

How Portugal's leaders exploited the bail out to pass measures they already supported

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*During the Eurozone crisis, states receiving a bailout were required to implement spending cuts and other reforms in return for financial assistance. But to what extent did the governments of these states use the opportunity to advance their own policy agendas? Drawing on interviews with Portuguese politicians, **Catherine Moury** and **Adam Standring** argue that both the crisis and the bailout strengthened the hands of Portuguese government ministers in relation to other domestic actors. And when ministers favoured policies which were in line with those backed by international actors, they were able to use the situation to push for policies they already supported.*



Former Portuguese PM José Sócrates. His government took advantage of the perceived need to 'calm the markets' to implement reforms that had already been on the agenda, write Moury and Standring. Credits: **José Goulão (CC BY-SA 2.0)**

We [recently conducted](#) both an analysis of official statements and interviews with many of the main political actors that were in power during the sovereign debt crisis in Portugal (2010-2015). Our research highlights that both the crisis and the bailout made the executive stronger in relation to other domestic actors. Consequently, when Portuguese ministers favoured policies that were in congruence with those supported by international actors, they

were able to use the crisis to advance their own agenda.

In 2011, Portugal received a bailout that was tied to a series of spending cuts and other reforms. But even before the bailout, the country's centre-left government, led by José Sócrates, had taken advantage of the pressure on sovereign bonds and the perceived need to 'calm the markets' to see off their domestic opponents and implement a number of reforms that had already been on the agenda for some time.

Respondents to interviews frequently gave the reduction in severance payments and cuts in health spending as examples of reforms that Socialist ministers personally supported but had been unable to push through before external pressure provided them with a window of opportunity. Sócrates' policy was to avoid the bailout at all costs, implementing austerity policies and publicly insisting that 'Portugal was not Greece'. But when the Troika was finally summoned to rescue the Portuguese economy, their conditions were not entirely imposed.

Our interviews revealed that the Portuguese government maintained significant leeway to negotiate the measures that were included in the Memoranda of Understanding (MoU); with the results of the negotiations depending on the bargaining power and intensity of preferences of each side. In many cases, such as freezing the minimum wage (which the government opposed), the government had to accede to requests from international lenders. However, respondents also reported several instances in which the government managed to convince Troika representatives to exclude particular measures. The dismissal of public servants, the preservation of lower pensions, and the reduction of severance payments only for new contracts are examples of this.

Ministers also testified of cases in which they requested that the Troika include reforms that they personally favoured in the MoU. For example, a former government member told us: "There is here a window of opportunity that allows us to bypass the resistance of stakeholders, professions, industries... of our administration, to make reforms that were necessary... For example, Portugal had the biggest per capita spending on medicines in Europe... we all knew something had to be done; but we could not pass reforms, doctors opposed them, the industry was blocking them... We asked to have this measure inserted in the memorandum."

When presenting the agreement to the public, Sócrates made a point of arguing that Portugal had been saved from the harshest measures – seeking to emphasise the agency of the Portuguese politicians negotiating the deal. He also rightly stressed that the final deal strongly resembled the most recent austerity package he had presented to parliament, the rejection of which by the Social Democratic Party (PSD) had forced the fall of the government.

Shortly after the drafting of the MoU, elections were held and a new centre-right government was formed. Once in power, ministers immediately began to implement the austerity measures. New cuts and structural measures were added to the programme revisions, going further than the original deal. Respondents from the centre-right government acknowledged a strong congruence between their own views and those of the international lenders, giving many examples of policies that were included in the revisions at their own request. For example, a whole section on business deregulation was introduced in the fifth revision of the MoU. In 2012, the trade union, UGT, signed a pact with employers with the aim of avoiding even harsher measures for workers.

During this period, the Constitutional Court was the principal veto player, obliging the government to retreat from a series of reforms affecting public wages, pensions and the labour code. In one instance (the reduction of social security contributions that was to be paid by workers), the centre-right government withdrew its proposal after a large public demonstration. However, many reforms that had a profound impact were successfully implemented.

For example, before the crisis, severance payments in Portugal were the highest in Europe, whereas today they are equal to (or, some would say, below) the EU average. Similarly, the number of workers covered by collective agreements was reduced by almost 90% in four years. As far as spending cuts are concerned, cuts in public health expenditure for the period 2010-14 were estimated to be worth almost €2 billion (41% of which is linked to reductions in medicine costs). The net result was a textbook case of a government exploiting a window of opportunity to pass structural measures and spending cuts they already favoured.

Perhaps surprisingly, the Prime Minister of the Centre-Right coalition, Pedro Passos Coelho, repeatedly, and in front of different audiences, acknowledged his ownership of the reforms and his desire to go further than was originally agreed. In June 2011, he told journalists: “I will go beyond the requirements of the rescue agreement... The rescue programme is a unique opportunity to implement essential reforms that previous governments have avoided for the past 30 years... The serious difference between the PSD and the Socialists of José Sócrates is that the PSD believes in the changes we have to make.”

Our research challenges the prevalent idea that policy-makers are always keen to blame international actors for unpopular policies. Although there is evidence of this kind of strategy in some countries, the Portuguese case shows that political leaders also see good reasons for telling voters that they are in control. This might be because they are afraid of boosting opposition to their reforms by referring to increasingly unpopular international actors, but it also may be because they anticipate that a discourse of ownership will reassure the markets.

That said, we also observed that the discourse surrounding reforms was framed by concepts of ‘necessity’, the ‘lack of an alternative’ and the gaining of ‘credibility’, even though our research shows that, in fact, the government had alternatives to balance the accounts, and room for manoeuvre with regard to the structural reforms. Our findings show that although the sovereign debt crisis and the bail-out limited the government’s room for manoeuvre, at the same time state managers were strengthened in dealings with domestic actors.

This crisis exploitation constitutes a tactic of depoliticisation, in which both the material constraints and the discourse used to frame them are employed to construct imperatives around a narrow selection of policy alternatives. Our findings testify to the decline in the transparency and openness of policy-making that took place in the last decade, both of which are fundamental dimensions of the quality of established democracies. In our view, the reforms implemented during the crisis were highly salient and should be at the centre of public debates.

For more information on this topic, see the authors’ recent paper in the [European Journal of Political Research](#)

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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