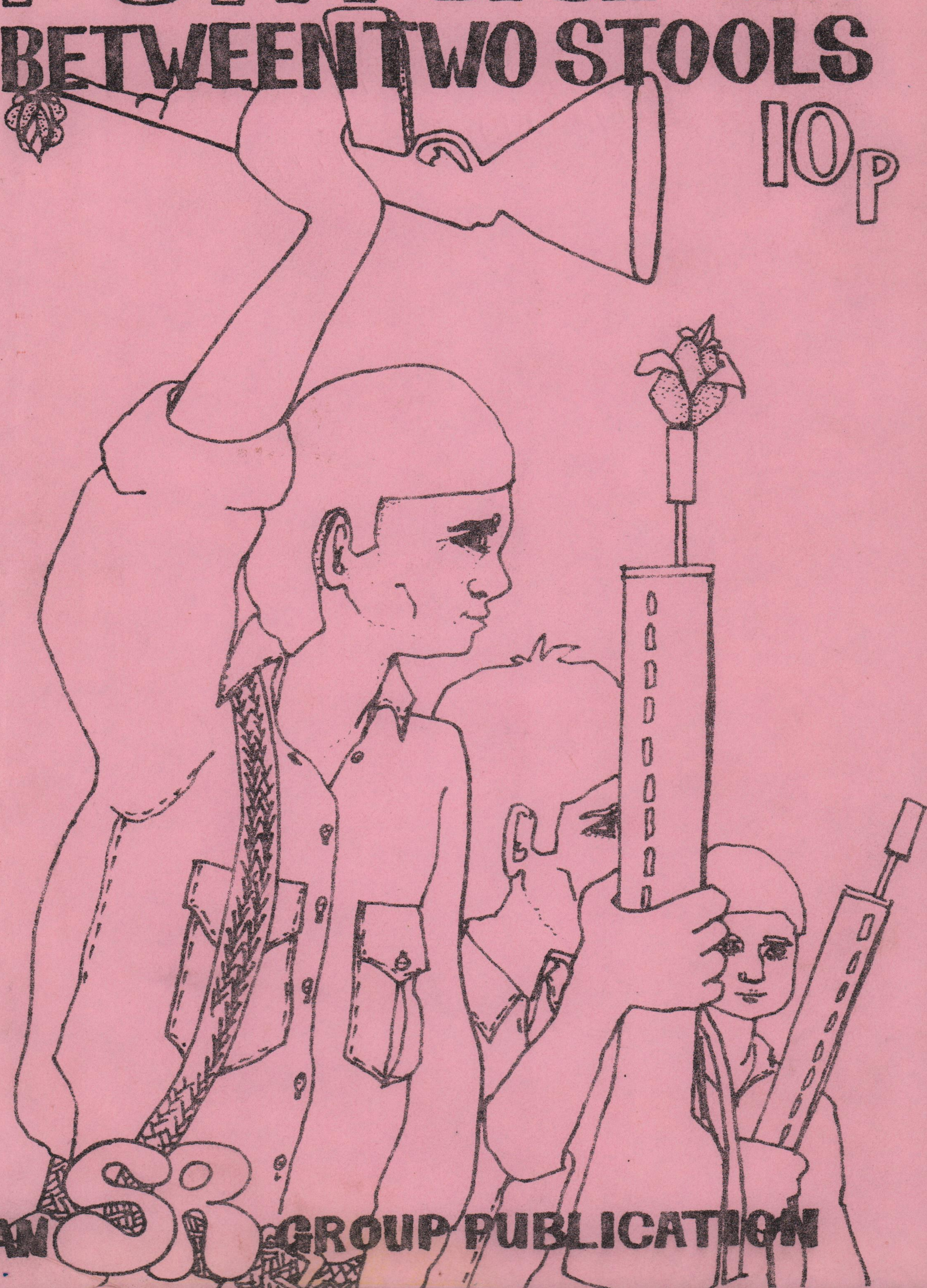


PORTUGAL: BETWEEN TWO STOOLS

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AN **SS** GROUP PUBLICATION

INTRODUCTION

Now that the ill-informed, naively optimistic cheering of the left about the "socialist revolution" in Portugal has died down, it is timely to present an analysis, attempting to explain, not why the "revolution" failed, but why the chances of communist revolution arising out of the Portuguese coup of the 25th of April 1974, were all but nil. This pamphlet, a translation of an article published in 'Lutte de Classe' (Class Struggle), by the French group GLAT, is we feel, a significant contribution to such an analysis.

The pamphlet attempts to show how the "revolution" was the product of the specific economic situation of Portugal - being neither a developed, in the West European sense, nor underdeveloped, in the Afro-Asian sense, economy. The Portuguese "revolution" is seen as a product of the attempts of the more modern capitalist elements, initially represented by the army, to overthrow the shackles of the Salazar and Caetano regimes, which, combined with the world economic crisis, was leading towards the collapse of the Portuguese economy.

It shows that the nationalisations had nothing whatsoever to do with communism, but were simply attempts at a rationalisation and stabilisation of the capitalist system. Thus the antics of the Left, with their mobilisation of workers behind demands for more state control, are revealed to have been in the interests of Portuguese capitalism, rather than the working class.

We make no apologies for the fact that this text is mainly concerned with the state of the economy. Accounts of the struggles of the Portuguese workers can be read elsewhere, but without understanding this important element of the stage upon which the play was acted, such accounts can only lead to confusion and ultimately despair.

Having said this, we must point out that we do have differences with parts of the text and with aspects of the introduction by GLAT. Specifically, we disagree with the statement that appears to claim a communist revolution can come about without the development of communist "consciousness", that it will somehow appear spontaneously from the contradictions of the world economy. We consider it essential that a significant body of workers (and not just industrial workers) organising for a communist revolution should be present, if favourable circumstances have any chance of leading to communism. A degree of communist "consciousness" is necessary in our opinion prior to the outbreak of any revolutionary crisis. Whilst we would not claim that such "consciousness" need exist amongst a majority of the working class prior to any practical revolutionary developments, it needs to spread to a majority of the class before the revolution can succeed. Any revolution must know, at least in outline, where it is going, before it can succeed. Moreover, only the development of a sufficient level of consciousness by the majority of the working class, can act as a guarantee against the degeneration of the revolution or the seizure of power by some well organised bureaucracy.

Some of the footnotes and supporting statistical tables included in the original French edition have been omitted here.

For further reading we recommend an editorial from COMBATE (Address) reproduced in our journal LIBERTARIAN COMMUNISM No 10., and the SOLIDARITY book "Portugal - The Impossible Revolution?" by Phil Meyler, £2.25. available from London SR.

SOCIAL REVOLUTION (HULL)

April 1977.

PREFACE BY GLAT (Liaison Group for Workers Action) - September 1976.

In reading this account of recent developments in Portugal, it may be helpful to bear in mind that it was part and parcel of a much broader analysis of contemporary society, and more particularly of the movements, within it, of capital and its antagonist, the proletariat. Ignoring this background, the following pages could be misconstrued to imply that what prevented the victory of communism in Portugal was the fact that only a small minority was prepared to struggle for the overthrow of capitalism. While such a conclusion might be welcome to those who still believe in a peaceful transition to a new mode of production (to be achieved when a majority of the world population has somehow become "conscious" of its necessity), nothing could be further removed from the standpoint of the group which produced the analysis.

The basis of this analysis, in fact, is that communism is not an ideal society to be propagated by enlightened zealots - whether through the ballot box or through paramilitary activities - but the effective tendency of a particular stratum, the industrial proletariat, to substitute its specific relations of production for those of capitalism. It is argued that the actual assertion of this tendency does not depend to any significant extent on the percentage share of the proletariat within the world population. Class society cannot be overthrown by a headcount, but only by the opposition of superior force to the force wielded by the state apparatus - irrespective of the presence or otherwise of formal democracy - on behalf of the capitalist class. The smashing of the government machine is thus a prerequisite of the development of communist relations of production.

This does not, however, imply that communism could be established by a putsch engineered by some revolutionary vanguard. To extend its specific social relations into the sphere of production, the proletariat needs to escape from the domination of capital, which is fundamentally predicated on the latter's ability to ensure - albeit unsatisfactorily - the reproduction of social life.

The prospects of communist revolution therefore hinge on the state of the capitalist mode of production, which can only be assessed on a worldwide basis, rather than for any particular country.

The background to the events in Portugal is thus the structural crisis which capitalism entered in the late 60's as the production system based on Taylorism and the assembly line came up against steeply diminishing returns. The crux of the matter is that productivity increments can no longer be secured without a disproportionate increase in the amount of capital tied up in production, which depresses the rate of profit and consequently sets ever tighter limits to accumulation. Hence the worldwide trend towards high and rising levels of unemployment, which state intervention manages to moderate only at the expense of accelerating inflation. The upshot is that a concentrated attack on the workers' standard of living is the capitalists' only hope of averting bankruptcy. It seems reasonable to assume that in due course the attack will meet with a backlash during which the foundations of class society may be challenged.

It should, however, have been obvious to any sensible observer that this point had not been reached by April 1974, nor is it within sight to-day. The main purpose of the analysis of events in Portugal was therefore to identify those local features which brought about the 1974 "explosion", and determined its outcome. A subsidiary purpose was to show, by means of a concrete example, how unlikely it is that capitalism will be able to overcome its current crisis by "developing" the backward areas of the world economy.

PORTUGAL BETWEEN TWO STOOLS

The general crisis of capitalism has not only affected the developed countries, which still maintain their established structures well enough, but has already had far-reaching effects in 'peripheral' countries such as Chile and Portugal. From this point of view it is interesting to analyse the recent events marking what some have called "the Portuguese Revolution". In trying to relate the evolution of the opposing forces since the coup of April 1974 to the economic structure of Portugal, we will be supplementing a previous text ('Problemes du developement capitaliste au Portugal', Lutte de Classe, 1972.) which brought out the convergence of a number of factors blocking the development of capitalism in that country: the exhaustion of manpower reserves by emigration; the low productivity of agriculture, owing to its backward structure; the burden of military expenses involved in the colonial war - three sizeable handicaps in the context of the international crisis.

As a reaction to this, the coup led to the collapse of a whole outdated political structure which was unable to respond to the situation. It did not, however, thereby open up new possibilities for development. For while the internal obstacle had in part been overcome, the external obstacle remained more than ever present. Under these circumstances, the class situation was modified, but not so far as to bring out any original outcome. By thus placing it in its context, we shall seek to clarify the meaning and limits of working class action in Portugal.

THE INTERNATIONAL POSITION OF PORTUGUESE CAPITALISM.

In many respects, Portugal appears underdeveloped: an extensively rural country supplying cheap labour (mostly agricultural workers and small peasants ruined by the fall in agricultural prices) for the developed countries. On a world scale, however, this underdevelopment will be seen to be relative and, in certain respects, special. Criteria of underdevelopment: Certainly, there is no single and precise criterion for classifying countries as developed and underdeveloped. Only an examination of a whole set of characteristics will establish whether a country is economically closer, say, to the USA or to India. Among these characteristics the gross product per capita begins to tell us something. It can be seen that Portugal occupies an intermediate position, half-way between Turkey and Spain, at about the Latin-American level.

The distribution of the population between the different sectors of the economy also tells us something. While the proportion of the population working in agriculture remains very high (more than double the average for the OECD countries), it is less than the proportion working in industry. Here again Portugal occupies an intermediate position, ahead compared with Greece and particularly Turkey, but well behind compared with the rest of Europe. So the share of industry in Portugal comes near to the average for the developed countries, while that of agriculture remains clearly excessive. The "other sectors", comprising essentially non-productive activities, are substantially less important than in the advanced countries. This fact, however, taken in isolation, does not allow us to draw any conclusions as to the stage of development reached by Portugal. (Some very backward countries have a very large non-productive sector without this being an indication of their 'development'. In a country like Germany, on the other hand, this sector is relatively unimportant.)

Turning now to the contribution of both sectors to the GNP, we find that agriculture remains a particularly backward sector, with 29% of the population, it creates an added value of only a little over 15% of the total, while the 34% of the population working in industry contribute 43%. (The corresponding figures for Spain are 13 and 35%) Both as regards the labour employed and the amount of production industry is far from negligible. However both sectors are far from being uniform.

Agriculture: The general backwardness of Portuguese agriculture is shown spectacularly by the yields per hectare, which are noticeably lower than in Spain and a half, even $\frac{2}{3}$ 'ds, less than the West European average.

Bearing in mind the size of the agricultural population, it is clear that for output per capita the gap between Portugal and neighbouring countries would be even more considerable. Low productivity is clearly a direct consequence of the scarcity of means of production: in proportion to the area cultivated, the number of tractors is about $\frac{1}{2}$ that of Spain and an eighth of the European average; as for the use of fertilisers, it is 4 to 25 times less than in Western Europe as a whole and still noticeably lower than in Spain. Further, in this country where a large part does not get sufficient rain the irrigated area only amounts to about 15% of arable land.

But the fact that in addition a large part of the cultivatable land remains fallow is not due to natural conditions, nor even to a lack of means of production, but to the system of land tenure. Up until the 25th of April more than $\frac{1}{2}$ the cultivatable land belonged to about 1% of landowners. These vast estates, particularly concentrated in the south of the country, represented one of the classic forms of backwardness in the agricultural sector: the latifundium, a weakly capitalised large estate worked either directly (with wage workers, but relatively little machinery) or through tenants or share croppers, in conditions which were still semi-feudal. Living handsomely off the ground-rent and investing little, the latifundists were under no pressure to intensify the farming of their estates, vast tracts of which they could reserve for pleasures such as hunting.

The North of Portugal, in contrast, has been since the agrarian reform of the first half of the 19th century a region of small proprietors working, with their own labour alone, plots of land which overpopulation made more and more minute and so less and less economically viable. Neither type of agriculture could support the development of industrial capital; further, as we shall see, the co-existence of two types of agriculture, outdated in different ways, was making it particularly difficult to modernise the Portuguese economy.

Industry: Industry exhibits disparities of another sort. Subdividing it into two sectors, one grouping essentially enterprises of an 'archaic' type (in the food, textiles, wood and in various other industries mainly producing consumer goods), the other comprising the chemical, engineering, paper and mineral products industries where enterprises are of a 'modern' type, it will be seen that the first sector employs about 60% of total industrial manpower and the second 40%, while for the value added to production the proportions are reversed.

These figures not only confirm that the latter sector's productivity (value added per head) is noticeably superior to the former's - reflecting, at least in part, a much higher composition of capital - but also show that, in terms of overall economic importance, the two sectors are about equal. This once again places Portugal in an intermediate position between the developed and under-developed countries: the 'archaic' sector being much more important than in the former and the 'modern' sector much more extensive than in the latter. We will have occasion to return to this point which is of decisive importance for the course the class struggle has followed in Portugal.

This composition of the Portuguese industry is reflected by the existence, amid a mass of family enterprises, of a few industrial groups of European size, some controlled by foreign capital, others such as CUF or Champalimaud purely or mainly Portuguese. Until the 25th of April, the growing differences of interest between these two types of capital were literally stifled - to the benefit of the more out-dated capital - by the Salazarist political superstructure, a true united front of the most backward elements of Portuguese society.

In this front, alongside the latifundists and small businessmen, financial

and colonial capital, held a key place. Specialising as they did in the management of ground and colonial rent, the banks had little interest in the development of modern industry, and quite a lot in the maintenance of the status quo, both in agriculture and in the overseas territories. The parasitic layers of the bourgeoisie thus combined to put spanners in the wheels of accumulation, both by depriving it of part of surplus value - that converted into rent - and by opposing the material conditions for modernisation: agrarian reform and decolonisation.

Relations to the world market: The development of a national capital, however, is only possible within the limits permitted by its relationship to the world market. This goes doubly for Portuguese capital, whose external dependence is particularly marked, in respect not only of accumulation, but even of the reproduction of its labour force.

In fact, not only do imports widely exceed exports, but the deficit is strongly concentrated in the most modern industries, those most directly linked to accumulation (chemical, metals and engineering), where the external contribution is very much of the same order of magnitude as the value added by Portuguese industry. In agriculture and food, on the other hand, not only is Portugal a net importer of considerable amounts, but, unlike its imports which are very diversified, its exports are made up essentially of wine and preserved fish or vegetables (particularly tomatoes), which certainly would not suffice to ensure the subsistence of the population.

In the 'archaic' industries (wood and textiles), on the other hand, there is an equally strong dependence in the opposite direction, with a large proportion of Portuguese production going abroad. Thus the possibility of accumulating capital in Portugal is directly conditioned by the situation of world capitalism.

Towards an upsetting of the balance: We have shown elsewhere (Lutte de Classe Dec 1972.) how the shifting balance of forces within the Portuguese bourgeoisie had permitted some accumulation to take place during the final years of the international post-war boom. This accumulation (strongly supported by the entry of foreign capital) had the effect of strengthening the 'modern' sector of the bourgeoisie, but not without creating considerable distortions. Between 1961 and 1973, the agricultural population decreased by more than a $\frac{1}{3}$, while that of the other sectors increased substantially: the basis for the extraction of surplus value was thus broadened, labour productivity being appreciably higher outside agriculture.

The upsetting of the balance which this development implied was to be precipitated by the first signs of the general crisis of world capitalism, which, combined with its own structural weaknesses, hit Portuguese capital with full force from the beginning of the 1970's. Escaping from the Salazarist straight-jacket, the classes and sections of classes which made up Portuguese society were from then on violently to confront each other in search of a new balance.

THE CHANGING CLASS POSITION

The Army: The changes which had taken place in Portuguese capitalism also entailed an altered social composition of the army. Early in 1974, 60% of the young officers and NCO's were conscripts. These young cadres - often former politically-minded students - came into conflict with the caste of career officers and were led to question not just the colonial war but the regime itself and the social forces whose domination it represented. In this way the army became the spokesman and instrument of modern sectors of industry which wanted to expand. The army's defection was moreover actively encouraged by certain capitalist groups such as Champalimaud which provided finance for the coup of 25th of April.

The putsch and its consequences: The immediate effect of the putsch was to weaken the position of financial and rentier capital, both directly by

depriving it of control of the state apparatus and indirectly by its other results. The colonial sector was given up first in Guinea, then in Mozambique, and finally in Angola. The banks were nationalised to permit the modernisation of the credit system (an operation which as we shall see was to take its promoters further than they had no doubt envisaged). Further, the agrarian reform outlined by the provisional government was soon taken further on the ground by the "wildcat" occupation by the southern agricultural workers of a large part of the latifundia.

There are no statistics on the extent of these occupations. According to currently accepted estimates, however, they may have involved in total 700,000 hectares, which would be about a $\frac{1}{3}$ of the area of the large estates. In the Alentejo it seems that 380,000 hectares, i.e. about $\frac{1}{2}$ of the cultivatable land, were occupied. The problems resulting from these occupations will be discussed later.

But it was not long before industrial capital, too, felt the consequences of the upsets it had itself played a part in bringing about. Even before the 25th of April determined strikes had shown the resolution of the Portuguese working class and its capacity for self-organisation, and confirmed that the Salazarist regime had definitely become inappropriate to the class situation in Portugal.

In certain cases these strikes had led to a substantial increase in the value of labour power, though only in the most modern enterprises. In the period after the 25th of April, however, the partial paralysis of the organs of repression permitted a real explosion of wages struggles which, moreover, at this time was not channelled by any trade union apparatus. The result was a spectacular increase in the value of the labour power of the worse paid sections of the working class, as the increase in wages was the strongest where the starting point was the lowest.

In the long run, such a reduction in wage differentials would tend to benefit the modern sector of the economy by undermining the position of the 'archaic' enterprises, which had only been able to survive by overexploiting the labour force. The trouble, for the capitalists, was that working class pressure led not only to some equalising of wages, but also to massive increases ranging from 40 to more than 100%, to which were added significant "social benefits" such as an annual bonus equivalent to one month's wages, and unemployment allowances. Combined with the fall in production caused by the world recession, this wage explosion entailed a collapse of surplus value: despite the rise in prices, real wages went up while productivity decreased, completely destroying the profitability of capital.

Together with the return of the overseas repatriots and of part of the emigrant workers, victims of the recession in the countries where they had been working, the decline in production led to a big increase in unemployment, eventually amounting to some 15% of the labour force.

However, on account of the general features of the class situation, this did not bring about any tendencies towards moderation in wage increases. Quite the contrary: workers threatened with dismissal were taking direct action against the owners of the business or their representatives. Together with the demonstrations of indiscipline triggered by the purge from the management of enterprises, after the 25th of April, of those elements most compromised with Salazarism, the occupation of factories in difficulties forced the provisional government to intervene to re-establish some sort of 'normality' by the nomination of provisional managers. (In many cases this was precisely the aim of the agitation by leftist or Stalinist minorities.)

State intervention: But this was not the only factor leading to an increased State control of industry. Another, much more important factor was the very seriousness of the crisis, as expressed in negative balance-sheets and a severe shortage of liquidity in the business sector which, tottering on the

verge of bankruptcy, was only kept afloat by the injection of public funds and bank credits granted at the instigation of the State apparatus.

In these circumstances, nationalisation could appear simply to be formal recognition of the de facto situation. To these occasional State take-overs was added the indirect effect of the nationalisation of the banks, whose share portfolios turned the State, unwittingly as it were, into the main shareholder in a number of important enterprises. Those aspiring for power were tempted to gamble on the growth and permanence of this expropriation of private capital, and this was how the question was seen during the "Gonalvist" period of the provisional government. We will see later that the ambitiousness of these apprentice State capitalists went far beyond the strength of their basis in Portuguese society. At the time, however, the crisis resulted in about $\frac{2}{3}$ rds of industry falling under State control.

State intervention, however, could not bring into being a non-existent surplus value. The "bailing out" of enterprises by dint of subsidies and loans, combined with low tax revenue, resulted in an enormous budget deficit (estimated at about 5% of the GNP in 1974, and presumably much more in 1975) and an accelerating money creation, which kept going an increase in prices of the order of 30% a year.

A deteriorating balance of payments: Since production obstinately refused to respond to demand - sometimes, as in agriculture, as a result of inadequate capacity, but much more often because the prospect for profitability was worse than mediocre - imports shot up. While the rise in wages led to a doubling of food imports, purchases of machinery and transport equipment rose less than implied by the increase in world prices, reflecting the decline in Portuguese accumulation. Further, Portuguese capital, like that of the advanced countries, paid its tribute to the oil rentiers and, to a lesser extent, the other holders of mineral wealth, in the form of a tripling of the cost of imports of mineral products and a doubling of that of metals.

Exports, on the other hand, proved to be considerably less dynamic, since the rise in Portuguese prices was greatly in excess of the world average, and the trade deficit, already getting noticeably worse before the 25th of April, amounted in 1974 to about 2 billion dollars. At the same time, the earnings from tourism and migrant workers remittances, which had previously covered the deficit on trade in merchandise, decreased as a result of the world recession and the uncertainties brought on by the seeming impetuosity of social agitation in Portugal. Since the inflow of foreign capital not only did not continue but turned into an outflow, the overall balance of payments closed with an annual deficit of 1 billion dollars, the settlement of which exhausted the foreign currency reserves of the central bank.

Certainly, the gold reserves built up under Salazar, representing at the current rate more than 3 billion dollars, had hardly been touched by the end of last year. But their liquidation would leave Portuguese capital without any defence at all in face of the ups and downs of the internal and international economic situation and could only be envisaged as a measure of last resort.

(It should be borne in mind that, while a State can at will produce money which is legal tender in its own territory, this does not apply to international money, the only acceptable means of settlement on the world market.)

All that could be done therefore was to appeal for international loans, as the provisional government did with insistence. While Spínola was President the foreign capitalists proved ready to bail out their Portuguese colleagues, but this readiness decreased very markedly during the following period, characterised by land and factory take-overs and the rapid spread of nationalisation. The boycott of Portugal by international finance thus combined with the tensions which the Portuguese economy was already experiencing to make the establishment of a stable regime in place of the existing chaos urgently overdue.

WHICH SOLUTION?

As to their underlying trend, developments in Portugal since the 25th of April can be seen as an attempt by a underdeveloped capital to reach a higher stage guaranteeing its long-term profitability. However, this attempt came up against the worsening of the world capitalist crisis, and the class activity of the Portuguese proletariat which was both a reflection and an intensifying factor of the crisis.

Nevertheless you had to be wearing the spectacles of the patented ideologists of leftism to imagine for a single moment that the Portuguese 'revolution' could have led to the victory of the working class.

The limits of class action: To imagine this was to forget first of all that the Portuguese proletariat, the product of a specific set of circumstances, was far from being homogeneous. Certainly, the workers through wildcat strikes and sequestration of managers, rediscovered and deepened on numerous occasions the lessons of the class struggle. But it must be clearly recognised that, on the whole, these actions remained scattered and fragmentary. On the one hand, there was some growth of an ultra-left base, to the extent that Portugal was linked to world capitalism, and to the extent that the previous regime had forbidden the existence of mediating trade unions, hence an experience of determined struggles, often brutally suppressed. On the other hand, a 19th century type mentality often survived in the small enterprises, with their skilled workers working in a paternalistic atmosphere: the objective basis for a confused ideology in which illusions about co-operatives, revolutionary syndicalism and even State capitalism co-existed. While a fraction of the working class (varying according to circumstances) was able to go beyond simple demands of a trade union type, this was at any rate only a minority which had no chance of drawing along the mass of the proletariat. So, while the actions of the working class were often forceful enough to short-circuit attempts at bourgeois democracy, they were not strong enough to impose a working class solution.

But the most fundamental reason for the predictable failure of the working class action was to be found outside Portugal: a proletarian outcome is inconceivable in a national framework and in the absence of a world revolutionary crisis, which is not yet there. Radical working class activity had to stop in Portugal because there was nothing beyond its borders to give the Portuguese situation any other outcome. Since the world proletariat did not take up the movement that had begun, its reflex was inevitable.

From this point on the only question was under what conditions would capitalist normalisation take place. Apart from its basic aspect (the taking back of the benefits temporarily won by the workers) this could in theory be achieved in different ways, both as regards the type of political superstructure to be set up and as regards its social base.

The obstacles to advanced capitalism: While on the face of it the collapse of Salazarism appeared to open the way for the development of an advanced capitalism, crowned by the establishment of parliamentary democracy - the system of government supported both by the main Portuguese industrial groups and by the leaders of world capital - the obstacles in the way of such an evolution turned out to be all but insurmountable.

First of all, the backward sectors of the Portuguese economy, though weakened, had by no means disappeared. The expropriation of a number of latifundists did not suffice to solve the agrarian question. The large estates were taken over by agricultural workers and converted into co-operative undertakings, propped up by the State which handed out to them - in general very sparingly - technical assistance and financial aid. But this form of organisation is in the long run incompatible with a market economy, particularly when it is not accompanied by massive investments, which Portuguese capital could hardly finance in its present state.

The problem was further considerably complicated by the opposing interests of the various strata of the peasantry. While for the time being the status of member of a co-operative might seem more advantageous to the former wage workers, this was not the case for the southern sharecroppers and tenant farmers, who on the whole opposed the agrarian reform in its present form. Collectivisation seemed even more of a menace to the small proprietors of the North, who lined up unconditionally behind the latifundists to defend the sacred rights of property against the "reds". Moreover, more prosaically, the small proprietors could hardly have regarded with favour the competition of co-operatives which the State apparatus provided with credit facilities and a network of sales outlets. These wranglings, the result of the dual nature of the Portuguese system of land tenure, led to the agrarian reform being blocked and indeed partially called into question.

It should also be remembered that in industry - not to mention the non-productive sector - the majority of the labour force continues to be employed in fairly old-fashioned enterprises. This, of course, was also the case at a certain stage of their development in countries which are at the moment the most advanced. There exists no principle which would keep Portugal from taking its turn, along the same road as followed by France, Italy and more recently Spain.

But, as already noted, the prerequisite for such a development is a favourable world economic situation, which precisely is conspicuous by its absence. While it may reasonably be assumed that world capitalism will experience some growth of production and trade for a year or two, it can be ruled out that this revival should push the rate of profit back to a level permitting accumulation to resume on a scale even vaguely comparable with that of the first 20 post-war years. In these circumstances the remission can only be of limited length and amplitude, and after a passing euphoria - which will give the supporters of the impossibility of crises under modern capitalism a chance to make even bigger fools of themselves - the crisis will resume with double force, stifling any attempt at the 'development' of the backward countries.

The obstacles to State capitalism: These problems had not escaped the attention of the political and trade union bureaucracies which proliferated in Portugal after the 25th of April. A fraction of them, combining with certain sections of the proletariat and with adventurist elements within the officer corps, concluded that it was possible to establish in Portugal a real State capitalism, under bureaucratic control. The nationalisation of the banks, the State control of the greater part of industry and the setting up of agricultural concerns akin to *kekhozes* did in fact make it possible for a few months to believe in the triumph of such a regime. But these successes were no more than Pyrrhic victories.

Not only did the resistance of the peasants present serious problems for an army which was incapable of suppressing them, precisely because of its social composition, but the existence of a modern industry of sizeable dimensions made State capitalism a figment of the imagination rather than a genuine social force. It is not an accident that State capitalism has taken root only in countries where the modern organisation of production - the full domination of capital over living labour - does not exist, except as a curiosity. In a country where taylorized industry already has a widespread existence such a regime would involve a regression of productive forces such as no present-day society would be able to stand.

The pathetic failure of management in the nationalised sector in Portugal expressed this underlying reality. Beyond the demonstrations of working class indiscipline, including its more picturesque aspects, there appeared an overpowering tendency towards the dismemberment of State capital and its return to the bosom of market capitalism, which the recent measures of re-privatisation have but rubber-stamped.

The world bourgeoisie of course - which remains the dominant social layer of capitalism as a whole, just as the market is the dominant form of organisation - greatly contributed to the defeat of the would-be State bureaucrats. A capitalism so closely integrated into the world market as that of Portugal could not afford to be separated from it without suffocating. As for seeking a substitute in the 'Eastern' branch of capitalism, that again was utopian for an economy where a considerable sector has once and for all gone beyond the state of large-scale mechanized industry. The very ease with which its backers were defeated confirms that State capitalism had sunk only weak roots in the soil of Portuguese society.

Fascism: It is partly for the same reason that the triumph in Portugal of a fascist regime in the strict sense of the term, ie. a bourgeois form of State capitalism, can be considered improbable. Such a regime would of course not come up against the hostility of the world bourgeoisie, at least not to the same extent as a completely bureaucratic State capitalism. But it would still be unsuitable for the class situation in Portugal. In fact the creation of an autonomous apparatus capable of disciplining the bourgeoisie as a whole, by sacrificing if need be, some of its components - a creation which is politically the very essence of fascism - is only conceivable when the differences of interest within the ruling class are not too significant. When, on the other hand, as is the case in Portugal, these differences are fundamental - due to the very importance of a modern developed sector - a more genuine play of political forces is required. Thus the conditions for State capitalism, in whatever form, are at present far from being met in Portugal.

Normalisation: However, the situation could not remain blocked for ever as, in the present economic context, a problem of subsistence and physical survival could hardly fail to arise in the very short run. In the absence of a genuine solution - which capitalism can no longer provide - what patching-up could reasonably be expected and by what means? Here again, as on the 25th of April, to the extent that the capitalist class was not homogeneous and that, as a result, the capitalists would not stand just about anything that purported to defend them against the workers, the only force capable of intervening was the army which, in contrast to the fascist party, reflects and represents in itself the contradictory interests of the bourgeoisie. In this light only a regime endowed with a veneer of democracy, more or less marked according to circumstances, but where the army (as in Argentina or Turkey) called the tune in the last resort, could allow some expression of the internal contradictions of the bourgeois, while providing a framework for a development of the economy limited to a few very narrow sectors, assisted by subsidies, protection and perhaps also new foreign investment, once "confidence" had returned. In short, a strong government for a relative stagnation: for, in any event, there is not much scope for accumulation.

Such a regime has a popular basis and support in various disparate but very real social forces: the small peasant proprietors of the North, the salaried and non-salaried middle classes, the repatriates, forces which gravitate to the Socialist Party and to its right, and in total amount to over $\frac{1}{2}$ the population. This basis could moreover be extended by an agrarian reform giving the land to the peasants of the South with compensation for the latifundists (who would then become genuine capitalists) and by denationalisation, securing the support of advanced capital to the new regime.

This policy was predicated on the reconstruction of a disciplined army, purged of adventurist minorities. This process, which had taken a good start with the preparation of the counter-putsch of the 25th of November last, has since then been completed by a purge of the high command and the demobilisation of about $\frac{1}{2}$ the rank and file. With the establishment of a new constitutional facade "normalisation" can be considered as practically accomplished, and it is this which now defines the limits of the proletariats class activity.

The international bourgeoisie was well aware of this when it generously opened its coffers to the Pinheiro de Azevedo government which on the eve of the 25th of November many a badly inspired commentator claimed to be politically on the way out.

In fact, spectacular as it was at times, this activity mainly reflected the temporary collapse of "normal" working and living conditions. The problems which arose were not yet those of the world communist revolution, but, quite the contrary, those of a backward country where the margin for capitalist development would still be considerable but for the international situation blocking it. All this will give some idea of the present chances of 'development' for underdeveloped countries whose situation is similar to that of Portugal, if not worse.

It will be noted that throughout this analysis there has been no reference to any efforts by the capitalists allegedly to invent some "mystification" designed to trick the workers. The point is that illusions do not arise from the machiavelism of politicians, but from the material conditions of existence of the various social classes. And what dispels them is the dynamic of a struggle firmly based in the reality of the relations of production, not the homilies of professional revolutionaries.

LUTTE DE CLASSE, April 1976.

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