Portugal’s right-wing government falls after no confidence vote

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11 November 2015

Portugal’s 11-day-old right-wing minority coalition government, comprising the Social Democratic Party (PSD) and Democratic and Social Centre-People’s Party (CDS-PP), fell yesterday after a no confidence vote in the National Assembly.

The no confidence motion was voted by the social-democratic Socialist Party (PS), the Portuguese Communist Party (PCP), Greens (PEV) and the Left Bloc (BE). These parties had collectively received 50.8 percent of the vote in the October elections, with the BE doubling its share of the vote to 10.2 percent. Nonetheless, President Anibal Cavaco Silva initially formed a minority PSD/CDS-PP government.

Now, however, Cavaco Silva, a former PSD prime minister, will have to name PS leader António Costa as prime minister or leave PSD leader Pedro Passos Coelho as head of a caretaker administration until new elections are held—at the earliest in June next year.

The attempts by the PS to form a government supported by the PCP, PEV and BE are a reactionary attempt to head off escalating social anger against austerity in the working class. Like Greece, Portugal is staggering under the weight of devastating European Union austerity measures imposed since the outbreak of the global economic crisis in 2008. Also as in Greece, however, pro-capitalist “left” parties are cynically manoeuvring to continue imposing austerity even if they come to power—as did Syriza in Greece.

PS deputy Mário Centeno, a former Bank of Portugal economist and architect of the economic programme being promoted by the PS, BE and PCP, told the *Financial Times* that a PS government would not “throw money at the economy”.

He signalled that the PS-led government would continue toeing the austerity line. “We will stay on the path of fiscal consolidation. … It’s not the direction we challenge but the speed of travel. …We will continue to bring down the deficit and debt, but at a slower pace”, he explained.

Centeno insisted that a PS government would not countenance any form of debt restructuring, adding, “Nobody with any sense thinks of not paying debts they have contracted.”

The PCP, PEV and BE are being drawn in to provide “left” cover for yet another reactionary PS government, committed to deep social attacks on the working class. It was the PS that agreed initially to the 2011 bank bailout and the accompanying Economic Adjustment Programme, which launched the EU’s austerity drive in Portugal. In the face of escalating public anger with the resulting meltdown of the Portuguese economy, however, the social democrats decided they had to present a different political face.

In an attempt to distance itself from the PSD/CDS-PP coalition and prevent an independent movement of the working class, the PS installed Costa as its leader last year, proclaimed itself an anti-austerity party, and said it would no longer carry out IMF demands.

Costa declared he would “turn the page on austerity” and announced a package of 55 measures that formed the basis of the party’s election manifesto. These included increased spending on health care and education, rolling back labour reforms, reviewing privatisations, cutting social security contributions for workers and employers, increasing public sector pay and introducing a new inheritance tax. In fact, even the right-wing PSD and CDS-PP felt compelled to promise similar measures.

Costa’s election and the 55 measures were the signal for the BE to issue a call for a so-called “government of the left” that would include the PS.

As Syriza’s capitulation to austerity in Greece showed, however, it is impossible to obtain any relief from crippling austerity measures without repudiating the debt and breaking with the EU. Pro-capitalist parties like Syriza and the PS, and its satellites in Portugal, are ferociously opposed to such policies, however. The PS' promises to both satisfy the bankers and the EU, on the one hand, and make limited improvements in workers' living standards, on the other, will rapidly prove to be lies no less blatant than those peddled by Syriza.

These parties have no fundamental differences with the EU or the Portuguese right. Indeed, Cavaco Silva installed a PSD/CDS-PP minority government on October 30, because he hoped that the PS and its allies could still be persuaded to give it tacit support. The PSD/CDS-PP enjoyed broad support in the ruling elite, as it was pledged to continue unpopular EU austerity measures in the face of mass opposition from working people.

German Chancellor Angela Merkel, German Finance Minister Wolfgang Schäuble and European Commission President Jean-Claude Juncker congratulated Passos Coelho on his "victory".

The PS changed tack, however, faced with the unexpected vote for the BE and the huge abstention, pointing to an explosive social and political situation. It indicated that it would seek to form a government. Cavaco Silva rejected these proposals, however, declaring that "anti-European forces" would never be allowed to take part in government.

Since then, the PS has been in talks with the BE, PCP and PEV to work out a deal. At the same time, Costa assured Cavaco Silva they he could form a government that would guarantee Portugal's continued membership of the EU, the eurozone and NATO.

Given the profound economic crisis, however, such commitments are incompatible with any policy in favour of the working population. Total combined public and private debt still remains at more than 370 percent of GDP, the highest in Europe. The IMF has demanded the next government impose a "comprehensive reform of public sector wages and pensions." The PSD/CDS-PP government has failed to publish its latest budget projections, suggesting they may be worse than expected. The EU is demanding another €600 million in cuts.

The markets and financial institutions have already begun putting pressure on Portugal. The interest rates on Portuguese government bonds have climbed 0.58 percentage points since the start of October. Financial analysts have warned that the country could lose the investment grade rating needed to obtain fresh loans from the European Central Bank's Quantitative Easing programme, of which it is the biggest beneficiary.

Financial officials are now pointing to the danger of market speculation against Portugal triggering a renewed financial crisis across Europe.

Writing in the Washington, DC-based the *Hill*, former IMF deputy director Desmond Lachman warned, "It would be a mistake to dismiss Portugal as a small economy on Europe's southern periphery of little systemic consequence". He warned that the "imminent rise to power of a Socialist government, dependent on the support of a far left anti-austerity bloc, could usher in a new phase of the European sovereign debt crisis."

Lachman also raised the risk of such a crisis provoking a disintegration of the EU. He warned that the Portuguese crisis was "coinciding with renewed foot-dragging in Greece about the implementation of its IMF-EU program; separatist tendencies in Catalonia (Spain); Spain moving from a two-party system to a four-party system; a rising anti-euro movement in Italy; and Angela Merkel's authority in Germany coming into increased question over the immigration issue."