Document of the Political Commission of the Left Bloc

On the crisis and how to overcome it

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This is a working document, discussed on a enlarged meeting of the Political Commission of Bloco de Esquerda.
Its goal it to promote full knowledge of the ongoing measures and discuss the most effective way to fight them.

Part One

Analytical data on the crisis and the risk of recession or depression.

The *Wall Street Journal* published, on February 26th, some details of a meeting in New York between some hedge-funds, investment banks and other financial corporations representatives, lead by the George Soros fund and Goldman Sachs. Greek economy was set as the most vulnerable target, according to the newspaper. Wether this is the truth or mere conspiracy legend, we do not know; but we know that by the end of last year, and mostly between March and May, the speculative attacks against the euro became frequent (first on Greece's sovereign debt, and then against Portugal and Spain), and, above all, successful.

The process of value transfer was carried out according to two rather simple procedures: (1) the pressure of hedge funds operating on the financial markets against a background of a steep rise in government deficits, because of the crisis leads to a rise in interest rates, which only emphasises, in a vicious circle, the risk of sovereign debt, and (2) the ECB itself financed in 1% the commercial banks, which afterwards bought sovereign bonds at much higher interest rates (in Greece it reached 10% and in Portugal 6%), although the major european banks are nowadays less greedy for sovereign bonds. Anyway, capital obtains high incomes taking no meaningful risks. This way, government debts became the largest worlwide financial market, surpassing the stock-markets as the place where capital revenue is fixed.

This is a very important change, and one which highlights how dangerous a devastating globalization can be. As Bloco de Esquerda has stated in previous conventions, this process of financial globalization is also a process of broadening total exploitation: workers are not only faced with the burden non-paid work, but they are also the ones financing capital accumulation with transfers trough taxes, reduced indirect wages and the disintegration of public services. The increase in taxes and the prompt decline of wages to pay off interest charges on public debt is part of those new transfers.

So, globalization went into a crisis with the 2007-9 recession, and since then there have been two distinct stages in the restructuring of financial capital:

> Stage One of the crisis, (2007 and 2008), which started in the summer of 2007 and lasted until the collapse of the north american bank Lehman Brothers, triggered off an immediate response, consisting of state interventions refinancing those banks which had toxic assets, nationalizing some while protecting others. Such massive intervention has averted the domino effect of 1929. The ECB funded European commercial banks so that they could restructure their assents. European banks no longer invested in the USA and directed some of its fund to bonds of issued debt of peripheral European countries.

> Stage Two (2010) has as its main feature the rise in government deficits, as an outcome from the crisis, and the resulting enhanced need for funding. European banks, acting in a context of enhanced perception of the sovereign credit risk and with their balances only partially recovered, no longer buy peripheral sovereign debt with the same keenness. This has indulged the speculative attack taking place since January 2010.

However, these successive stages of the financial globalization crisis in Europe simultaneously brought to light the Euro's weakness. There is an understanding, mostly amongst German bourgeoisie, that as a reference currency for international payments and store of value the Euro demands the enforcement of monetary discipline upon each and every country. This being so, since the main form of financing of government debt by way of the financial markets, even stronger economies are subjected to some constraints, since these speculative markets shape the Euro policy. This way, those countries no longer have a monetary and exchange rate policy of their own and the European authorities face serious restrictions when it comes to setting the course of the Euro, for they depend upon the international financial system. This being so, every economic adjustment must be carried through by way of labour (wages, jobs and taxes). In other words, the European Union recessive policy was not chosen by ECB managers or even its statute: it is recessive because of the nature if the economic relationship which is represents and because it is structurally in the hands of finance.

Furthermore, in the face of the globalization crisis, the very measures aimed at ensuring the financial markets' income are recessive. With the increase in taxes and interests and the decline in wages, domestic demand is reduced (and aggregate external demand also, due to the national replication of such policies at an European level) and so companies will produce and sell less. Installed productive capacity will increase and hence unemployment will too. Such measures have a cumulative effect, because consumption represents 60% to 70% of domestic demand and will decline, while the demand for goods is cut down to mediocre levels (it fell 17% in Portugal from the beginning to the end of 2009, according to BdP expectations): all these measures deepen the path do recession, either because of the decrease in labour income or the decline in government and private investment. The risk of a long-term depression with deflation coming our way is thus quite real.

On the other hand, the pressure for an rise in interests on publicdebt and the downgrading of the rating of the commercial banks lead to higher credit costs, so credit will be rationed. Portuguese banks are increasing the spread fourfold in new loans and restricting access. Such credit crunch will deepen the recession all over Europe. There are then two major consequences. First, a strong recessive trend, based on monetary and fiscal policies, along with the austerity which aims at a quick valor transfer to speculative capital. The second is even more threatening: we are going back to the state of affairs in 1930, with deregulated markets which resist to the slightest pressure for tighter public control.

While the EU postponed the first effective measures to control the movements of capital to off-shores to 2014, most governments insist on protecting them: for instance, the Portuguese government has just taken the Cayman Island off the list of "bad" off-shores, obviously because they are the main trading post for the money in circulation from Madeira. The truth is that greedy accumulation practices withstood rather well: the government promised the end of bonuses on subsidized companies, but the proposal was not even voted, due to the outrage in provoked amongst share-holders and those concerned. And the Portuguese banking boasts of still paying only about 10% in corporation tax. The public financing of banks, by means of guaranties and securities, which in 2008 and 2009 warranted their access to international markets at low interest rates, has never been met by any real compensations whatsoever.

Major conflicting strategies

Let's use these recessive risks and this value transfer to financial capital as a starting point to apply a strict assessment criterion to possible strategies in dispute. They are basically three:

1. The Euro as a means to preserve the domination of the economy by finance, jeopardized by the current crisis.
2. Disintegration of the Euro.
3. Social struggle as a vehicle for driving the European architecture reform in order to challenge the European austerity plan as a tool to enable transfers to finance capital.

We shall now look at these strategies individually.

1) A disciplined Euro to support the endless domination of the economy by finance and the plunder of European economies.

This is Merkel's government strategy, dragging along the European Commission, as well as Socrates' government, backed up by PSD and CDS: a Stability Pact with tougher sanctions, EU's direct intervention (meaning the German's government intervention) in controlling national budgets, aid restrictions and extreme actions of wage decline and tax increase, cuts in expenditure and privatizations. Similarly to what happened in the 1930s, the decline in nominal wages is the solution bound to be chosen: it stands right now in 5% in SPain, 14% in Greece, and 5% is expected for Portugal until 2013, plus the tax effect (immediate effect in Portugal: 2,5%).

In fact, Greece is just a pretext, and that is why the Commission and the Council's behavior discloses their main strategy. Greek economy represents 2,5% of European GDP and 3,8% of its overall debt, so it does not weight much. Political coordination at the European level could easily provide a solution against speculators, implementing measures such as the ones Bloco and some of the European left have put forward. But such solutions did not materialize; in fact, the opposite took place, when the German government, alongside with the Commission, promoted speculation. Afterwards, they set up a coordination mechanism which is nowadays the most powerful Europe ever had: the plan of €750 billion with draconian rules against the economies (see bellow). The European Union aims thus to save the financial systems: one third of the €7 million government debt in the eurozone is in banks' assets. It is a gigantic operation to rescue the financial system, in Stage Two, perhaps the biggest ever in the history of capitalism.

We must not take it for granted that this European plan is an adequate reaction to the crisis in eurozone, even bearing in mind the value transfers it warrants. In fact, this policy aggravates structurally the problems European economies face, because competitive gains are never achieved by means of wage reduction. Therefore, the Euro's stability is always in jeopardy: if the economies do not grow, fiscal adjustments will reduce demand and a recession is likely to be forthcoming: and if we face one in the short or medium run, the risk of some countries being excluded from the Euro becomes very high.

Such a recessive policy and the plunder it brings along are a serious threat to labour and popular movements. Bloco de Esquerda knows for sure that the full implementation of such policies will imply a serious defeat and a setback for all sorts of social struggles, mostly to the trade union movement and the political left.

Bloco is against the European plan

The government will put forward a bill with the European plan and the Austerity Plan in the same package. This time, we are no longer talking about some sort of rescue loan but about a budgetary planning which enforces measures to the whole eurozone and, above all, to southern countries. On the other hand, if regarding Greece we only voted the debt-consent needed for the loan, we are now debating unacceptable measures, inasmuch as they set up austerity measures and interfere with each state's capacity to run their own economic policies, even bearing in mind how strict the restrictions enforced by the Stability and Growth Pact are.

The European fund

This €750 billion includes an IMF contribution in one third, enforced by Germany, as pre-condition for passing it. Germany's stance has the clear objective of hastening the processes of fiscal adjustment with additional measures (in Portugal, the pact between PS and PSD).

Furthermore, the setting up of this fund introduced important changes into the relationship between European institutions and member-states. The most relevant one is that which states that a majority of finance ministers may amend the budgets passed in national parliaments, and the requirement for an ex ante visa before draft budgets are discussed therein. Besides this change, Germany is putting pressure on the member states to write deficit and

government debt limits into their constitutions (in Portugal, this has already been advocated by PSD and CDS, and, more recently, by the member of cabinet Luis Amado).
Let there be no doubt about this: German pressures do not arise out of a lesser interest in this intervention plan. On the opposite, the german state does not profit at all from any sort of breach, because it would affect its own banks heavily (which have, from 2007 on, increased their investment in peripheral countries' government debt). Thus, the Greek loan, this new fund and the resolution to force ECB to buy government debt on secondary markets play a decisive role in rescuing german (and french) banks.
The plan includes three amounts. First, the mutual assistance mechanism (€60 million), funded by debenture loans to be taken out by the European Commission. Set up for countries outside the Euro, it is now extended to include countries inside the eurozone, but is is doubtful if it will ever reach any monetary substance. Secondly, a amount of €440 billion, with a structured vehicle built from contributions from member-states, proportional to their ECB share. The contribution of the Portuguese state is 1.75% (about €7.7 billion, which is almost 5% of its GDP). Finally, €250 billion are funded by the IMF, which exposes the fragility of the European reaction and the USA interest in European monetary stability.

Bloco de Esquerda votes against this European plan and its clauses. Bloco will put forward an alternative draft resolution, rejecting the subjection of budgets to an ex ante visa, and promoting instead European solidarity with a system of borrowing at the interest rates of the government debt of creditor countries and the issuing of European debt to fund projects aimed creating jobs and implementing social policies.

2) Disintegration of the Euro

Some left wing economists put forward the following alternatives: either we are faced with a "bad Euro", which enforces austerity, or a "good Euro", that will protect us from it, or we must leave the Euro. And they infer that the first is the worst and the second requires a political convergence inbetween the European left which is hard to come by, so we might be left with the third. However, sinisterly, this might happen due to Germany's enforcement rather than because of the states' sovereign will, if a new recession comes to hamper budgetary discipline in the eurozone as it stands today, bringing along an increase in taxes and wage decline. Notwithstanding, the continuity of the current European monetary architecture aggravates the probability of a disintegration scenario in the eurozone, at least because the discrepancies that gave rise to an accumulation that is now clearly unbearable in deficits and trade surpluses is perpetuated, with no viable mechanisms to diminish them.

Those economists compare the risk of leaving the Euro with other historical processes of cessation of payments of external debt. There were indeed plenty of instances of cessation, suspension or restructuring of external debt payments, but those examples make it clear, precisely, why this alternative is so hard. In the 19th Century, when the recession and stock market crash was taking place in 1825, there was a heavy fall in the prices of raw materials, which ruined the economy of producing countries, and some South American states, as well as Mexico, suspended their payments for thirty years. In the 1870s it happened again. Of course the economic interdependency was then very different from the one we have today, and those economies which stopped payments were better protected. Nevertheless, there were times when the creditors reacted with war, such as the military occupation of the Suez Canal towards the end of the 19th Century, the attack on Venezuela in 1902-3 and the military action taken by its creditors against Nicaragua in 1909. The most powerful economies deployed other resources to restructure their external debt : Keynes quotes the cases of Belgium, Germany, France and Italy, which borrowed in their own currency and devaluated it afterwards, which was detrimental to their creditors, and that happened also in the USA and the UK. Elsewhere, negotiation allowed for debt depreciation: in 1953, The Federal Republic of Germany negotiated a discount of over half of its external debt, with new conditions attached (amongst which the restriction that the public debt burden could not go over 5% of exports). In the same decade, Austria and Greece renegotiated their debt. In 1971, Indonesia made a similar deal. And, recently, one of the first Bloco victories was to pass a law in parliament which compelled the Guterres government the cancel most of Mozambique's debt. However, in all these cases the major economies allowed or favored such deals.

The most recent example is Argentina, which managed to restructure some of its debt, but which has also endured a brutal adjustment with the depreciation of its currency and thus also of its internal incomes, including wages. Argentina's economy has recovered more recently, after going through a painful adjustment process.

Different from PCP

PCP, on the pages of *Avante!*, criticizes Bloco for not having rejected the law on the first loan to Greece. As it is, we have passed it aware that it contained no clauses imposing any conditions to Greece. Therefore, we did not contribute to Greece's default, for the Greek state would otherwise have to stop all its payments, wages included.

yet our divergences with PCP go deeper: PCP's vote is linked to its support of KKE, which in Greece has always argued for leaving the Euro and the European Union. Well, PCP has never, nor does it now, put forward such solution, and thus put itself in a weird situation: it votes for the Portuguese state to help enforcing Greece to leave the Euro, but does now wish for the same to happen to us.

This debate is pointless. The choices before Portuguese left-wing parties are not about leaving the Euro or not, but on how to bring forward alternative policies which create jobs and implement democratic decision methods to fight finance speculation, refusing to accept the European Austerity Plan as a starting point.

Let's look at Greece's situation from this perspective: if Greece left the Euro in reaction to European Union pressure, it should devaluate its new currency straight away, and heavily. Even if it nationalized its banks and controlled the capital inflow out of the country, as would be required in order to enable the transition at a lesser cost, it would endure two cumulative recessive impacts: first, devaluation with a rise in import costs, with the subsequent loss of purchasing capacity attached to wages; and then a new deficit increase due to a fall in tax revenue. Bearing in mind how fragile the production and exporting sectors in Greek economy are, the outcome of the huge deficit in its current account would probably be more austerity. Only an economy with a high level of exports will benefit straight away from devaluation (Greece "imports" tourism, which represents 20% of its GDP, but the perceived framework of instability could jeopardize some of this revenue.) That's why political choices are so paramount: the ruling sectors of Greek middle classes will do everything to remain inside the Euro.

The notion of a pact between the Greek peoples movement and the middle classes to leave the euro or envisage a "national" solution is unfeasible and detrimental. Economic interdependency leads to an increasing integration of national and transnational bourgeoisies (mostly on those sectors linked to finance and external trade) and therefore Greek middle classes will do nothing but cling to the Euro and try to enforce austerity on its people. The first thing the left must argue for are national alternatives which are also European.

The risk lies elsewhere too: Germany might want to impose a headlong rush, excluding some countries from the Euro or opting for a two-speed Euro (which would be just the same), if circumstances lead Merkel to rather have to endure the costs of a crisis than those of supporting the single currency. And that would be terrible news for workers.

3) Face up the European Austerity Plan to stand up for wages and jobs

There is a third field of alternatives, based upon a strategy of interconnection between struggles at an European level focused on economic and social policies promoting employment and in making room for national policies against globalization.

Such strategy calls for two clarifications, which point towards of the policies Bloco has always stood up for. The first is that we have no trust whatsoever in the policies and institutions in charge of the Union, nor any expectations regarding its reform or aptitude to stand up to the crisis: as has been written above, these are same institutions which are upholding the crisis and the transfer of value form labor to capital. Mobilization is the only way to put a halt to the ongoing offensive against workers. Unless Europe is rebuilt by means of an employment pact overruling the Growth and Stability Pact's clauses and institutions, as well as the Lisbon Treaty, there will be no European policy to react adequately to the crisis and there will always European policies to make it even worse. Lest such alternative is implemented, Europe will not be able to respond to the crisis and it will increase those policies that are aggravating it.

The second clarification is an outcome of the first: our belief in the European dimension of social and political struggles that will establish that the left is at odds with the ongoing globalization — we are pro-European and against finance globalization, because its defeat is instrumental for enforcing labor rights and fighting against the current modes of exploitation.

So, Bloco de Esquerda must reinforce its combat against the EU institutions and policies as far as the answer to the ongoing recession and new austerity measures are concerned.
As for concrete measures, we draw a line between those areas in which we demand European solidarity and common policies and those for which we claim more freedom for national governments to act upon creating jobs and come up with adequate action for those economies under more distress.

Bloco has endorsed or backed several common activities with parties on the left in Greece, Spain and other countries, such as joint rallies (Athens, Madrid), and events in solidarity with Greece. These activities will be extended, with a week of European solidarity with Greece (for instance, there will be a rally in Lisbon with Sybaspismos) and then a rally in Berlin, in June. Bloco will play a role in various activities and proposals expressing solidarity with Greek workers and fighting against the enforcement of the speculative markets' terms.

The PS-PSD austerity plan

On the revenue side:

> **Rise in income tax:** +1% for incomes higher than the minimum wage, + 1,5% for incomes higher than 5 minimum wages, +1,5% for release tax. This tax increase, besides being practically devoid of progressiveness (meaning that the rate is higher in relative terms for lower categories), implies the same or a higher burden for labor incomes as for taxable incomes from capital.

> **1% rise in VAT**: Here also, an higher reduced rate is more critical in relative terms and has a much higher social impact.

> **Rise in corporation tax: + 2,5% in legal rates** for large companies and banks. It is a positive measure but we must bear it in mind that we are talking about legal rates.

The government has tried to spread the notion that these fiscal measures imply an equal share of sacrifice for everybody. We must refute this idea fiercely, because it is based upon a triple fallacy. First of all, labor incomes will be hit twice, both by the rise in income tax rates and in VAT. Furthermore, the rise in corporation tax is debased by the relation between legal and effective taxes, namely on the banking sector. Finally, fair taxation means collecting more revenue from higher incomes, leaving aside those who have already endured other austerity measures in recent and far-off times.

On the expenditure side:

> **€150 million cut in compensatory allowances for state-owned enterprises —** it is a unbudgeting of the debt, moving the deficit to those companies' accounts, and increasing transportation costs, as has already been disclosed.

> **€100 million cut in transfers to local councils.** This cut is effective and prompt.

> **5% cut in politicians and public managers' wages**, though the measure does not apply to private companies managers, including those subsidized by the government. No extraordinary taxation is expected for such incomes.

> **Suspension of civil service entries** and widespread implementation of the "2 (or more) out, 1 in" rule. It is a disintegration sentence for public services.

The recessive package on the whole: SGP 1 and SGP 2

These measures and those already in SPG 1 (privatizations, freezing wages, etc.), combined with the government spending policy reversal, make up the most severe recessive package we have seen in past decades. According to INE, private internal demand was the most relevant factor in the timid signs of economic recovery recorded for the first quarter of 2010, and it

will be the first to be affected. On the other hand, net profits held by banks, even at a time of crisis, are utterly useless in terms of economic recovery. The banks hold on to usurious policies in consumer and investment credit, which means that when it comes to the recession, they are part of the problem.
This being so, if the policy of increasing the taxation of banks has always made sense, today it plays an utterly pivotal role, for it is the only means to mobilize resources which are otherwise useless from the point of view of energizing the economy.

There will be a SGP 3, and soon enough

That is why this austerity plan, despite its severity, will not be the end of the line. As the recession deepens, there will be impacts in terms of of growth, employment creation, tax revenue, social benefits expenditure and fiscal adjustments. This vicious circle will certainly not end here. As a matter of fact, the government's argument that "everybody is making sacrifices" is false. If the Austerity Plan and its consequences on incomes and workers' rights are made in the name of an expected export-based growth, as the government claims, then the implementation of similar programmes throughout Europe will deprive the Portuguese economy of most of its export markets. The crisis is a vicious circle.
This being so, the stagnation of Portuguese economy will lead to an incapacity to pay off an even higher debt, and the government will rise taxes and reduce wages again. Within the political deadline the government must cope with, which is that of the 2011 budget, it will bring forward an aggravated SPG 3.

Our policy fights the crisis within an European perspective. But we are under no illusion regarding the ongoing balance of power: no government is arguing for such a perspective, and the convergence between social-democracy and liberalism is structural, even if some parties act outside its scope at times (in Germany, the SPD rejected Mrs. Merkel's — and Socrates' and Zapatero's — European plan). There will be no southern European alliance to reform the Euro.

We must thus highlight the importance of other dimensions to the struggle against finance globalization, namely action leading to economic choices aimed at employment creation. With the current European monetary architecture, economic competition has been organized around the crushing of workers' rights, which facilitates a breach in the relation between the evolution of actual wages and productivity. In this race towards the bottom, Germany, precisely the strongest economy, has been "successful" thanks to wage compression.

The first and main one is the support and extension of employment contracts. Employment contractualization, setting out a wage regardless of immediate financial circumstances and speculation, plus the entitlement to social benefits, is not only the most effective way to redistribute wealth, but it also has an automatic establishing effect on the economy as whole, because it underpins demand. Employment contracts, wages, less precarious work and defense of social security must be focal points in any economic action attached to an alternative and feasible strategy. Indeed, increased work flexibility, that "demolition of the Fordist wage-relation", as Frederic Lordon calls it, promotes the merchandisation of work, while employment contracts combat it.

The second is supporting autonomous fiscal policies. The rise in tax revenue is the only possible way to deal with the debt snowball and the financial markets. Plus, it is a pivotal issue of economic democracy, against one of the most violent forms of accumulation — that of tax avoidance and relief.

The third is a strategy of differentiation between the two sectors of the economy: the first, upheld by a policy of industrialization aimed at exports, protects the economy from external pressure because it improves the balance of trade. The second is a protected sector, that of high quality public services, which reverts the merchandisation of the production of common goods and is the only sustained method for creating jobs.

The fourth is the regulation, at European level, of financial markets (taxation of financial transactions, rise in the share of state banking and capital control to curb speculative attacks) and the change of the role of ECB, which must guide its monetary policy towards employment creation.

Part Two
Elements of Bloco's political answer

Our focus of attention is two-fold, and the second is disproportionately more relevant for agitation and mobilization.

1. An European substantial response against the new recession

At the European level and against the background we have so far outline, we insist upon the following proposals:

> A system for issuing European trade, a part of which might be traded for 10 or 15% of national debt bonds. The assent, out of despair, of the possibility of the ECB buying government debts as well the acceptance of the possibility of bond loans lay bare how correct this measure is. This way, the states would uphold their responsibility towards their own government debt, but could pay it off at a more favorable interest rate and under negotiated terms, overcoming the financial markets' blackmail.

> Against the interruption of community budgets demanded by the the European powers, the left must stand up for their substantial increase, guiding it towards polices of social cohesion at an European level. Demanding an European element of social security, complementing national systems, and the setting of a permanent fund to support workers who fall prey to collective redundancies are some of the proposals that might effectively help bringing this necessary shift about.

> Against a the freedom of circulation of capital, we defend controlling the finance system and implementing strong measures against speculation the off-shores, which must be shut down.

> Enforcement of a tax on financial transactions: a 0.1% tax on financial transactions would raise a revenue of €920 million, more than the European plan on the whole. And with justice.

2. Never lose sight of the fact that the enemy is also within our own country.

Politics is always based upon a strategy and a clear awareness of the balance of power. So, we start from a realization: if this european dimension to the rejection of the austerity plan and putting forward substantial alternative are indeed pivotal, Bloco's energy must focus upon building a movement of reaction and protest that will shape that balance of power… we start from a weaker position, but must make sure all solutions are on the table.

We want to make it clear that we know the enemy is also within our own country, and that we will not compromise supporting mixed up alliances which will weaken the workers' struggle — they must not wait for the bourgeoisie, because it sides and is an integral part of the finance speculation working against the national economy and therefore also against wages and jobs. We shall then meet SGP1 and SGP 3 — and the forthcoming SGP 3 — with a socialist politics directed at influencing the mass of workers and public opinion.

Defeating the ideology of sacrifice

In conclusion, we highlight three main guidelines.

The first is to win the public, to avoid o isolation of the workers' struggle. What is at stake is the strategy of fear, which would lead to the the acceptance of all "sacrifices" in the name of international risks — and that is PS and PSD's propaganda. If this ideology of sacrifice wins, the workers' movement is defeated in this confrontation.Thus, Bloco will increase its agitation over millionaire rewards, biased bonuses and the ascending bourgeoisie and the boys' accumulation, because it is the most effective way to fight the ideology of sacrifice. We'll go all out in denouncing income transfers to speculation and greed and we shall do it by mentioning names and instances. Party members must be aware that going to the bottom of arguments, examples and figures on the ongoing plunder of Portuguese economy is the best service agitation can render against austerity.

The second is putting forward substantial and specific measures, such as the "15 alternative measures to SGP" or our budget proposals. Hence, we shall insist upon the following proposals:
1. Financial package: an actual rate of 25% in corporation tax for banks; 75% tax on special bonuses; taxation of transfers to Madeira and other off-shores.
2. Measures to curb debt: the urban regeneration plan cuts the umbilical cord between banks and property speculation, increases the actual value of wages and pensions, rebuilds quality of life in cities, creates jobs.
3. In order to curb debt and relaunch interval savings, the state bank should stand up to the speculative solutions of commercial banks: the time has come for CGD to strike a hard blow on commercial banks, winning shares of the market with non-speculative interest rates.
4. At the same time, the State should strike commercial banks by promoting an internal loan re-issuing saving certificates with better terms than those offered by private banks for term deposits.
5. Measures targeting the financial markets are needed, such as controlling international movements of capital.
6. We resume our proposal of a tax on great fortunes to fund social security.
7. Finally, public investment must be upheld and qualified, and clear priorities must be set. Bloco thinks priority should be given to debt reduction, job creation and lesser housing costs. Simultaneously, we have rejected and will keep on rejecting any reversal on expected investments which will create jobs, and we emphasize that the ideological onslaught against public investment is one of the right wing's main fronts.

The third consists in gathering forces for an overall struggle. The difficulties faced on the last strikes were clear, but the political reaction embedded on the 29th May demonstration should set a new background for contesting the austerity packages. Uniting the struggle, with the prospect of a general strike, is thus the way to go. A successful strike implies a base movement, confidence building and the multiplication of forces. Against this background, Bloco will choose, in its own timing, the best way to confront the government, either putting forward a motion of censure or demanding a vote of confidence, and delivering alternative proposals which will make the parties, PS and its alliance with PSD and even CDS, face their election promises and the social crisis their government is giving rise to.

Throughout our intervention, we will always draw the line between trench warfare and movement warfare. On the trench side we have discussions about social protection to the poorer sections of society, the unemployed, and the qualification of public investment. We shall come up with proposals, information and discussion, and we will face the prejudices and advances of reactionary ideologies. Movement and counter-attack warfare comprises information on inequality, bonuses, accumulation of fortunes, workers' exploitation, finance speculation, the way banks profit form the speculation against Portuguese economy. We want to set the political agenda on all these areas, shape the national debate, take the offensive, bring forward measures with popular support, isolate right-wing parties and the government, undermine the austerity measures, to make the left stronger.

We shall not neglect, therefore, an answer to the pier of "strategic cooperation", our President. Our domestic partnership bill, which was vetoed by Cavaco Silva and will now be passed again by the parliament, highlights how reactionary ideological trends tend to despise the rights of people and the need for a democracy with embraces all sorts of rights. The presidency debate must stress such differences, and its strength depends upon bringing forward an alternative picture to that of the economic status quo and the dictatorship of the markets and austerity, in the name of labor, wages, employment and public services.

The Left Bloc
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