

# Portugal: A left government to conquer the debt

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1. The Portuguese problem is democratic. This problem is the democratic answer to the blackmail of debt and the austerity that results from it, with social effects that destroy Portugal. This is the problem of problems.

2. If the debt is not overcome, Portugal will live through a period of social disintegration, impelled by the transfer of financial rents guaranteed on present and future taxes, accentuating therefore the neoliberal project of imposition of increasing losses on labour in respect to capital.

3. In respect of the problem of the debt two great changes in Portuguese politics have been organised in the last year: the Congress of Alternatives, which mobilized platforms of political response against the debt, and two demonstrations on the theme "Que se lixe a Troika" ("Fuck the Troika"), which mobilized popular convergences against the debt.

4. None of those changes had been possible under parameters of confluence different from those of rejection of the blackmail of the debt. Any other question divides. By political intelligence and unitary will, these platforms against bankruptcy were constructed in an inclusive and mobilizing form. To abandon, devalue or to divide these processes would be disastrous for the left.

5. At the end of the second year of the Troika, resistance against bankruptcy can only be organized in the fight against the debt, with the proposal of a political commitment around a majority that rejects and wants to put an end to the Memorandum. Any devaluation of this unitary effort is an error.

6. In order to form a left majority against the Memorandum, that is to say, a government which rejects austerity and ends the debt in name of the wage-earners, of public services and growth, commitments and alliances are needed. The government of lefts against the Troika will be the form of that alliance. In order to obtain that government, it is necessary to demolish the PSD-CDS coalition, to call elections and to present to the people a viable solution that changes the present political panorama. In order to change that map, it is necessary to concentrate forces where the parties must be understood and be committed: the rejection of the debt.

7. There will be no possible victorious alliance if the platform is centred on exit from the euro. As demonstrated by the strategy of Syriza in Greece, the fight by a left government has a flag: the rejection of the debt. As demonstrated by the experience of Syriza, the right and the centre will use fear of exit from the euro as the main political argument, because that fear can tilt the elections. As the experience of Syriza demonstrated, one can only advance towards a left government with tactical rigor, clarity in the alliance proposals and by concentrating the argument where it is decisive: the debt.

8. There is immense work to be done to approximate positions and to articulate proposals. The left in the past has done little work of proposal and articulation. It must do it and as quickly and intensely as possible. It can only do so through a rupture with the debt and austerity. That way is viable and

can construct an alliance.

9. The exuberant proposal of a Plan A (federalism) and a plan B (exit from the euro if there was not federalism) has vanished from Portuguese political debate. This proposal assumed that the best solution for Portugal and Europe was the constitution of a European state, with a federal form, is to say, that Portugal would have to be a province of that state, evidently led by the German government. This solution is not the best one by some distance: it would be a backward historical backward movement in which only a conflict of high intensity would recover Portugal's independence. The defenders of that idea have abandoned it. Thank goodness.

10. The federalist proposal continues to be a trap because, for example, neither budget growth by 2% nor the management of a single currency necessarily demand the European government of a European state. They demand, certainly, common rules and reinforced cooperation. However, the federalist proposal wants to impose on the left the submission to an authoritarian project of the European bourgeoisie. The left that is against federalism because it is pro-European cannot stop the fight on European scale, without hoping that the forces of federalist centralism recoil, perhaps illuminated by social good sense, against their social interests. It must overcome them.

11. In order to obtain a new correlation of forces on a European scale it is necessary that left governments are chosen, faithful to the workers who choose them. In order to obtain the government of lefts it is necessary to know where to go and where the pressure should be concentrated, because this way requires clarifying alternatives to change parties and policies. All the pressure must be on the demand to the parties to present a plan to cancel the debt, by the route of European negotiation or, if necessary, by the unilateral imposition of a moratorium and of cancellation of the debt.

12. The government of lefts will not be constituted by the centre nor by a resetting of the political forces of the centre. While the commitment of a party to the Memorandum lasts, the leadership of these parties will be always an impediment for the government of lefts. The good sense of a left policy will be based on this conviction: in order to win it is precisely to want to win and to know how to win, it is necessary to reject the financial rent that it is strangling wages, pensions and the public services. A government of lefts demands that the left has a left policy. The democratic problem of Portugal is the blackmail of financial capital, and is against financial capital that a government of lefts should determine itself.

13. Any proposal to maintain the Memorandum will produce a government worse than the previous one. There is no intelligent austerity. There is no austerity by halves. A new government which accepts the financial blackmail will create more austerity and more destruction, because with every day that passes, the imposition of the Troika will be worse: as is already clear, its solution for the fire of austerity is to blow on live coals to spread the fire. Or, as was said by somebody with authority and experience in the negotiations with the Troika, when we are in a hole they demand that we continue digging.

14. The ingenuous hypothesis of a lightening of the conditions of the financial blackmail after the re-election of Merkel, or of a European Renaissance after September of 2013 [the end of the intervention of the Troika in Portugal -ed.] is a naiveté. Any political conformation of the future German government, including the option by which Merkel has to ally with the Social-Democratic party, the SPD, will maintain the financial savagery. The president of the Eurogroup, the Dutch finance minister, is the living test of how the neoliberal Social Democrats behave like the Prussian cavalry of Merkel. A new government in Portugal cannot count on the facilities of the European institutions; it must count on the support of its people and its natural allies, the popular lefts of Europe.

15. The government of lefts must present a full commitment: the day on which it comes to power, it will have strengthened electoral legitimacy to declare the Memorandum void and to initiate negotiations to reduce the debt. If the proposal of cancellation of the debt were not accepted by the European authorities, the best answer will be the unilateral imposition of a moratorium on payments of the debt, negotiation with the various creditors for an exchange of the debt securities for others of lower value linked to future growth, and the control of capital. As demonstrated by the failure of the cuts in Greece, if the European authorities are not put subject to the reduction of the debt that they hold, financial capital continues receiving its payments.

16. The government of lefts must have sufficient strength to impose a fiscal revolution, creating the means for a reorganization of the productive system, including reindustrialization for jobs, import substitution, energetic and environmental reconversion of the power and a concentration of investment in that direction. Once again, this economic policy attacks financial capital.

17. Against this background, the government of lefts must be prepared for every conflict, even for pressures that force it to exit from the euro. In "A Dividadura", a book which I published in 2012 with Mariana Mortágua, we wrote with clarity: "In the present context, exit from the euro is the worst of all the solutions and it only can be imposed by the will of the European directory. However, the worst of solutions can only be accepted when there does not exist of any way, when all the alternatives are exhausted, when survival demands it. There is only one condition in which exit from the euro can be made necessary for the Portuguese people, and that condition cannot simply be excluded: if, by means of a misfortune of the European institutions and rules, its independence was placed in doubt and Portugal would have no other solution than to abandon the European Union and, consequently, the euro, to recover its capacity of decision. And it is necessary that the majority of the population is committed to this position, with the goal of conditioning it to the force of the social movements and the defence of the interests of labour". I maintain this point of view. We must prepare ourselves for everything, including the worst of decisions, if it is the only possible one.

18. I do not believe that there can be an easy exit from the euro. Gentilities to protect Portugal in the event of an exit from euro cannot be expected. There is no hope that the German government authorizes a new loan, this time unconditional and in values equal or superior to those of the first rescue, to favour the policy of a government of lefts that chose exit from the euro. Even if the German government wanted to impose this exit, it is not probable that it would finance it in order not to set a negative example. That hypothesis of an "agreement between gentlemen" seems politically nonviable. In the European leadership chivalry does not exist, but extremely authoritarian social interests do.

19. An exit from the euro under the orders of Merkel or a government of the right would mean a class struggle without quarter against the workers, to transform and to accelerate the process of accumulation of capital to the exclusive profit of a part of the oligarchy. And with no guarantee of cancellation of the debt; on the contrary, in this case, this option could be a form of accentuating the transfer of the profits from labour to capital through an austerity that would accelerate the violent adjustment. The left that is mistaken in this hypothesis will not deserve to survive politically, because it will go over to the side of the austerity and would salvage it. Whoever defends exit from the euro without cancellation of the debt will not be able to solve the democratic problem of Portugal.

20. In the fight against the debt, if the left government were forced to leave the euro it will have to have get the people on its side, mobilizing them to reject the threat of Merkel and financial capital and be willing to stand up for democracy. The consequences of an exit from the euro are so deep that they would only possibly be justified by a national emergency precipitated by external violence and it only can be maintained by a government which generates an enormous national consensus on

this decision. The political question will always be fundamental, given the pressures and difficulties that the process would imply. Only the democratic power of the people assures the force to make the necessary decisions in that context. Whoever ignores that threat and those high intensity risks is not even prepared to govern for a month.

21. The confrontation of a left government with financial capital is being pushed aside by those who consider it a mere slogan for practicing politics. For this fundamental encounter whoever works in the preparation of a new left government must present a firm perspective, considering all the eventualities, the best alternatives for each problem that can be presented during the development of that government, including exit from the euro for the devaluation of the new escudo.

22. This study on how to resist the negative effects in the short and midterm of a possible exit from the euro must necessarily include: a) the note that Portugal runs the risk that the new currency, the escudo, is for some months merely formal, allowing the possibility of making internal transactions in a foreign currency, whose circulation will tend to diminish and which will depend on a European central bank with which the country could enter into conflict; b) the risk that there are two currencies in circulation in the country for a long period of time and that there is a speculative movement against the escudo; c) the perception that depositors will feel threatened and harmed, and could react by withdrawing their deposits in euros from the banks; d) the note that the immediate impact of the increase in the price of imports, after the devaluation of the escudo, will be only compensated in the trade balance some time later by the increase in exports, which depends on orders; e) the note that exports are dangerously sensitive to the political climate, the economic cycle and the rules of financing, which will lead to restrictions; f) the note that interest rates will tend to rise, with the effect of an internal redistribution unfavourable to debtors, and at the same time inflation will reach levels not known in recent years, which also will have redistributive effects unfavourable to wages and pensions; g) the new legal definition of the values of internal debts, including mortgage debts, and their effects on the bank balances; h) the notion that the banks can enter into bankruptcy by the increase of the value in the national currency of their external debts and that, if they were nationalized, that would significantly increase the external national debt. i) the study of the forms of redistribution throughout society and the benefits that devaluation will grant to the export sector; j) institutional adjustment, including the operation of the Bank of Portugal and the CGD [Caixa Geral de Depositos, the main Portuguese commercial bank, which is publicly owned], as well as the administration of the financial system.

23. This study would include in addition the national and European political conditions for the decision of a left government: a) the verification of the majorities necessary to make the possible decision of exit from the euro, considering the power of the president and the necessity of a parliamentary majority that can thwart a possible presidential veto; b) the definition of a new model of changes in a context of conflict with the European authorities and its possible hostility to the inclusion of Portugal in the European regime of countries that are outside the euro; c) verification that the state can legally exert the sovereign power to re-denominate its debts in national currency, whereas companies and the banks do not have that legal power and that, therefore, their balances would be harmed; d) a new definition of relations with the European Union, in particular to allow protectionist policies of industrialization, job creation and the renationalization of strategic common goods for budgetary management.

24. There are answers, difficult though they be, for all these threats and questions. None of those answers is a slogan. Slogans are useless and do not replace the detailed preparation of answer to the economic and social problems. The slogan is a flag. It is legitimate to make politics with a flag. But a flag does not make a government, does not create a left government that can respond to the democratic problem of Portugal, that is the debt. A victorious strategy depends on a profound work of preparation of answers, that states the difficulties in order to confront them.

25. Realism is a precondition of intelligence. All the realistic answers demand an economic policy that Portugal does not have, but that it needs to have: control of credit, public intervention in the financial system, a mobilizing taxation of resources, a strategy for jobs. It is not realistic to accept the blackmail of the debt nor is it realistic to oppose unreal solutions to the latter.

26. My conclusion is the following: the only agenda that can create a left majority is the fight against the debt. A left government can only win if it constitutes an alliance and that alliance demands with clarity the cancellation of the debt. This government must be prepared to reject all the pressures of the financial capital and to take all the measures that are necessary in that direction, including exit from the euro if that is the only solution. This preparation demands detailed and careful work, bringing together many of the best left economists. It's a job to be done. And it had better start now.

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