

Venezuelan Politics in the Chávez Era

Class, Polarization, and Conflict

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Prologue: Venezuela's Permanent Dilemma

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This book focuses on the transformations of the last half of the twentieth century and the colorful challenges of the early years of the twenty-first. Although the dramatic rise of Hugo Chávez Frías from minor military conspirator to a self-proclaimed revolutionary and popularly elected presidential caudillo reads like a romantic adventure novel, the visible drama—with its coups and countercoups, street demonstrations and hyperinflated rhetoric, and constitutional revisions and dramatic policy shifts—often distracts observers from the fundamental structural issues of economy, class, and polity. The exceptional studies of the Chávez phenomenon included here, which offer broad and penetrating insight into the structure and context of Venezuela's turbulent and difficult recent transformations, gain added significance when seen within the larger frame of Venezuela's historical experience.

Each cycle in Venezuela's independent history follows similar profiles, although the rhetorical styles, the ideological concepts, and the technical, political, and economic details differ substantially. The cyclical nature of this process reflects a set of limitations on the range of alternatives available to the country and its leaders. The rhetoric of change often implies the opportunity to permanently set things right, to construct the Venezuela often dreamed of, to finally bring the order and progress that defines prosperity. We can easily imagine that by just doing the right things, Venezuela will rise into the ranks of the world's prosperous nations. This chimera informs much of the impassioned debate and underlies the cyclical transformations of Venezuela's political landscape since independence. The place we call Venezuela, nonetheless, lives and has lived within a set of constraints that effectively, if not theoretically, limit its rate of change, its progress.

The first of these is the Hispanic extractive engine itself. Originally perfected in the eighteenth century to produce and export cacao, it expanded to encompass coffee throughout the nineteenth century. In the early decades of the twentieth, with the decline of Venezuela's competitiveness

in coffee and the rise of petroleum, the extractive engine began to produce oil, which remains into the twenty-first century the country's primary export product. This extractive engine produces not only exports for the international market but also the government's revenue. As many observers have noticed, Venezuela taxes its exports to operate its government. Taxes of all other types are low by any standard, and this makes the country's political elite dependent on the success and effectiveness of the Hispanic extractive engine. When that engine falters with declines in world prices for Venezuela's tradable commodities (cacao, coffee, or oil), the government is immediately in trouble and whatever its party or ideology, it readjusts its expenditures or acquires revenue elsewhere to sustain itself. If it fails, the government falls, replaced by new actors who assume control of the export engine and attempt to revive its effectiveness using new techniques and new policies.

The dependence on this extractive engine severely limits the government's ability to reconfigure Venezuela's economic model. In an almost desperate cycle, the government shores up the export model to generate sufficient revenue to operate the bureaucracy and, with the revenue that remains, make progress on improving society and diversifying the export economy. The extractive engine ties the government almost completely to world market prices for Venezuelan commodities, and those fluctuate on short-term cycles. Consequently, the government has only a short time to do what it can before the price falls and a new cycle begins. It often borrows money to prolong or speed up progress, and in borrowing money becomes even more dependent on the extractive engine to generate the funds to pay the country's debts.

The economic realities of this process, by debilitating institutional development, pose a second constraint on the system. After the disappearance of Spain's infrastructure for law, order, stability, identity, and nationality between 1810 and 1830, Venezuela re-created as much of the Spanish system as it could within the context of a liberal representative republican model. However innovative and creative the writers of constitutions and laws might be, they could not reinvent the traditional stability and effectiveness of the Spanish imperial institutions.

The republican version of order failed the primary tests of stability and permanency. The litany of caudillos and regime changes throughout the period from José Antonio Páez until Juan Vicente Gómez serves as incontrovertible evidence of the fragility of Venezuelan order. That these movements contained within them remarkable efforts by people at all levels of society to find a better way to improve their status in life is a given. So too is it given that this continuous and irregular form of regime change taught Venezuelans an important lesson about prosperity and individual progress under republican rule.

The lesson was simple: get it now, for whatever is possible today may not be possible tomorrow. Optimal personal progress depended on capturing the moment and translating that moment into personal wealth, because tomorrow's moment would likely belong to someone else.

With each new regime came a redistribution of some old resources (land in particular) and the creation of new opportunities related to the management of the extractive engine and the expenditure of the taxes derived from the export of its products. Most of the resources in play during each regime change involved benefits distributed by the central government, and so control of the capital city and its bureaucratic apparatus became the goal of each successive movement for reform, revolution, or retrenchment. Each cycle produced its set of winners and losers among the various elite groups and their followers. More important, each cycle further reinforced the permanence of the extractive engine as the source of national prosperity and slowed the continued development of institutional effectiveness that had occurred during the previous cycle. Each cycle cost the national treasury the surplus collected during periods of high export prices, leaving each successive regime dependent on both exports and loan arrangements with the international providers of capital.

On the scale of cacao and coffee, these cycles made relatively little impact on the world stage, and Venezuela, while an interesting place, did not engage the attention of the international community except in terms of issues such as the blockade of Venezuelan ports in 1902–1903 by the country's creditors or the ongoing international boundary dispute over Guayana. Oil catapulted Venezuela into an internationally significant actor, as the chapters in this volume make so abundantly clear. Oil not only proved to be the extractive engine's most valuable product, but also served as a strategic material for the world's primary powers. Venezuela, by virtue of its large and early production of petroleum, became a very important place. Oil not only made Venezuela significant to its external markets, it offered the possibility of creating true and permanent wealth for the Venezuelan government. Recognizing this opportunity, Venezuelans began to imagine that they could escape the trap imposed on them by the Hispanic extractive engine and the fragility of their postindependence institutions. If money was the problem, oil could surely resolve it.

Oil also raised the stakes of the game, although it initially did not appear to change the rules. From Juan Vicente Gómez through Marcos Pérez Jiménez, Venezuelans cycled their leadership in ways remarkably reminiscent of the last years of the nineteenth century. With the advent of the electoral democratic regimes in the 1960s, Venezuela began a forty-year project designed to construct a series of institutions and establish practices to fundamentally change the Hispanic extractive engine and replace the weak institutional infrastructure inherited from the past. Nurtured by the

revenue from oil, informed by the best thinking in economics and social development worldwide, the Venezuelan political and economic leadership moved rapidly toward the long-sought order and progress.

As the chapters in this collection explain, the dramatic progress rested on a variety of unsustainable assumptions. One was that the oil wealth alone could transform the Hispanic extractive engine into a modern diversified economy by recycling the petrodollars into other enterprises, selected by the state and sustained by state subsidies. Another was that the prosperity and economic dynamism accompanying the rapid expansion of state spending reflected real economic wealth rather than the expenditure of the rents exacted from the international petroleum market. These assumptions took their most impressive form in the 1970s when Venezuela, benefiting from a boom in oil prices, began a massive expenditure program. Investing in everything imaginable—from social and educational programs to housing and sanitation, from subsidized industries to roads and bridges, and from airports to health care—Venezuelans saw the context of their lives improve dramatically in a short period.

The enemy of this progress was time. These investments and expenditures came from the rent on high oil prices. When prices declined as all commodity prices do (even when buffered by cartel management), the government borrowed to sustain its expenditure and investment programs, increasing the need to rely on the extractive engine to pay its debts. By the end of the twentieth century, as the studies included here illustrate so clearly, the historical continuities of Venezuela's past imposed themselves on the oil-financed transformations, and the country passed through another regime change that promised to reconfigure, restructure, and reinvent Venezuela's institutions, law, order, policies, and economy.

Each successive regime change in Venezuela's republican history has begun with the anticipation of using political techniques to reconfigure the country's economic landscape, to change the cycle of export-driven growth or decline. While these changes often modified and on occasion dramatically improved the political and institutional culture of Venezuela, they failed to substantially change the economic base. Venezuela's comparative advantage in petroleum exports proved so great that no alternative economic activity emerged. The immediate demands of social and economic improvements for all Venezuelans and the requirements of an ever growing public payroll overwhelmed the decision process that might have changed the basic economic structure of the country. Rushing to improve life for its various constituencies, each regime ran out of time to address the structural issues of the economic system when the inevitable downturn of oil prices arrived, bringing economic hardships and yet another regime change. Throughout the twentieth century and especially after 1958, Venezuela dramatically modernized its society and its political and social institutions. It

greatly enhanced its technical capability to manage its oil production and marketing systems, but it never succeeded in substantially modifying its historically derived, export-commodity, economic engine.

Within the large frame of Venezuela's modern history, the Chávez movement offers a variety of remarkable innovations. Coming as it does within the context of the democratic tradition established after 1958, this movement has the distinction of failing as a traditional military uprising and succeeding as a popular electoral movement. As the studies in this volume illustrate, the remarkable success of the *chavista* alliances after the failed uprisings testifies not only to the extreme dissatisfaction of Venezuelans with their traditional party system and its practical performance but also to the strong preference of Venezuelans to manage change through formally democratic means. The organized opposition that continued through failed coups and into a successful electoral campaign also signals a remarkably strong and coordinated coalition capable of sustaining defeat and continuing organization, shifting tactics, and achieving success over an extended period.

Although the Chávez coalition followed traditional Latin American forms in creating a new government and issuing a new constitution, the energy for this transition flows much less from constitutional formalism and much more from an apparently opportunistic combination of ideologies, policies, and theories drawn from a wide range of sources with a decidedly social reformist slant. Many observers struggle with the effort to identify a coherent political and ideological philosophy that joins the groups that support the Chávez transformation. Some, noting the significant involvement of the left-wing generation that failed to capture a leadership role in the post-1958 political arrangements and remained marginalized throughout the Punto Fijo period, identify the *chavistas* as leftist revolutionaries. While this has some plausibility, particularly given Hugo Chávez's personal enthusiasm for Fidel Castro and things Cuban, the actual behavior of the government in matters of economic and social policy has been substantially less radical or revolutionary than the embrace of Cuba might imply. Whether the regime will become significantly more radical in practice, or whether it will choose to continue and improve its current form of realistic and perhaps opportunistic pragmatism, remains to be seen, but the rhetorical radicalism of the *chavista* revolution greatly exceeds its practical implementation.

The effective exploitation of the media to develop constituency and maintain the currency of the leader's identification with the people has been another hallmark of the Chávez regime, although the reliance on a media-driven public presence has made the *chavistas* vulnerable to an opposition that itself employs considerable media expertise. Nonetheless, in spite of the relatively modest performance of the *chavistas* in delivering

their agenda of major social and economic improvement for the people, Hugo Chávez himself remains remarkably popular even as his government's record draws much less enthusiastic reviews. This split between the leader's and the government's popularity reflects the continuing truth that Chávez's rhetoric, for all of its literary failings, speaks to an agenda of complaint and concern that a majority of Venezuelans recognize as legitimate expressions of their own plight. This reasonably successful separation of the leader from the popular judgment of the government's performance created a challenge for an opposition that had to struggle to attach responsibility for the technical and performance inadequacies of the regime to Chávez himself. Indeed, when export revenue from petroleum sharply declined in late 2001, Chávez became more closely identified with the results of his government.

Perhaps the most dramatic consequence of the Chávez phenomenon is its demonstration of the bankruptcy of the post-1958 political tradition. The rejection and dissolution of the Punto Fijo political consensus, while not total, are nonetheless remarkable. Few if any leaders from that tradition retain popularity. Indeed, perhaps the enduring nature of Chávez's popularity owes more to the absence of alternative legitimate political voices than it does to the effectiveness of the *chavistas*. As new political actors emerge, as the coalition that supports the Chávez regime divides and splinters in the face of economic difficulties and doctrinal disputes, alternative political groups will acquire a legitimate voice, separate from the past failures and in opposition to the aggressive rhetorical content and style of Hugo Chávez. The military coup and countercoup of April 2002 dramatically illustrate both the fragility of the Chávez movement and the political immaturity of the newly emerging opposition.

Whatever the outcome of these political transformations, however, Venezuela's aspirations and national goals will rest on the successful management of the country's principal international comparative advantage in petroleum products. Whether the new political structures and institutions currently forming to replace the collapsed Punto Fijo tradition will have technical competence sufficient for Venezuela to compete successfully in the global market and political skill adequate to translate the gains from that competition into a better, less corrupt, and more effective economic system for all Venezuelans remains to be seen. Venezuela can control what it does at home, it can choose where to invest its petroleum rents, it can manage its distribution of wealth, but it cannot easily change the dynamics and the structure of the international marketplaces that arbitrate wealth and prosperity and determine the comparative advantage of nations. The detailed analyses in this volume offer an early assessment of the fundamental nature of the changes brought by the Chávez phenomenon, and serve as an essential base for understanding the transformations to come.