The death of Portugal's richest man: a lesson in how a revolution was betrayed

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On May 10, 2004, António de Sommer Champalimaud died at the age of 86. With an estimated wealth of $3.1 billion, he was the richest man in Portugal and the 153rd-richest man in the world. His life illustrates how a pillar of the Salazar fascist dictatorship, forced to flee during the 1974 Portuguese revolution, was rehabilitated after the revolutionary threat to the bourgeois order was diverted by social democracy and Stalinism.

Champalimaud was born in March 1918 to a powerful family involved in the construction business. The period after the 1914-1918 World War was one of enormous crisis for global capitalism, which faced a mass movement of workers that found its most advanced expression in the 1917 socialist revolution in Russia.

This instability was reflected in Portugal, which saw eight presidents and 45 governments between 1910 and 1926—the period of the First Republic. The Republic was ended by a massive military uprising in May 1926 and the formation of a dictatorship under Prime Minister António de Oliveira Salazar. In 1932, Salazar created the so-called Estado Novo (New State), a fascist state in which he exercised all executive and legislative functions, controlled local administration and the police, and was head of the only legal political party—the União Nacional (National Union). There was a ban on all meetings, strikes and forms of independent working class activity. Corporatist "sindicatos" replaced the trade unions.

Behind Salazar stood an oligarchy comprising a handful of powerful families, including the Champalimauds, who dominated Portuguese life. In his book *The Making of Portuguese Democracy,* Kenneth Maxwell explains the social forces that backed the Salazar dictatorship:

"The church and the small land holders of the heavily Catholic north backed him. So did the *latifundiarios,* the owners of the big farming estates in the central and southern regions who feared a loss of their holdings if the left took power. (The outlawed Portuguese Communist Party, formed in 1921, was especially strong in the south.) Other backing came from Portugal's interlocking financial and industrial conglomerates. The Mello family's Companhia União Fabril dominated commerce in [the Portuguese colony] Guinea and controlled 70 percent of Portugal's tobacco market. The Champalimaud group had a near monopoly of cement production."

In mortal fear of industry developing and strengthening the social weight of the urban proletariat, Salazar introduced a law of "Control of Industry" that prohibited the construction of any new factories, or the creation of new industries and businesses without government approval. The law led to a monopoly around the few wealthy families and guaranteed them sole rights to exploit the working class in return for support for the fascist regime. The Mello and Champalimaud families became two of the main foundations of support for Salazar's regime and for the fascist regimes in Franco's Spain, Hitler's Germany and Mussolini's Italy. Despite Portugal's proclaimed neutrality in World War Two, the Champalimauds supplied crucial supplies of raw materials and metals such as tungsten for the Nazi war effort.

António de Sommer Champalimaud took over the family construction company in 1937 at the age of 19 and seven years later took control of his uncle's cement company. By marrying into the Mellos—Portugal's most important bourgeois family—he began a banking and insurance business with brother-in-law Jose de Mello, the controlling shareholder in Banco Mello SA.

The most important function of Salazar's regime for Portugal's ruling elite was to prevent any struggle by the working class crystallising at home and opposition developing in the colonies. However, the restricted national nature of a regime that tried to insulate itself from world economy and was based largely on agriculture occasionally brought the industrial bourgeois into conflict with it. In 1948, Champalimaud clashed with Salazar when Salazar tried to stop him from buying a cement company in northern Portugal. In the following decade, Champalimaud had to wait five years before he was allowed to build a steel plant. These disputes never threatened the basic relationship between Champalimaud and the state, and he was rewarded with the Supreme Cross of the Order of Agricultural and Industrial Merit.

In 1960, Champalimaud's Industrial Group acquired the Pinto & Sottomayor Bank (BPSM), which became the biggest private bank in the Portuguese colonies of Angola and Mozambique. In the African colonies, Champalimaud's companies dominated several areas of the economy including iron and steel, cement and fertiliser production, and the processing of agricultural products.

In 1968, the group assumed controlling stakes in two insurance companies, Mundial and Confiança. That year of revolutionary developments throughout the world also indicated that Portugal faced its own crisis. An OECD report warned that the country was economically stagnant and in some areas regressing. In agriculture, the yield from cereal crops was two to four times below the European average. Because the great landed proprietors received agricultural credits and subsidies for cereal production and relied on cheap peasant labour, there was little incentive to mechanise production.

Food shortages and economic hardship—wages were the lowest in Europe at US$10 a week in the 1960s—led to the mass emigration of nearly 1 million people to other European countries, Brazil and the colonies. Nearly 20 percent of the population in northern Portugal emigrated. The monies sent back home from abroad—helping many families to survive—was the equivalent of 70 percent of the country's exports.

Many Portuguese workers who emigrated were used as cheap labour, but the minimum monthly wage paid in France, for example, was more than the wage earned by 92 percent of the Portuguese population at home.

Faced by these developments, the restrictions on foreign capital that at one point protected the wealthy families from outside competition were lifted. Whilst many of the families saw this as an attack on them, Champalimaud and the industrial elite welcomed it.

One advantage for capital of the mass emigration was the opportunity to develop the deserted beautiful countryside and coastline—initially for the rich, but later to cater to the increased numbers of northern Europeans seeking the sun. This increase in tourism sparked a speculative boom in construction and real estate, which Champalimaud took full advantage of.

His banking concern financed, and his cement company supplied the raw materials for, the new hotels and villas set up with money from public funds.

Foreign companies also saw Portugal as an investment opportunity—one where the state had banned free trade unions and collective bargaining, the secret police was pervasive, wages were low, and state subsidies and preferential tax incentives were available. Investment in this repressive regime was encouraged by social democratic governments in Britain and West Germany. West German capital financed the new airport at Faro to serve the developing holiday destination of the Algarve.

Champalimaud's group in particular formed joint enterprises with these foreign companies, but also began shifting its investments from the increasingly unstable African colonies to Brazil, the United States and Europe.

Armed uprisings against colonial rule in Africa meant that nearly half the budget was devoted to military expenditure. By 1974, more than 1 million Portuguese had seen service overseas, with about 150,000 men deployed in Africa at any one time. Because of manpower shortages due to emigration, conscripts faced three to six years' military service—in many cases doing their time in Angola and Mozambique. The violent fighting caused political unrest amongst many youth, who came to question the legitimacy of Portugal's repression at home and abroad. These conscripts became the basis for the emergence of an underground movement known as the Armed Forces Movement (MFA).

In Portugal, inflation hit 30 percent—the highest in Europe—the balance of trade was the worst for many years, factories and business were closing down, and unemployment was increasing.

Strikes, which were illegal, became common and were put down violently with the leaders arrested.

Faced with uprisings in the colonies and a wave of strikes in Portugal, and subject to a mounting world economic crisis, the military chiefs moved to safeguard capitalism and stop the offensive by the working class and peasants. On April 25, 1974, the MFA declared it would "interpret the wishes of the people" and oust Salazar's successor, Marcello Caetano. General António de Spínola was installed as head of a new government, which he declared would simply be one of "renovation."

However, the military coup encouraged the working class to push for more radical changes and the "Carnation Revolution" was born. On May 6, workers from the Lisnave shipyards in Lisbon staged one of the largest strikes in Portugal—proclaiming their allegiance to the Portuguese Communist Party (PCP). Other strikes soon followed in all the major working class areas and industries, including the new electronic industries, banking, chemicals and textiles.

At school and colleges, students drew up lists of teachers who supported the old fascist regime and organised committees to oversee the running of the school in the interests of teachers and students alike.

The airport at Lisbon became the centre of attention, as many exiles returned home, including Mario Soares, leader of the Socialist Party, and PCP leader Alvaro Cunhal. Unable to halt the continued revolutionary movement of the workers and farm labourers and impose an economic austerity plan, the more astute members of the ruling elite looked to the PCP. Francisco Sá Carneiro, the leader of the reactionary Popular Democrats (forerunner of today's ruling Social Democratic Party), recognised the value of the PCP's inclusion in the provisional government, as did Spínola. As James M. Anderson explains in *The History of Portugal*, "The communists were the best-organised party in the country through *intersindical*, the umbrella organisation overseeing all union activity. Spínola could not afford to form a government without their inclusion and invited them to participate. Cunhal's acceptance was a radical break with previous communist policy as, since the 1920s, the party had affirmed that it would never share power in a coalition government with bourgeois politicians."

After Spínola staged a failed military coup on March 11, 1975, the MFA formed the "Council for the Revolution" as the country's most powerful governing body and nationalised some heavy industry, private banks and insurance companies. This included most of the companies belonging to the Mello and Champalimaud dynasties.

Champalimaud himself had fled to Brazil the previous year along with Caetano.

To prove its worth to the coalition government, the PCP called on 35,000 postal workers to end their strike for higher wages. The workers only called off their action after the government threatened to call in the army.

With the PCP calling for the working class to put their confidence in the MFA, and the radical groups describing the MFA as promoting "dual power from above" and being "half-sovietised," the working class was prevented from forming its own independent organs of power. As the revolutionary wave dissipated, the US and European powers pumped in foreign aid to the bourgeois parties.

In elections for the constituent assembly held in April 1975, the Socialist Party won 38 percent of the vote, while the PCP received only 12.5 percent. Socialist Party leader Mário Soares became prime minister and within a few years implemented an International Monetary Fund austerity programme.

In 1988, with Portugal's acceptance into the European Economic Community (EEC), all references to nationalisation and workers' power were stripped out of the new constitution. The governing Socialist Party embarked on a programme of economic liberalisation and privatisation.

In 1992, Champalimaud's old insurance company Mundial Confiança was offered for privatisation. Champalimaud returned to his native country and negotiated a 10 billion escudo (US$59 million) compensation package for his old companies with Jorge Braga de Macedo, the Social Democratic Party finance minister. Macedo said about Champlaimaud, "He's very brusque, very impatient.... He doesn't derive pleasure from endless going around. He's very un-Portuguese in that regard." Later, he told a parliamentary inquiry into the compensation package, "We will never know who gained most from that gentlemen's agreement."

For the Socialist Party government of António Guterres, elected in 1995, Champalimaud was also very un-Portuguese and ungentlemanly when he announced his intention in 1999 to sell his companies to the largest bank in Spain—Banco Santander Central Hispano (BSCH). By that time, the Champalimaud Group was the third-largest financial institution in Portugal, consisting of Mundial Confiança, two universal banks BPSM and Banco Totta & Açores, the investment bank Banco Chemical Finance, and the mortgage and lending bank Crédito Predial Portugués

Champlaimaud was accused of breaking another "gentlemen's agreement" he had made with the Socialist Party leaders and presidents of the largest Portuguese banks that would allow them the chance to buy his financial holdings first. Declaring it against Portugal's "national interest," Guterres vetoed the sale and launched a parliamentary inquiry.

Suddenly, it was discovered that the Champalimaud banks were controlled by two foreign groups registered in Ireland and Uruguay that had only a nominal number of shares in the banks. It was alleged that the Champalimaud Group owed these groups more than 32 billion escudos (US$180 million), that the share registries of the Champalimaud Group had been blank since 1994, and there were no written minutes of its executive board.

But following intervention by the European Commission annulling the Portuguese veto, Champalimaud sold his Banco Totta & Açores and Crédito Predial Portugués companies to BSCH in 2000. Champalimaud was paid partly in BSCH shares and joined its board, becoming its biggest foreign individual investor and Portugal’s richest man.