

Portugal: Right-wing president will promote austerity measures

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Last week, Anibal Cavaco Silva was sworn in as President of Portugal, following his electoral victory at the end of January. Cavaco Silva is the first head of state since the 1974 revolution not to have come from the Portuguese Socialist Party (PSP). His election indicates a growing dissatisfaction with the ruling PSP, which a year ago formed its first majority government. It also highlights the measures the Portuguese ruling class will have to take to overcome the economic crisis it confronts.

Cavaco Silva, who served as prime minister between 1985 and 1995 for the right-wing Social Democratic Party (PSD), won 50.6 percent of January's vote, enough to prevent a run-off. His nearest rival was the poet Manuel Alegre with 20.7 percent, followed by former PSP President and Prime Minister Mario Soares with 14.3 percent.

The extent to which the PSP has been discredited over the last year can be seen in the votes of these two candidates. Alegre did not receive the PSP's official backing, but ran as an independent. He received a higher vote than the PSP-endorsed candidate Soares, but their combined vote still did not match Cavaco Silva's.

More importantly, overall turnout was around 63 percent. The daily *Expresso* noted that those not voting outnumbered those who had voted for Cavaco Silva. Its headline read "Cavaco: 2.7 million—Abstained: 3.3 million".

The PSP came to power in February 2005 on the back of widespread political opposition to the previous right-wing PSD-Popular Party (PP) coalition government, particularly because of its support for the US-led war against Iraq and its increasing austerity measures. Upon entering government with an overall majority for the first time since the end of the Salazar dictatorship in

1974, the PSP immediately embarked on a three-year plan of emergency economic measures, and declared its loyalty to the previous government's economic policies.

Prime Minister José Socrates is facing an economic disaster. Portugal is one of Europe's poorest countries, with the second-smallest economy in the Euro-zone. Unemployment has all but doubled in the last five years, and now stands just short of 8 percent. According to the Bank of Portugal, the economy expanded 0.3 percent in 2005, less than a quarter the rate of the 12 countries using the Euro. The budget deficit stands at 6.2 percent of GDP, and is predicted to reach 6.8 percent. To meet budget requirements of the Euro-zone, Socrates has to reduce this to 3 percent. This can only be achieved by a massive onslaught on living and working conditions.

Socrates has already met enormous opposition in his attempts to impose spending cuts and tax increases. Cavaco Silva made plain in his victory speech that he saw his role as helping Socrates implement these attacks on the living conditions of the working class. This has also been acknowledged in the press, with the daily *Diario de Noticias* describing the election as beginning "a new period of cohabitation" between the parties. Cavaco Silva's election was greeted with some relief on the Lisbon stock exchange, where the share index rose 18.7 points immediately following the declaration.

Although nominally a ceremonial position, the president can dissolve parliament and call general elections. Whilst claiming that he would remain above party politics, Cavaco Silva announced that he would help the government impose its austerity measures. Describing the task facing the Portuguese government as "not small," he promised to back Socrates' reform

programme, saying he knew from experience “the value of co-operation among government bodies.”

Cavaco Silva has already played an important role for Portuguese capitalism in implementing a right-wing agenda in the period after the 1974 revolution. An economist, he was finance minister in 1980-81, and also headed the Bank of Portugal’s research department. When he became head of the PSD in 1985, he withdrew it from a coalition government with the PSP under Soares. The PSD won the subsequent election, although without a parliamentary majority, and Soares became president.

When Soares dissolved the government in 1987, Cavaco Silva’s PSD won an outright majority at the ensuing election. They were returned again in 1991 with another majority. After he lost the 1996 presidential election to the PSP’s Jorge Sampaio, however, Cavaco Silva returned to his post as a professor of economics.

His period in office saw annual growth of up to 4 percent based largely on European Union subsidies and a programme of selling off state companies such as Portugal Telecom SGPS SA, the country’s largest telephone company.

Addressing a meeting of Lisbon-based international chambers of commerce shortly after his election, Cavaco Silva said that growth and development in 1986 had given the impression Portugal would find “a similar level of development to the countries around it. That hope has vanished in the last five years.”

He suggested to the Lisbon meeting that Socrates’ government was failing to take responsibility for implementing economic measures. Latest forecasts, he said, suggest that this year will be worse than last: unemployment will continue to rise, family debt will escalate, and Portuguese exports would lose value. Under these conditions, companies already based in Portugal would move out, and foreign companies would not move in.

He expressed concern that this could create dangerous conditions within the working class: “Political crisis ... affects social cohesion.”

Soares had expressed similar concerns during the election campaign, warning that growing inequality could create political tension. Soares said then that a balanced budget was not an end in itself. Cavaco Silva echoes him now by calling for co-operation between

“economic and social institutions.”

The inequality, though, is systemic, with the richest 20 percent of the population earning some seven times more than the poorest 20 percent. Cavaco Silva told the Lisbon meeting that his role was to sell the austerity measures to the Portuguese people without creating political instability. “We can convince the population in general to accept measures of austerity without causing a negative reaction,” he said.

Cavaco Silva has said that he will back Socrates’ attempts to adapt the economy to the requirements of globalisation. In Lisbon he stressed that the president has a vital role in promoting international liaison and he emphasized the need to make Portugal internationally competitive. The country must “close the development gap with Spain and other EU countries,” he said so that it is able to hold its own “economically and politically on the international scene.”

To this end he outlined six points that the Portuguese government must address, including reform of the justice and public administration systems and the country’s territorial districts. Such reforms of the public sector are consistent with the measures Socrates has already begun, such as pension cuts.



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