# Class issues in the Portuguese bailout

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The European Union-International Monetary Fund bailout for which Portugal applied on April 6, expected to cost between €70 and 90 billion, is an anti-democratic charade aimed at blocking a political challenge by the working class to austerity policies.

Already, financial analysts are saying the EU and IMF will demand devastating cuts beyond those proposed by Socialist Party (PS) Prime Minister José Sócrates in the austerity budget he presented before the collapse of his government in March.

Even more openly than its predecessors—the May 2010 Greek bailout and the November 2010 Irish bailout—the Portuguese bailout exposes the class strategy pursued in Europe by the financial aristocracy in the aftermath of the 2008 global financial crisis. It uses the EU-IMF machinery to give a false air of inevitability, even technocratic legitimacy, to reactionary and unpopular social cuts.

Mass strikes and protests in Portugal during February and March came amid the most significant upsurge of working class struggle in recent decades: the revolutionary struggles against dictatorial regimes and poverty in Tunisia, Egypt and throughout the Middle East. Portuguese workers fought back against Sócrates' plans for a pension freeze, tax increases and large cuts in wages and childcare. Rail workers repeatedly walked off the job and mass protests involving hundreds of thousands of people were organized by Facebook groups opposing PS austerity plans.

It was under these conditions that the right-wing Social Democratic Party (PSD) voted against the budget proposed by Sócrates' minority government, a move widely seen at the time as a prelude to the government's collapse and an EU-IMF bailout. PSD leader Pedro Passos Coelho said that a "broad governmental coalition" was needed to ensure support for state policies in Portugal. In other words, a strong government was required to divert, intimidate and suppress the upsurge of the working class.

Sócrates formally resigned on March 23 but stayed on in a caretaker government, fully prepared to enforce the austerity demands of the banks. These came, in a completely anti-democratic manner and behind the backs of the population, in the form of a bank lending strike ordered by the European Central Bank (ECB).

The day after Portugal applied for the bailout, António de Souza, a former central banker and head of the Portuguese Banking Association, told Reuters: "When it became clear that state financing needs implied more funding by banks, banks said this could not be done because they had clear instructions from the Bank of Portugal and the ECB to do the opposite."

He added that the banks had "been warning that the model could not keep working… In order to lend to the state, banks had to ask for money from the ECB, and that triangulation had reached its limits according to the ECB and the Bank of Portugal."

The banks had until then borrowed money printed by the ECB and profited from loaning it to the Portuguese government at higher interest rates. When the ECB told them such funds would not be available, however, the banks refused to loan money to the state except at ruinous rates: over 8 percent for 10-year loans.

None of these maneuvers were clearly explained, let alone subjected to a vote by the population, whose jobs, homes, pensions and living standards hung in the balance.

What has changed as a result of Sócrates' "resignation" and the assorted European financial summits? Sócrates remains in power—at least until the June elections when he is expected to be replaced with a more openly right-wing candidate like Coelho—and his unpopular social cuts are to proceed with redoubled force.

These events constitute a devastating exposure of the capitalist system and the European political establishment, which functions without any democratic accountability. Even taken on their own terms—as purely financial measures—the EU-IMF bailouts have been failures.

The May 2010 bailout in Greece and the November 2010 bailout in Ireland have devastated those countries' economies, with debt loads soaring and huge cuts in jobs, wages, and pensions undermining economic life. In

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Greece, the debt has risen past 150 percent of Gross Domestic Product (GDP) and is expected to exceed 160 percent of GDP by the end of this year. In Ireland, it is expected to surpass 125 percent of GDP.

More broadly, the bailouts speak to the failure of an entire social and political order. Untold billions can be found to pay off Portugal's creditors—that is, the major international banks—or for wars of aggression such as that launched by the US, Britain and France against Libya. But for the working class—the overwhelming majority of the population—there is "no money" for jobs, decent wages or basic social services. Instead, the financial elite and its political stooges demand that workers accept ever more brutal cuts in their living standards in a global race to the bottom.

The banks' selfish and irresponsible behavior provides a powerful argument for nationalizing them and expropriating the financial aristocracy. Instead, in line with the Greek and Irish governments before it—and governments throughout Europe—Lisbon capitulated to the banks, applying for an EU-IMF "bailout" which, in reality, is yet another bailout of the banks.

These developments are a stark warning to working people. As already demonstrated in last year's anti-austerity protests in Greece, Spain, Portugal and France, they face political establishments that cannot and will not be pressured to make significant social concessions. Protests—like the public-sector general strike called by the Portuguese unions for May 6—will serve only to dissipate mass anger and resistance unless the workers reject the trade unions and their perspective of calling on the government to negotiate the austerity measures with the unions.

That is not a perspective for defeating the attacks on living standards, but rather for accepting the supposed necessity of cuts, eviscerating working class opposition, and helping the ruling class impose the full burden of the capitalist crisis on the workers. Genuine opposition begins with a principled stand against any sacrifices by workers to bail out the financial elite.

The treacherous perspective of the unions is defended by petty-bourgeois ex-left parties like Portugal's Bloco de Esquerda (Left Bloc), Greece's SYRIZA, and France's New Anti-Capitalist Party. It has led only to defeats and massive cuts agreed between governments and the unions. As one official told *Le Monde* last year, state officials view these toothless protests as "an episode in the process of producing the reforms."

The mass mobilizations of working people in Tunisia and Egypt to bring down long-standing dictators have demonstrated the social power and revolutionary potential of the working class internationally, including in Europe. At the same time, these events have highlighted the complex political problems confronting the working class, above all the problem of revolutionary leadership.

In the absence of revolutionary leadership in the working class, the bourgeoisie of Tunisia and Egypt and their imperialist sponsors have been able to regroup and consolidate the same military-dominated dictatorial regimes, minus Ben Ali and Mubarak. They are now moving to outlaw strikes and protests and crush the uprising in order to uphold the interests of imperialism and the native ruling elites and preserve the capitalist state.

Democratic rights, as well as an end to poverty and social inequality, can be achieved only on the basis of a revolutionary struggle of the masses, led by the working class, to establish workers' power and socialism throughout North Africa and the Middle East.

Similarly in Europe, the working class faces the objective necessity of a continent-wide revolutionary struggle for socialism to defend its basic social rights. The aim must be the establishment of the United Socialist States of Europe. The critical issue in Europe, as in the Middle East and internationally, is the building of the International Committee of the Fourth International as the new revolutionary leadership of the working class.

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