After the usual weeks of negotiations, Portugal has a new government. It isn't very new, being pretty much the same as the previous one. But that in itself is a newsworthy development.

Antonio Costa’s Socialists lost the previous election, but due to the vagaries of parliamentary arithmetic ended up forming a minority government anyway. As a result, nothing much was expected of that government, Portugal having long been dismissed as a basket case.

Having endured a dreaded IMF bailout in 2011, it has ever since had to jump to someone else's tune. Not in the front rank of European nations, it is more vulnerable than most to speculator raids, global trends and decisions made elsewhere. It had one of the best rates of recovery from the global financial crisis than any country before the bailout, but still had to go cap in hand to ask for loans to address seemingly insurmountable debts.

There was a reason for this. Modern Portugal was created by the Carnation Revolution of 1974, which swept away the right wing corporatist dictatorship of Salazar and Caetano and endeavoured to replace it with a socialist system. This didn't go to plan, because the reintroduction of democracy led to people voting for the same old middle class parties as before, and a review of the constitution in 1982 removed all references to the state being duty bound to achieve socialism.
But still there is no place for the old right, with the two main parties being the Socialists and the Social Democrats. If the old distinction between capital and labour still means anything, Portugal is very much the country of labour, the debate being how far welfare should extend, and what loopholes should be allowed to help individuals avoid giving it.

This outlook isn't fashionable any more, largely because it has repeatedly failed the very people it seeks to serve. But this failure has been turned into a dogma rather than a law, whose falsehood gives it life now.

Portugal can't work because it has never got over 1974, and thus can only ever be socialist. It was free market economics gone mad which created the global financial crisis of 2009, not socialist tax and spend policies. But as the economic graduates want to protect their own reputations, a socialist system must somehow be worse, and countries with one reduced to impotence, and derided as economically incompetent by the ratings agencies.

So Portuguese should know better than most that socialist pipe dreams about countering austerity and creating jobs for all don't work. But they have reelected Antonio Costa, who promised exactly this, because he has gone a long way towards delivering it, while the Social Democrats did not.

Economists do not want to believe there is an alternative to the failed policies of the last forty years, but there can be. The only question is whether countries can then take the next step – of allowing a lesser ranking country like Portugal to act as a model.

Portuguese themselves would say that their country isn't much of a model, as it is far from being the economic powerhouse it once was – but if the same ideas are applied elsewhere, in countries with greater resources and capacity, who knows what might happen?

Send in the tanks

The 2011 bailout was considered unnecessary by many commentators because Portugal had the industry and fiscal competence to defray its debts without the IMF stepping in. It demonstrated this after the bailout, by paying back its loans before time

The Social Democrats were in power in 2011. As there is no significant "conservative" or "liberal" party in Portugal as a result of 1974, those who have such views can either be political non-persons, with no home for their vote, or bite the bullet and join one of the mainstream parties.

The Socialists represent the secularist strand of the population, and have always been closely associated with the Freemasons. Consequently the Social Democrats have become a hotchpotch of everybody who isn't a socialist or anything else, many of whom are no more believers in social democracy than they are in little green men living on the moon.

The 2011 bailout was a con. There has been no counterrevolution since 1974, only an adaption of socialist ideas to European liberal democracy. So you won't get the Portuguese state or electorate to adopt the sort of economic policies everyone else has been told there is no rational alternative to.

The only way to do that is to have them imposed from the outside, and claim that this is a necessity because the country's welfare orientation is no longer sustainable. The Social Democrats did that. But they also failed to take into account that in any country which really is that bad, the public sector is a major employer.

If you take the IMF shilling, you have to cut public spending, thereby alienating public sector workers and most of the public service users too. In a fully capitalist society, this would not make a lot of difference. In Portugal it led to riots, and widespread poverty for people who the state had made dependent to begin with – the very ills the Social Democrats insisted they were campaigning against, but apparently could not see in front of their faces.

The Socialists objected to austerity on principle, not because it didn't work. But Portugal has amply demonstrated that it costs far more to deal with the consequences of poverty, worklessness and homelessness than it does to resolve these problems.

The Costa government has more or less stabilised the public finances and rebuilt confidence in Portugal whilst continuing the country's commitment to welfare. It has brought Portugal back, and given the people something they can grudgingly believe in, when they see small but significant improvements in infrastructure, wage levels and commercial relocation as well as the all-pervading tourism.
President de Sousa has congratulated Costa on his first government exceeding expectations. He was right to add that there is now more work to do because expectations are now higher. The question is how far Portugal will be allowed to go to meet those expectations, without undermining the notion that what certain qualified people choose to believe to suit their careers is an ineluctable law.

Two plus two equals two plus two

One of history's forgotten figures is Sir Henry Campbell-Bannerman, who was Prime Minister of the United Kingdom from 1908 to 1908, when he resigned through ill health and old age and died soon afterwards. Few remember that it was he, not Asquith or Lloyd George, who led the Liberals to their greatest ever election victory, or that the social reforms of those two later Prime Ministers were begun by them when they were members of the Campbell-Bannerman administration.

But whether people remember him or not, the enduring significance of "CB" is that he was everything modern economists consider impossible. He was never in the radical, reforming wing of his party, being a classical laissez-faire liberal of the type still common in Europe. He was a firm believer in individual enterprise, balanced budgets to help the common man, non-interference in the market and peace at home and abroad, because war was bad for business.

At the same time, Campbell-Bannerman supported extensive social reforms because they were the way people are supposed to behave towards other people. Time and again he chastised his opponents for turning social welfare issues into party political questions. If you can help, you do, and the richest country on earth (as the UK then was) should demonstrate it had the right to such wealth and importance by taking care of its people.

CB was no socialist, but he saw no contradiction between capitalism and welfare. He also delivered both. One of the fundamental precepts of austerity, and of modern economics as a whole, is that you can't. We no longer live in 1908. But if they had the wit to do this then, there is no reason why, after a hundred more years' experience, understanding and intellectual development, you cannot do the same today.

If Portugal, a relative backwater, tries this a positive result can be dismissed as a local eccentricity, or the country not doing as well as it should have to begin with due to that same eccentricity. If a more important country tries to flout the current economic orthodoxy and succeeds, this will have a much more serious effect on its relations with its partners.

The main objections the rest of the Soviet Bloc had to the "Prague Spring" of 1968 was not that it was "bourgeois revisionism" but that it was different. It shook the foundations on which economic and political relations within the bloc had been built, meaning everyone else had to embrace some sort of reform to deal with Czechoslovakia, despite Dubcek insisting the reforms were an internal matter.

Casting Czechoslovakia out was not an option, as it might then succeed with other partners. So it had to be crushed before the whole house fell down, despite being only a relatively small part of that house.

Sweden used to be the place that was allowed to be different, a country with extensive social welfare services which was nevertheless fully Western oriented and capitalist. To this day, Sweden has a large state sector and also a strong capitalist economy, with a number of Swedish companies competing strongly on the international stage without state aid.

If the West had objected to how Sweden did things it would have fallen into the hands of the Soviet bloc, as Finland almost did after being invaded by the Soviets in 1939. So everyone had to go a bit Swedish to keep the relationship going, praising the Scandinavian model whenever things like housing programmes or "modernisation" were undertaken.

But the genuineness of this praise can now be seen. Sweden is paying the price for being different. Once everyone wanted to be seen in the same light - as a liberal, socially responsible—and democratic country to boot. But in a world of Trump and extremists under the bed, such a country is an anomaly.

Sweden is now presented as a struggling country, vulnerable to Islamic terror, precisely because it sees itself as liberal, socially responsible and democratic. These very factors, not others such as its prosperity and Western orientation, are alleged to have ruined it by encouraging Islamists to settle there and cause trouble.
Most Muslims cause no trouble to anyone, and those who do are no greater in number or proportion in Sweden than they are elsewhere. But they can be used to attack Sweden for continuing to differ, in the popular imagination at least, from the accepted views of today.

Sweden's liberalism actually comes with an intense chauvinism, which creates many barriers for the non-Swedish population who are not seen as liberal, socially responsible and democratic enough. But no one notices as long as the old image can be upheld, which it only is so it can be used against Sweden.

Worm in the roof

Portugal won't get away with being different unless so many foreign politicians go there for the sun that they are prepared to go a bit Portuguese back home. Even then, that is not a long term solution. It only has a future if the rest of the world is prepared to accept it should listen to Portugal. However there is some sign that, counter to all recent experience, this might actually happen.

Greece has singularly failed to debunk the false narratives of austerity and unrestricted markets, because an outsider party, Syriza, was trying to do it. Antonio Costa's Socialists are the Portuguese Establishment, welcomed as fellows by equally venerable sister parties in more successful European nations.

Socialist parties everywhere have one thing in common: when pushed, they think the whole world is against them because they're Socialist. If other countries kick back against the Costa government's way of doing things, some Socialists will see this is a betrayal of "their people", even though they might agree with their own countries and not Costa, and rarely ask "their people" what they actually think about anything.

Costa is also in the happy position of being both Establishment and radical. Justin Trudeau has just been reelected in Canada by exploiting the same dichotomy – his Liberals are the most successful party in Canada, but started from third place in the first election he won, as a new, fresh face offering an unspecified radical alternative to the tired parties.

Costa’s radicalism consists in pursuing an anti-austerity line but doing so in a responsible way. For a Socialist, this is radical. He can likewise be all things to enough men to gain a degree of international support for his achievements, whose possibilities far outweigh their substance on the ground, though that is not negligible.

Portugal once had a great and highly prosperous empire, and the Portuguese language is still one of the world's most important. Its shabby cities of today, though full of old world charm, remain reminders that it has long followed rather than led.

But now, for the first time since 1974, it has the chance to reverse that dynamic, by pricking enough sensitive consciences to change the things they think make them immune. For all those left high and dry by austerity policies which can never work but make idiots seem tough, this can only be a good thing, even if they don't give a damn about Portugal.

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