is achieved through the creation of a universal, general and free national healthcare service (...)”³⁴², which was approved in the Constituent assembly by unanimity³⁴³. That unanimity reflected the previously mentioned political consensus regarding social policy and especially regarding healthcare. Thus, even more liberal and conservative parties approved an article that demanded the creation of a system, whose economic feasibility could be questioned in regular conditions, but again, the revolutionary period in which the constitution was voted was not a regular period, so the necessity of legitimation and the bias toward left-wing ideas prevailed.

Nevertheless, the actual SNS law was not approved by unanimity, as the project was rejected by CDS, and the PSD abstained.³⁴⁴ As the law was, in general terms, based on the guiding lines of the 64th article of the Constitution, this may entail a modification in both the political action and discourse of certain parties. Therefore, mainly PSD and CDS displayed at this moment, and beyond, modifications in their political behaviors and possibly ideas, certainly resulting from the fading revolutionary tone. In fact, whereas the PSD (at the time PPD) “(...) proclaimed itself as a center-left party”³⁴⁵ and stated in its 1974 program the necessity of a public healthcare system which allowed everyone in need of medicine to be integrated and that was supposed to cover the entire population and to be entirely state-funded, the 1979 PSD expressed, through its deputy José Ferreira Júnior, his “sadness” to see that there were “(...) people with responsibilities and capacities that were not able yet to walk away from the utopian and demagogic language of the period that we lived after the April 25th.”³⁴⁶ Another criticism by the PSD concerned the economic and financial context and the feasibility of approving such a “progressive” system given the

³⁴⁰ *Assembleia da República – Diário das Sessões*, 1978: p.1254

³⁴¹ *Programa para um governo PS (1976?)*, 60

³⁴² *Constituição da República Portuguesa – Texto originário da Constituição, aprovada em 2 de Abril de 1976* – Article 64 - My Translation.

³⁴³ *Assembleia da República – Diário das Sessões*, 1979: p.833.

³⁴⁴ *Ibid.*, p.2149.

³⁴⁵ Guilherme D’Oliveira Martins, “Os Partidos Políticos” in António Reis (Coord.) *Portugal 20 anos de Democracia* (Lisboa: Círculo de Leitores, 1994): 138. - My translation.

³⁴⁶ *Assembleia da República – Diário das Sessões*, 1978: p.391 - My translation.

immense economic difficulties of Portugal and underlining the excessive emphasis given to the role of the state.³⁴⁷ Furthermore, an interesting criticism was made by Sêrvulo Correia, former PSD member, and now independent, on the question of social democracy, mainly about the different conception defended by the PSD compared to the program of the party. He criticized the liberal tendency of the PSD as compared to the social-democratic tone of 1974/75.³⁴⁸

Nevertheless, the criticism made by the CDS was stronger. Deputy Henrique de Moraes (CDS) underlined that the “utopian essence” of Article 64 of the 1976 Constitution should have been moderated by a reference to the principle of efficiency, a principle that did not fit well with the three principles of the law (universal, general and free) in the way they were written. Additionally, he emphasized the role of private medicine, referring to the contribution that such services meant for healthcare and the damages that the ruin of private service, brought by the SNS, would bring to the Portuguese case.³⁴⁹ Besides, the CDS actually presented a vision of SNS of its own, from a rather different perspective than the one presented by the Socialist Party. They presented a more liberal kind, underlining the omission in the socialist project of *Misericórdias* and other private services with important roles, such as some disability association, that were not consulted or considered. They also defended a mixed system (state and private), but with a more liberal essence, criticizing the revolutionary characteristic of Article 53 Clause 2 of the socialist project. The CDS project for instance, promised to “(...) stimulate private initiative, in order to encourage valid competition with the public institutions (...)” or to provide private institutions with state subsidies. Arnaut (PS) criticized the CDS purposes for creating different prices according to the category of patients and hospitals and based his criticism on the idea that the opposing project is more close to a health insurance system than to a health service, which was the objective of the Constitution.³⁵⁰

Despite these objections, as shown in the previous chapter, the PS’s SNS project was approved and the CDS one rejected by the parliament. However, the criticisms to the approved SNS continued. When the AD coalition (PSD and CDS) won the 1979 elections, after three presidentially appointed governments, as the government they were supposed to conduct the practical implementation of the new law in the territory, yet the parliamentary

Assembleia da República – Diário das Sessões, 1979: p.2056.

³⁴⁸ *Ibid.*, 1979: p.2116.

³⁴⁹ *Ibid.*, 1979: pp.2074, 2075.

³⁵⁰ *Ibid.*, 1979: pp. 835, 836, 837, 840.

debates show a fierce opposition to that from both the CDS and PSD. Sá Carneiro, at that moment prime minister under the AD coalition, presented his government's intention, though respecting constitutional law, to enact a proposal of revision of the recently approved SNS law.³⁵¹ Later, Morais Leitão, the new Minister of Social Affairs, criticized once again the SNS law, underscoring the bad influence of state intervention, which was at odds with Portuguese doctors and the benefits of a truly mixed system. For him, the socialization of medicine did not imply a “collectivist” logic, but rather a guarantee of the fulfillment of its social function. Besides, the government also reflected that the free-of-charge aspect was not universal but for who needed it.³⁵²

The independent Sousa Tavares criticized what he considered the demagogical attitude of the left-wing parties in a context of “[...] financial and budgetary problems.” “[...] today, when the problem of social insurance is brought in efficiency terms [...] and on the logic that the Portuguese State is not able to support social security deficits around 100 million *contos*, this is immediately [considered] in exclusively demagogical terms [...]”.³⁵³ The debate showed a clear distinction between the government and the left-wing opposition (PS, PCP and UDP). The opposition insisted on the constitutional demands as obstacles to the action of the government, mainly in healthcare. On the other hand, the government accused the opposition of making of the constitution a “corset” to freedom of action, interpreting it as “gospel”, and to base its argumentation on a normative interpretation of many articles of the constitution, such as the 64th.³⁵⁴ Going deeper into the criticism to the SNS law, Lucas Pires (CDS) argued that, after the 25th of April, the country had gone through a communist phase (until the 25th of November), then a socialist phase, still arranged according to the left-wing ideas with a still revolutionary tone predominant, and then, finally, on 2 December 1979 (the AD election) a democratic phase starting with the AD victory.³⁵⁵

An analytical observation of the intervention of the different deputies can help identify a change in political party discourses, most visible regarding the PSD and the CDS. Both parties showed ideas much closer to neoliberal discourse than at any time since the beginning of democracy. While on the one hand the PSD criticized the “utopian” vision of

³⁵¹ *Assembleia da República – Diário das Sessões*, 1980: p.76.

³⁵² *Ibid.*, pp.166, 167.

³⁵³ *Ibid.*, p.172 - My Translation.

³⁵⁴ *Ibid.*, 1980: p.239 and 1981: p.592.

³⁵⁵ *Ibid.*, 1980: p.257

the SNS, the criticism was deeper than that, aiming at the statist intervention regarding healthcare that the project entailed³⁵⁶ and arguing for a more liberal system. The criticism of the AD government regarding economic viability is essential to understand this discourse, being much closer to more conservative approaches. If the 64th article, establishing the path to a universalized and free SNS, was approved by unanimity and the economic viability of the system was being finally criticized only after 4 years had passed, that probably shows the political importance of the leftist bias that dominated the revolutionary period in which the constitution was written and approved, reducing the space for other type of ideas that did not agree with, for instance, the feasibility of the system.

Moreover, after only months of being approved, as soon as the AD government was elected, this coalition initiated efforts to revise it, building a strong corpus of criticisms that drew this political power closer to the ideas that were reforming welfare states in the Western societies in the 1970s and 1980s. On that logic, Minister of Social Affairs – Carlos Macedo made an interesting statement, arguing that the British model in which the SNS law was supposedly based was wrong, and that all over “developed countries in the free world” it was also considered wrong, for at that time all of those countries followed a health financing system that was not just centered on the state but also on a social insurance system.³⁵⁷ This position of the AD minister only reflects a change of positions both of CDS and PSD as parties that had approved a law in the Constitution that considered the state as the main provider for the SNS and now were adopting more conservative positions, something that underlines the fading influence of the revolutionary period, when the PPD considered itself a center-left party.

Nevertheless, in fact the British model is mentioned several times during the parliamentary debates as a main influence on the Portuguese SNS. When discussing his SNS bill, Arnaut distinguishes three types of healthcare system: the nationalized, the liberal and the mixed. The first is one that holds the healthcare system in the sole hands of the state; the second is one where the state has practically no role, where the health services are developed by the market (he gives the example of the United States of America); the last one entails a universalized healthcare system, where the state must attend to all health needs of the population, but where private medicine is allowed, assuming a complementary role - the UK is the example given by this deputy. On its own project, he states that it is

³⁵⁶ *Assembleia da República – Diário das Sessões*, 1980: p.2929.

³⁵⁷ *Ibid.*, 1981 p.1621.

“General, because it is provided to all Portuguese people, without any discrimination. Universal, because it aims at providing full medical care that tackles prevention, healing and rehabilitation. Free-of-charge because it is financed by the State and does not entail the indirect payment of users.”³⁵⁸ He does not mention directly the type of health system that this is, but says that it is inspired on the British model. Already in that debate (before the approval of the law), a PSD deputy, Moreira da Silva, questioned the British influence, since that system had been in a crisis “for a long time”.³⁵⁹ This type of criticism by the PSD (including the Social Affairs Minister) might be interpreted as a closer position to a retrenchment tone, since they directly criticize the British model, a criticism made in all the “developed countries in the free world”, as the AD Minister of Social Affairs said.

Thus, at this moment, the construction of the welfare state, on the topic of healthcare, seemed to suffer a political reversal towards ideas closer to general retrenchment procedures. However, it is worth highlighting again the economic criticism made by the AD government on the SNS law. The fact is that the budgetary policy of the government presented a contradiction to their argument since, in 1980, the budget declared 42810,8 million *contos* to the healthcare sector, a considerable increase since 1979 when the budget comprised 32539,7 million. Moreover, the amount devoted to healthcare increased regularly in 1981 (55630,6m) , 1982 (59299,8 million) and 1983 with 63299,9 million.³⁶⁰ An institutional argument can be made here: despite what seems to be an approximation of neoliberal concepts, the welfare institutional framework, notably embodied in the 1976 Constitution, was a barrier to the first attempts in reforming welfare commitments.

Both the PSD and CDS questioned the feasibility of an enormous structure like a universal health system. After all, Portugal was facing an economic crisis for years and building new economic structures. The fact is that under their rule, the money directed to the SNS establishment rose considerably and despite criticism and attempts to reform the recent SNS law, it prevailed ensuring for the next decades a continuation of the healthcare policy that allowed Portugal to surpass the EU average in healthcare expenditure after

³⁵⁸ *Assembleia da República – Diário das Sessões*, 1978 p.663- My Translation

³⁵⁹ *Ibid.*, 1978: p.667

³⁶⁰ *Orçamento Geral do Estado Para o Ano Económico de (...) [General State Budget for the Year (...)]*, 1979, 1980, 1981, 1982.

1995.³⁶¹ The problems of the crisis and the necessity of strict policies entailing sacrifices for the population could be considered valid. But, the argument of the former Minister of Social Affairs that encouraged the creation of the SNS apparently remained intact in the coming years. Arnaut emphasized that the “austerity” policy should not reach both the social security and the healthcare dimensions so that the government could tackle the “[...] legitimate anxieties of the people and the *expectations introduced by the April Revolution*.”³⁶²

Ultimately, one must not underestimate the argument of Mónica Vieira and Filipe Carreira regarding social rights in the constitution as a political commitment to the future. A vision that at the same time entailed a specific political view of a democratic system, which was shared by the deputies and parties. The unique combination of a desire to create distance from the dictatorial past and the way in which that distance was created through revolution, might have forged a strong and active link between democracy and the welfare state in Portugal. As Vieira and Carreira note, “Deliberately, the welfare state was integrated into the Portuguese democracy, making the later inconceivable (or unsustainable) without the earlier. With that, a path dependent situation might have been created, which, if called into question, might not lead to the end of the democratic regime, but surely will threaten the social consensus that supports it.”³⁶³ Therefore, the healthcare expansion in a period where challenges were being posed to the new Portuguese welfare state as in the broader retrenchment trend, might be explained by this political commitment.

Rosas’s arguments come into play again regarding the Portuguese democracy when he refers to it as “[...] a political democracy whose foundations are a direct consequence of the revolutionary process.”³⁶⁴ Spain is a good example for underlining the link between the Portuguese democracy and the welfare state. As mentioned in the third chapter, the revolutionary path of Portugal was not followed by Spain. Though the dictatorships of the two countries were similar, the end of the Spanish dictatorship gave birth to a democracy through an institutional transition. According to Fishman, the revolutionary track was

³⁶¹ Paulino Artur Ferreira de Sousa, “O Sistema de saúde em Portugal: realizações e desafios”, *Acta Paul Enferm* (2009): 888.

³⁶² *Assembleia da República – Diário das Sessões*, 1978 p.1254 - My translation.

³⁶³ Vieira and Silva, *O Momento Constituinte*, 18 - My translation.

³⁶⁴ Fernando Rosas, “A Revolução Portuguesa”: 22.

decisive to the stronger job security in Portugal as well as a faster rise in living standards compared to the reforms accompanying the Spanish transition to democracy.³⁶⁵

Esping-Andersen elaborates on this argument by affirming that the Spanish transition was more gradual and practical. The partisan system that followed the beginning of democracy was neither influenced by communism or even a Cristian-democratic power. In fact, the Spanish democracy was built on a center-right government. On the contrary, Portugal's democratic transition was rather radical and revolutionary, and thus democratization and a leftist government were bonded together. The Portuguese transition governments followed a path of more radical economic and social measures, including a process of nationalization that showed its socialist ideology.³⁶⁶ Over the long-term development, democracy in Portugal symbolized the beginning of a welfare state, the opportunity to build a framework of social policy, and the revolutionary path emphasizing the need to break away from the past. As Esping-Andersen said, in the case of Portugal, democracy is the most important force regarding a deeply different approach to the welfare state. "Democratization gave origin to a permanent turning point towards welfare." For Spain the balance of powers became the force for moderation in the transition process making social change much more temporary.³⁶⁷

The end of the *Estado Novo* represented an open door for the political parties to achieve power. Considering the circumstances, they were part of a broad political environment characterized by the power of ideas overcoming the economic or political realities that were prevailing in the West. Nevertheless, the Portuguese parties assumed a role of political relevance in social affairs, namely in the pursuit of a modern welfare state, even when at odds with the existing neoliberal discourse. The hypothesis discussed in the first chapter regarding the end of relevance for the left-wing parties and a general loss of importance of political parties in this "era of austerity" is rejected in the Portuguese case. A whole party system bending toward left-wing ideas came into being as the parties became crucial actors in the growth of the welfare state.

The importance of political parties in the creation of a Constitution, which in turn became the foundational document for the creation of the Portuguese welfare state was the major focus of this chapter. The left-wing dominance certainly influenced the ideas and

³⁶⁵ See 3rd Chapter, p.65.

³⁶⁶ Esping-Andersen, "Orçamentos e Democracia": 598.

³⁶⁷ *Ibid.*, 603.

objectives of the Constitution, but political consensus surrounding those prerogatives must not be ignored. Therefore, the political parties developed an essential role in guiding welfare development, contrary to what could have been the case, given the rise of neoliberal ideas and the role of this ideology toward the end of the golden years of the welfare state. That adverse context might have pushed the parties onto a different path, but the commitment to a revolution in social policy prevailed. Notably the biggest achievement regarding the healthcare sector - the SNS law - was concluded in a later moment, in which it was already possible to observe a partisan struggle regarding the destiny of social policy and not a true consensus. Nevertheless, the SNS breakthrough supports this thesis's argument that the singular political context of Portugal in the 1970s influenced that country's path towards the construction of a progressive welfare state precisely when it was being questioned and retrenched in the broader Western picture. Both a possible decay of left-wing parties and a general loss of importance of parties and their ideas as factors explaining the success of welfare state retrenchment were not observable in Portugal. In fact, the present chapter underlined an atmosphere of leftist ideology and an essential role of parties in pursuing opposition to retrenchment.

Conclusion

The purpose of this research was to develop an explanation for the peculiar expansion of the Portuguese welfare state in a Western context of general retrenchment. It confirmed the twofold hypothesis addressed in the introduction: from a long-term perspective, the countercyclical development of the Portuguese welfare state was intertwined with minor welfare approaches present during the long dictatorship, which stimulated the need to emphasize welfare development in the 1970s, and with the 1974 revolution whose political developments made possible the advances in social policy.

The analysis of welfare retrenchment in the West gave insight into the existence of monumental change in the 1970s. The analysis showed that the 1970s represented the end of the so called “golden years” of the welfare state. If during the 30 years following the Second World War the welfare state went through a process of generalized expansion, the 1970s represented the end of that establishment and the beginning a gradual retrenchment momentum, where the tendency has been to narrow or modify the scope of the welfare state. The main factors explaining the success of that new development have been underlined including the influence of neoliberalism and the decreased importance of left-wing parties and other parties along with their general ideas. Thus, the challenges posed by neoliberal ideas to the welfare state, in particularly harsh economic times, and the wane of leftist party power as typical proponents of welfare commitments and the ideas of general parties given the economic troubles, have proven to be influential to welfare retrenchment.

An analysis of the social policy developed by the dictatorial regime enabled the research to describe a rather different path in Portugal regarding welfare. Specifically if one looks at the postwar period, where the large welfare “boom” began, the situation is not comparable to the social approach developed by the *Estado Novo* regime. From that point of view, the construction of the Portuguese welfare state in the 1970s was not in the same phase as in other countries, a fact that made the necessity of welfare development much more serious and influential on the expansion that followed. For that reason, the democratic regime gained even more gusto as an opportunity was revealed to build a different social policy aimed at stronger welfare state development.

Consequently, the 1974 revolution opened the door to possible reforms of social policy, yet that did not necessarily imply the pursuit of welfare state growth *per se*. The

revolution did not modify the economic hardships that Portugal had to endure as most of the Western nations in the 1970s, and the turning point in the dominance of pro-welfare ideas being replaced by those in favor of retrenchment in the West could have influenced the political actors in Portugal to produce a much more meager approach to welfare, if any. However, the findings reveal that it was the identity of the revolution, and the following revolutionary period that were paramount in defining the character of the welfare development. Moreover, that revolutionary tone, and its leftist bias were heavily influential, meaning the neoliberal discourse had little power in 1970s Portugal as a possible opposing set of ideas.

The other factor, political parties - described as influential on the welfare retrenchment trend - also worked in a different way in Portugal. In fact the major left-wing even radical tendencies of the revolutionary period in Portugal made the left-wing parties' importance unquestionable. This might account for the social democratic nature of some of the welfare options that followed. Furthermore, the general partisan system had a strong influence over the establishment of an expansionary trend in Portugal that authors have not found elsewhere after the "golden years" of the welfare state had passed and the "no alternative" logic began to rise in popularity. In fact, research showed that there was a political consensus towards welfare improvements and so, the Portuguese parties had the space to perform alternative options. Healthcare poses a further development and a possible window for further research because even though the ideological effervescence of the political context has changed, becoming closer to a retrenchment tone, the law that established a progressive SNS prevailed. A possible interpretation is that the institutional framework created during the 1974-1976 period forged a strong political commitment that might have functioned, in the future, as a constraint to further welfare reforms.

The way this research was conducted, looking at political ideas, parliamentary debates, and constitutional norms was not an easy approach to empirical evidence. The advantages of quantitative methods such as expenditure analysis are clear: numbers are logical and rigid, functioning as strong empirical evidence. Yet, insight on additional qualitative analysis, underlining the debate and conflict over different ideas, and examining the influence of political developments on social policies can provide a more intuitive analysis on historical processes. Thus, this research has provided insight into the role of discourses and ideas through some quantitative data. The qualitative perspective given by the study of how political ideas struggle among themselves and how influential the

outcome of their interaction is somehow missing in the literature, and it is one of the main contributions of this thesis. On the one hand, this approach and the sources consulted shed new light on the understanding of Portugal as an exceptional case in regards to welfare state retrenchment - an expansionary welfare state in a puzzling turning point of Western social policy. Yet on the other hand, this thesis has made a contribution to the existing literature on the welfare state in the sense that through the emphasis on qualitative research and on political ideologies it specifically adds a perspective that provides insight into the importance of political developments and of political ideas even in an “era of austerity”.

Further research might be of interest regarding essentially two dimensions. The first one could be aimed at the Portuguese case, analyzing the 1980s and 1990s in order to investigate how long the Portuguese welfare state “golden years” lasted. The last moments of this research point to a gradually different political context which might facilitate the reformation of welfare as in other countries. Further investigations could analyze those developments and research the eventual influence of entering the EU in 1985. The second dimension is more general: Portugal was not the only dictatorship in Europe in the 1970s. Therefore a comparative analysis on the Portuguese, Greek and Spanish transitions to democracy in the 1970s could confirm if the Portuguese development can be generalized into a similar political context and if in those countries the political changes were influential in an eventual welfare impulse, and therefore a non-retrenchment path.

Appendix

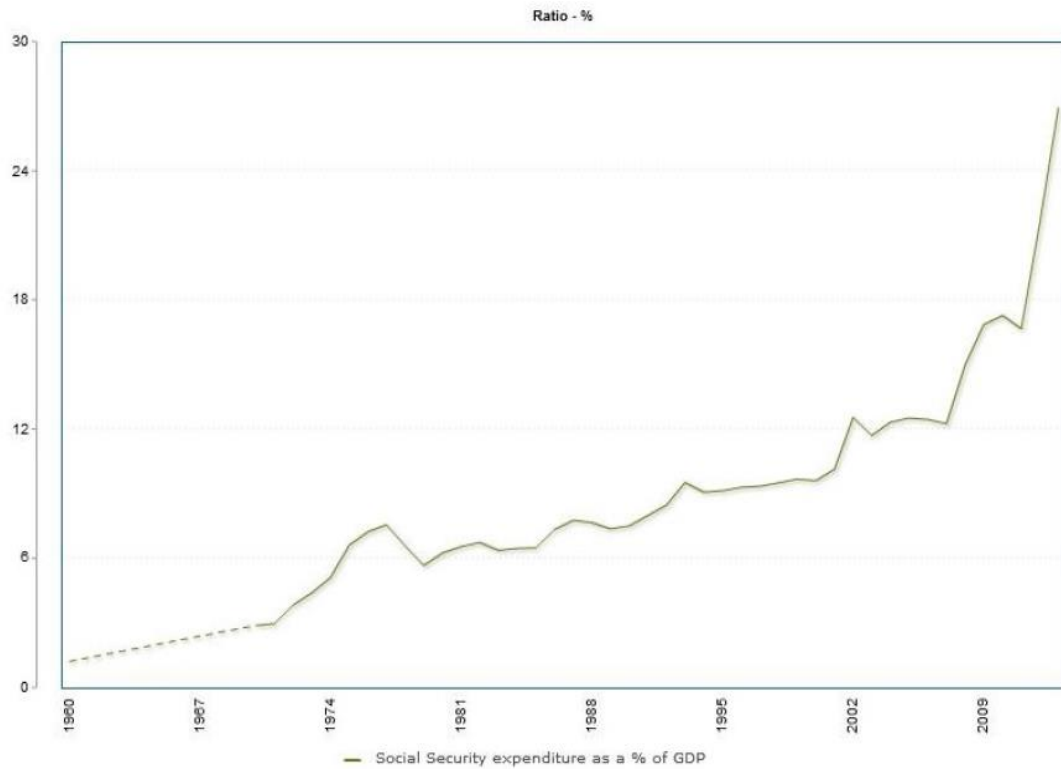


Figure 1 – Social Security Expenditure as a % of GDP in Portugal between 1960 and 2009 (Source: Pordata - Portuguese Contemporary Database)

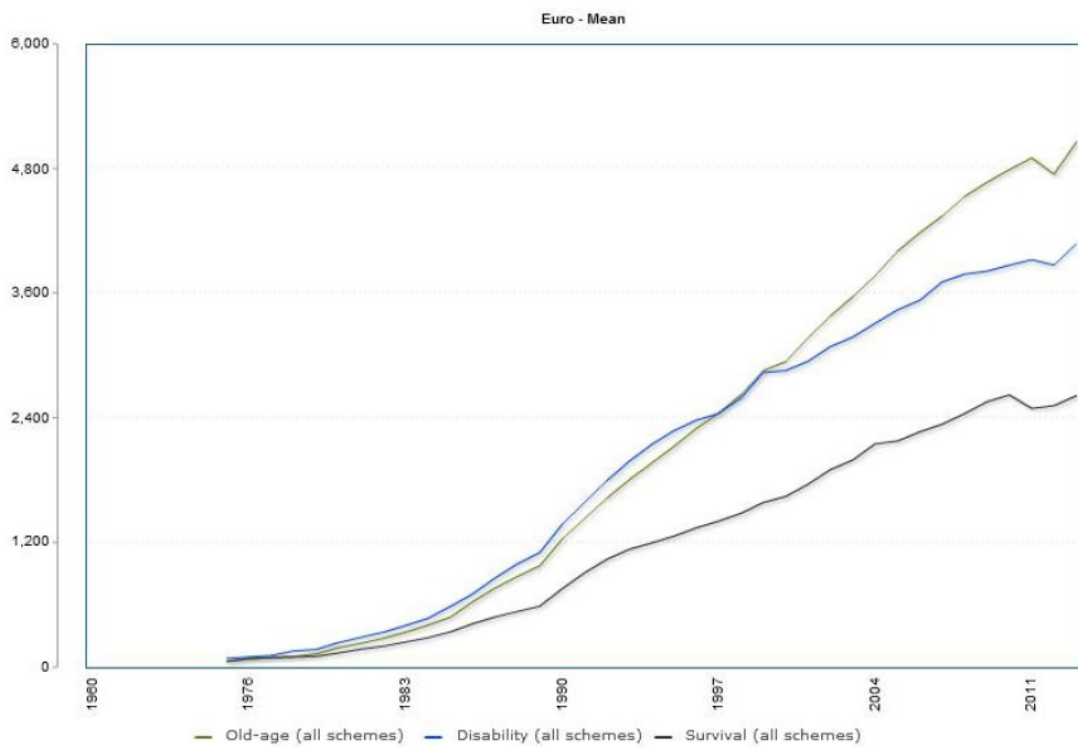


Figure 2 – Average Annual Social Security Pension: Total, Survivors, Disability and old-age (Source: Pordata - Portuguese Contemporary Database)

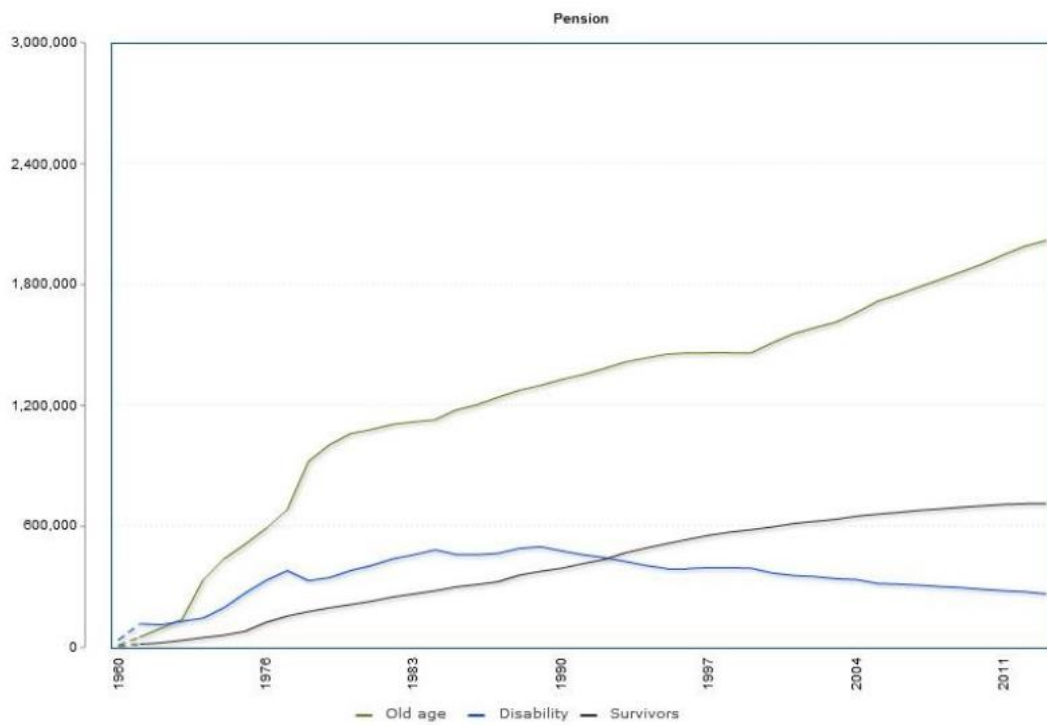


Figure 3 – Minimum Monthly Amount of Pensions of the Public Administration Retirement Fund: Retirement, Forces, Disability and Survivor Pensions (Source: Pordata - Portuguese Contemporary Database)

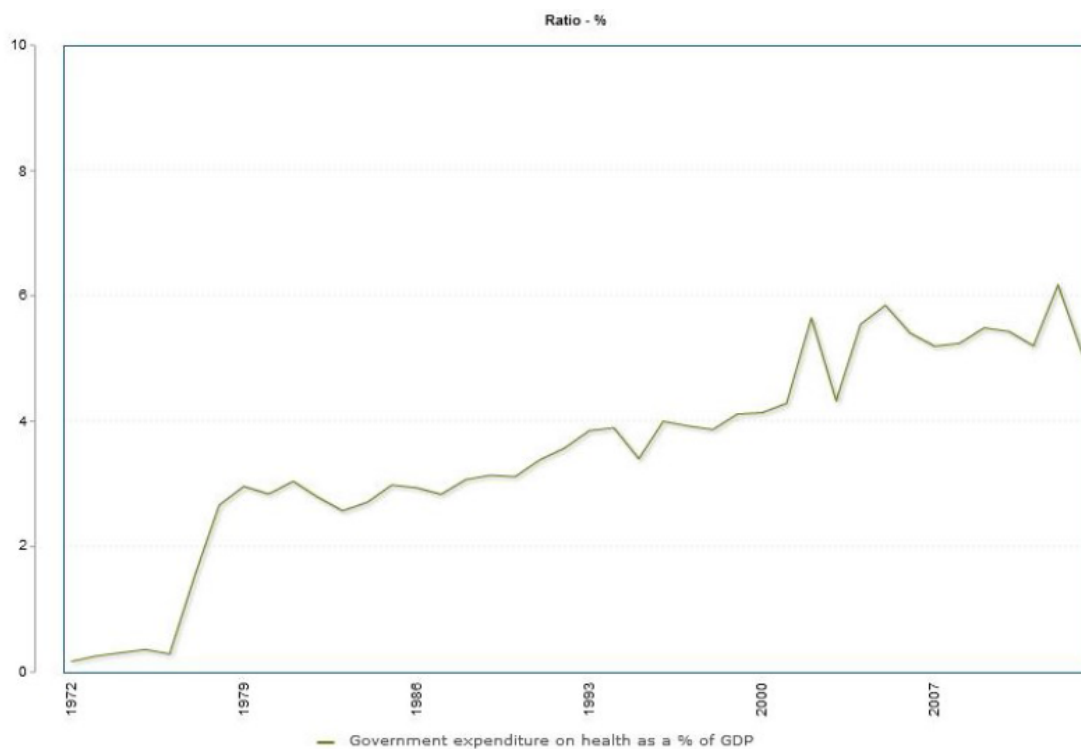


Figure 4 - Government Expenditure on Health: Budget Execution as a % of GDP: (Source: Pordata - Portuguese Contemporary Database)

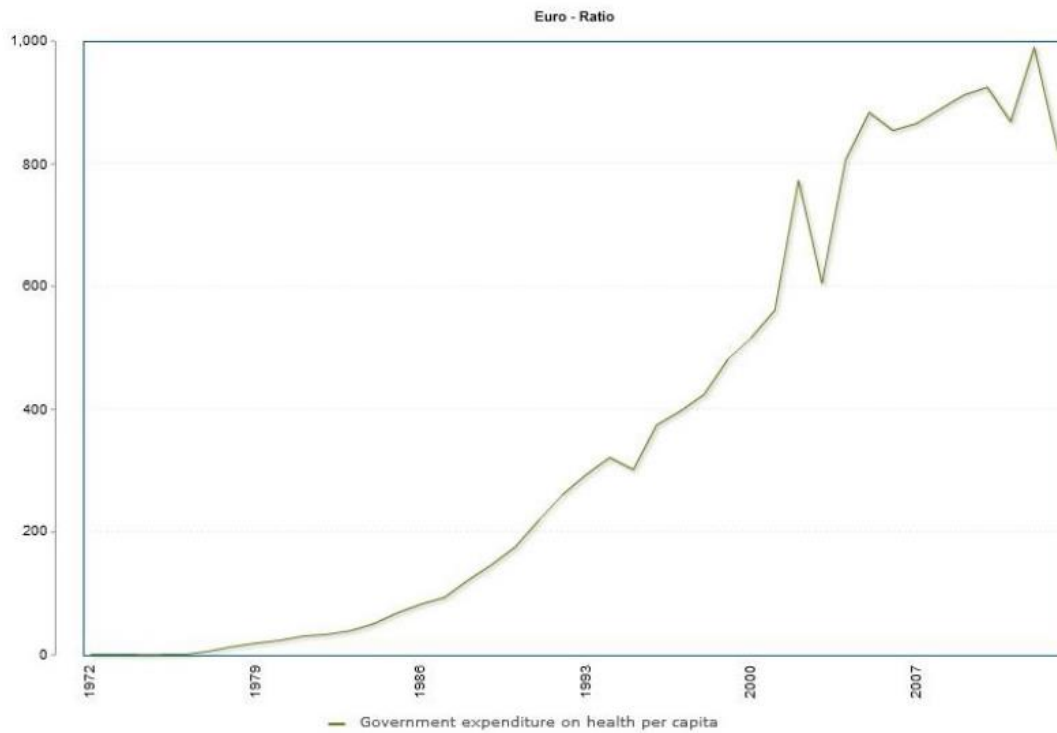


Figure 5 – Government Expenditure on Health: Budget Execution Per Capita (Source: Pordata - Portuguese Contemporary Database)

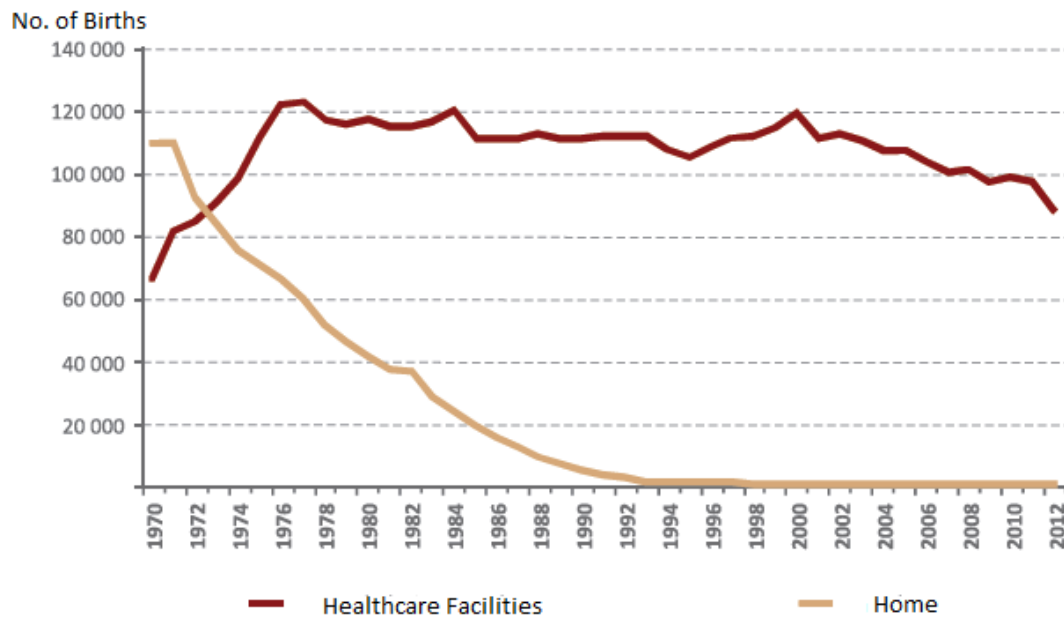


Figure 6 – Number of Births by location (Source: INE, Instituto Nacional De Estatística, 25 de Abril – 40 Anos de Estatísticas, (Lisboa, 2014))

Table 1 – *Public Administration Retirement Fund: financial contribution per subscriber (Euro - Mean) - (Source: Pordata - Portuguese Contemporary Database)*

Years	Average Financial contribution per subscriber
1965	6.1
1966	6.0
1967	6.4
1968	6.9
1969	6.6
1970	8.6
1971	9.4
1972	10.1
1973	11.1
1974	13.9
1975	20.6
1976	26.1
1977	34.6
1978	39.0
1979	44.5
1980	63.0
1981	81.0
1982	94.6
1983	118.5
1984	135.3
1985	192.0

Table 2 – *State expenditure on Public Administration General Services (Euro - Millions)*
 - (Source: Pordata - Portuguese Contemporary Database)

Years	Public Administration General Services
1972	25.6
1973	27.5
1974	32.5
1975	53.7
1976	129.8
1977	167.4
1978	220.4
1979	305.0
1980	446.6
1981	531.3
1982	618.9
1983	787.4
1984	930.2
1985	1381.7

Table 3 – *Government Expenditure on Health: Budget Execution (Euro - Millions)* -
 (Source: Pordata - Portuguese Contemporary Database)

Years	Government Expenditure on Health
1972	2.8
1973	5.0
1974	7.0
1975	9.5
1976	9.1
1977	61.6
1978	133.2
1979	188.5
1980	234.8
1981	302.2
1982	335.3
1983	394.3
1984	510.5
1985	690.7

Table 4 – *Government Expenditure on Education: Budget Execution (Euro - Millions) - (Source: Pordata - Portuguese Contemporary Database)*

Years	Government Expenditure on Education
1972	22.3
1973	24.7
1974	30.4
1975	50.2
1976	70.0
1977	120.5
1978	143.2
1979	174.1
1980	258.5
1981	322.3
1982	393.6
1983	483.9
1984	575.3
1985	708.1

Table 5 - *Government Expenditure on Health: Budget Execution as a % of GDP (Ratio - %) - (Source: Pordata - Portuguese Contemporary Database)*

Years	Government Expenditure on Health as a % of GDP
1972	0.2
1973	0.3
1974	0.3
1975	0.4
1976	0.3
1977	1.5
1978	2.7
1979	3.0
1980	2.8
1981	3.0
1982	2.8
1983	2.6
1984	2.7
1985	3.0

Table 6 – *Government Expenditure on Health: Budget Execution per Capita (Euro - Ratio) - (Source: Pordata - Portuguese Contemporary Database)*

Years	Government Expenditure on Health per Capita
1972	0.3
1973	0.6
1974	0.8
1975	1.0
1976	1.0
1977	6.5
1978	13.9
1979	19.5
1980	24.0
1981	30.7
1982	33.8
1983	39.6
1984	51.1
1985	68.9

Table 7 – *Minimum Monthly Amount of Pensions of the Public Administration Retirements Fund: Retirement, Forces, Disability and Survivor Pensions (Euro) - (Source: Pordata - Portuguese Contemporary Database)*

Years	Retirement, Forces, Disability Pensions	Survivor , War and Other Pensions
1974	8.2	4.1
1975	8.2	4.1
1976	8.2	4.1
1977	16.0	8.0
1978	16.0	8.0
1979	16.0	8.0
1980	23.4	11.7
1981	27.6	13.8
1982	35.3	17.6
1983	41.3	20.7
1984	47.0	23.5
1985	56.5	28.2

Table 8 – ADSE³⁶⁸: Total Expenditure (Euro - Thousands) (- (Source: Pordata - Portuguese Contemporary Database)

Years	Expenditure
1965	6.8
1966	21.6
1967	39.7
1968	60.1
1969	87.2
1970	320.2
1971	563.5
1972	1,085.7
1973	1,373.9
1974	1,831.5
1975	2,533.9
1976	3,338.7
1977	4,365.0
1978	5,650.1
1979	8,741.2
1980	11,643.2

³⁶⁸ Specific insurance policy for public workers.

Table 9 - *Medical Doctors per 100 000 Inhabitants* (Source: INE - *Statistics Portugal*)

Data reference period	Medical doctors per 100 000 inhabitants (No.) by Sex; Annual
1980	197
1979	186
1978	166
1977	145
1976	126
1975	119
1974	X
1973	106
1972	104
1971	98
1970	94

Table 10 – Social Security Expenditure as % of GDP (Source: Pordata - Portuguese Contemporary Database)

<i>Years</i>	<i>Social Security Expenditure as % of GDP</i>
1970	2.0
1971	3.0
1972	3.8
1973	4.4
1974	5.1
1975	6.6
1976	7.2
1977	7.6
1978	6.6
1979	5.7
1980	6.3
1981	6.6
1982	6.7

Table 11 - Illiteracy Rate, According to the Census: total and by sex (Source: Pordata - Portuguese Contemporary Database)

<i>Years</i>	<i>Genre</i>		
	<i>Total</i>	<i>Male</i>	<i>Female</i>
1960	x	26.6	39.0
1970	25.7	19.7	31.0
1981	18.6	13.7	23.0
1991	11.0	7.7	14.1
2001	9.0	6.3	11.5
2011	5.2	3.5	6.8

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³⁶⁹ Front-page image: First session of the Portuguese Constituent Assembly, on the 2nd of June 1975. (Source: <http://app.parlamento.pt/Constitucionalismo/OEstadoDemocratico/estadodemocratico12.html>)

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