

Petroleum and Democracy in Venezuela*

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Abstract

Why has Venezuelan society not followed the same pattern as the rest of the Latin American countries? While the rest of the countries had military governments and economic crises, Venezuela had a stable democracy and economic prosperity. But now the situation has been reversed. Between 1926 and 1980 oil profits permitted a sustained, broad social and economic improvement, with increases in real wages for workers and increasing profits for businesses, all of which strengthened democracy. Starting in 1980, the situation changed and produced a collapse of the oil model, the ramifications of which are shown by the economic crisis of 1983, the popular revolt of 1989, and the coups d'état of 1992, resulting in the election of presidents Caldera and Chávez. The traditional political parties lost power and new social actors appeared: the radical left, the unorganized civil society, the political right, and the military that controlled the state apparatus. This paper explains these changes by arguing that the oil profits have played a role in the formation of society: creation of social classes by the government, economic autonomy of the state, dependence on imported products, exaggerated growth of public employment, state domination in all areas of the economy, and the overall subsidizing of society. The Chávez government continues to adhere to the same profit-oriented, static, populist model that has made Venezuela more dependent on oil and less sustainable. Thus, the oil revenue that made democracy possible can also be seen as the basis for the installation of an authoritarian and military government in Venezuela.

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Venezuela does not follow the dominant tendencies of Latin American societies. In the 1970s and 80s, when there was a wave of military regimes, high inflation, social unrest, political terrorism, and exchange rate control in the region, Venezuela had a stable economy, a floating exchange rate, and an enviable degree of social harmony. However, a quarter of a century later, the situation has been reversed: while Central and South America have democracies, civilian governments, and low inflation, Venezuela is characterized by great political instability, one of the highest inflation rates, tight control over monetary exchange, and a government full of military personnel. Why is this happening?

Venezuela is atypical among Latin America societies. Until well into the 20th century, it was very similar to the rest of the countries of the region. It had a traditional society structure—with three million inhabitants; 84% of the population lived in rural areas and the illiteracy rate was more than 90%. Under semi-feudal conditions, Venezuela produced tobacco, coffee, cocoa, and quills, and exported its crops via trade exchanges (“casas comerciales”), which distributed them to the capitalist world market. This situation changed in the middle of the 1920s when the massive development of petroleum production began and the value of fossil fuel exports surpassed that of coffee, becoming the primary export product of the country from that point onward. Venezuela was the second largest petroleum exporter until the end of World War II. Then, because of the rapid growth of the North American economy during the post-war period, or “the golden age of capitalism” (Hobsbawn 1996), the United States became a net petroleum importer and Venezuela became the largest exporter in the world.

The significance of petroleum in the shaping of contemporary Venezuelan society is profound, not only because of its importance in the composition of the economy, but also—and even more importantly—because of its unique influence on the social structure and the political process. The effect of petroleum exports is enormous, not just because of the benefits it brings, but also because of the way in which it is produced and the social connections that it creates. As a product, it is the property of the State, and although it employs less than 2% of the economically active population, it produces nearly 90% of the foreign exchange entering the country.

From 1926 to 1979, Venezuelan society had a high level of growth, rising social and economic development, and a high degree of upward mobility. However, after 1980 the situation changed radically: economic growth stalled, social mobility stagnated, poverty rose, and there were several attempted military coups in the period following the great financial bonanza. How can such aberrations be explained?

This article seeks to explain the social and political crisis that Venezuela has experienced during the last twenty years, beginning with an analysis of the unique characteristics of its social structure and its form of democracy founded

on petroleum revenues. It begins with a brief discussion of the key elements for understanding what has been called a petroleum-exporting society (Briceño-León 1991). Next, the article reviews the events that led to the failure of the petroleum-based model of economic growth. Based on that analysis, we can then identify the new social and political actors on the national stage and determine what in the social process has changed and what has remained the same.

The Petroleum-exporting Society

Sociologists have done a variety of studies on the social impact of petroleum on a given society, whether it is a country like Venezuela (Uslar Pietri 1966) or a region such as Aberdeen in Scotland (Moore 1982). The majority of these studies focus on changes in patterns of consumption, land use, or migration, but few of them delve deeper to understand what is actually occurring in that type of society and how it affects the rest of the economy, the social class structure, and politics. The impact depends as much on the level of economic development of the petroleum-exporting society as on the size of petroleum revenues—that is to say, the relative influence of that revenue in the economy as a whole. That is why the influence of petroleum revenues in Venezuela, Nigeria, Ecuador, or Libya, is completely different from their impact in Norway or England.

Petroleum as Rent

From the sociological point of view, petroleum is a form of rent. However, because it is a non-renewable natural resource, we cannot consider the benefits that derive from its exploitation rent, since they are neither inexhaustible (Ricardo 1977) nor “the fruit of a perennial tree” (Marx 1968, III: 760). In technical terms it can be said that, rather than a form of rent, petroleum revenues are the result of a liquidation of assets: when petroleum is sold, the good is exchanged, its seller loses it and will never again receive earnings from it.

Nonetheless, two other characteristics do allow us to speak of petroleum as a form of rent, if we no longer focus on the permanence of the resource, but rather on the extraordinary revenues that derive from its commercialization. This quality was explained by Marx (1968, Tomo III, Capítulo XLVIII) with the example of the production of a special wine, a wine for which discriminating consumers are willing to pay a much higher price, and which produces special profits for its owners. The comparison works well because petroleum produces very high profits, above the average rate of profit of capitalist enterprises. However, there is an additional effect that is not economic but sociological: the society’s belief in the inexhaustibility of the resource, a belief based on its permanence over decades and the feeling of limitlessness this creates in society

and among political leaders. In the dynamics of Venezuelan society, petroleum therefore functions “as if” it were a rent, since for several generations it has always been present and in the popular imagination, it is thought to be eternal, although the reserves may last forty years or two hundred.

The Economic Independence of the Petroleum State

Petroleum revenue does not reach society—that is, individuals or companies—directly. Rather, it goes straight to the central government, since in Venezuela underground petroleum, like all minerals, has always belonged to the State. Since 1975, this has been the case for the entire petroleum industry, because the nationalization law passed in January of that year gave the State exclusive rights to exploit petroleum, excluding all other economic actors, whether domestic or foreign. Because it owns both the resource and the industry that exploits that resource, the Venezuelan State has its own income source and does not depend on the economic production or the resources of the rest of society.

In other words, the Venezuelan State, unlike the majority of Latin American States, does not need to levy taxes on companies or individuals in order to exist, to pay its employees, to fund the country’s public infrastructure projects, or to carry out redistributive social policies. The Venezuelan State is an economically autonomous entity (Baptista 2004) that can afford the luxury of ignoring or destroying private enterprise without jeopardizing its own existence. The State’s perennial source of wealth, its major as well as its minor sources of income, depend on the fluctuation of petroleum prices on the world market, but never on the economic efforts of Venezuelan society or on the government’s ability to collect taxes from taxpayers.

If the State has its own revenue-generating enterprises and does not need civil society, its connection to the rest of society and to the different social classes is completely different from the way that connection has been conceptualized by the classical theories of the State in capitalist society. The petroleum state is not subject to the pressures of large economic groups. Nor does it need to expropriate the means of production from the large factory owners and landowners in order to guarantee itself an income, since its economic capacity and its power derive from the control of the petroleum business, which is independent from the rest of the country.

It is important to consider another very important point: the petroleum business has very little real impact on national economic activity, and the greater part of the value it produces is produced outside the country. The petroleum industry has a large economic impact during the exploration and preparation phases of production. These are very dynamic phases in which multiple chains of demand for industry services are being created, other companies are engaged, and many people are employed; that is to say, there is a production of real

wealth in the country. However, once the industry begins regular operation and petroleum begins to flow through the pipelines to the ports, the demand for services and employment diminishes drastically. In Venezuela the petroleum sector has employed around 2% of the economically active population, and in 2003, after the petroleum strike, the government took the liberty of firing more than 18,000 petroleum industry workers with no immediate repercussions. Nonetheless, even with so few employees, the industry can reap great benefits, since the revenue is obtained when the product is sold outside the country, on the world market, and that rent returns to the country as foreign exchange in the hands of the central government.

Some may see this situation as advantageous or even ideal because it allows the State to act independently of the conflicting influences and powers within the country, not needing the support of other powerful sectors in society. However, the real consequence is a weakening of democracy and the installation of a power with no counter-balancing powers—and, in a society such as Venezuela, that has little institutional development, a power free from civilian or political controls. The economic autonomy of the State is the basis of authoritarian and dictatorial governments, since they are accountable to no one. However, it also leads to extreme fragility, because such governments depend on fluctuating revenue that is based not on a solid, normal source of profits, but on an extremely fragile, exceptional one. Any drop in the price of petroleum means a crisis in the State and in that dependent society.

The Relation between the State and the Social Classes

The income from petroleum allows the State to create new social classes. Primitive accumulation is the result of the transfer of petroleum income into private hands. The origin of wealth in Venezuela is not the exploitation of workers—which may well have existed—but rather the manner in which petroleum money was transferred and appropriated by individuals and companies, whether through legal means or illegal ones.

In situations such as this the State is not a direct product of the social classes—neither of their consensus nor of their irreconcilable struggle, as Lenin formulated it (1967). The political goal is to control the State in order to administer the resources that come from the petroleum rent. When one considers the successive changes in political power in Venezuela, from Gómez to Chávez, what one finds is a recurring pattern in which the group in power attempts to produce economic success by making use of petroleum resources. Because the State is very powerful and financially autonomous, the problem of the State and the political sector in Venezuela has not been the extraction of money from society, from one social class or another. Rather, it is the opposite: how to spend money, how to distribute it in such a way that it benefits whoever

it is one wants to benefit—whether it is for political reasons, to gain loyalty and political power, or for strictly personal reasons of family or friendship.

In Venezuela, it was possible to create a bourgeoisie by providing credits and contracts to the private sector, by granting import rights or protectionist measures to shield producers from foreign competition, and by offering tax exemptions for rent-based earnings. During the 1940s, with contracts during the war; during the 1960s, with the import-substitution model; and during the following decade of decentralization policies, easy credits were made available with long grace periods, ridiculously low interest rates, and the option of effectively never being paid off, since what was important was to spend money, not invest it or recuperate it. In Argentina and Brazil, import substitution was carried out to save the country foreign exchange; in Venezuela, by contrast, it was done to spend it. This has created a greenhouse bourgeoisie. It was born and survived thanks to the resources of the petroleum state, not the surplus value created by the exploitation of workers or the capacity to improve productivity and efficiency.

The middle class grew because of the expansion of public employment. The State set about hiring people in order to be able to pay them a salary—even though in many cases they were not really needed or had little work to do—since this was a social policy and a mechanism for transferring the petroleum revenue to society. This is why, when proposals to reduce the immense Venezuelan bureaucracy came up on several occasions, they were always rejected; it was argued that high unemployment would ensue. Employment in Venezuela is fundamentally and increasingly based in the public sector: in 1960 the government had 28,000 employees, and the petroleum industry had 40,000; in 1998 the government had 1,390,000 employees—five times more—and the petroleum industry had the same 40,000. Public-sector employment and free education were the great sources of the Venezuelan middle class, and—as is evident in the above statistics—both came from petroleum revenues, not petroleum-related employment.

A wide range of programs has been directed toward the poor. These include agrarian reform and agrarian credits aimed at paying for the inefficient productivity of the peasant sector, multiple forms of gifts and hand-outs aimed at fostering political loyalty (tactics used by the political parties of the past as well as the current Bolivarian government), and subsidies for products of mass consumption—from food products to gasoline. Although these subsidies were supposed to be directed to the poor, the fact that they were not made it possible for the entire population to benefit from them. Toward the end of 2004, a liter of unleaded gasoline, the most expensive grade in the market, cost less than 4 cents, while in the rest of the world it was over a dollar per liter. The annual subsidy authorized for gasoline in 2004 was the equivalent of the entire budget of the Ministry of Health during that year.

Another very important mechanism for transferring petroleum revenues to

individuals has been currency over-valuation. This process began in the 1930s, following the capitalist crisis that shook the world, when Venezuela revalued its currency at the same time that the rest of the countries of Latin America were devaluing theirs in order to continue exporting. Since then Venezuela has maintained a level of over-valuation that has made non-petroleum exports impossible and facilitated imports, creating a market of artificial prices that encouraged consumption and gave the impression of progress and modernity. This happened in the 1950s in the Pérez Jiménez government; after the petroleum boom of 1974 and up until 1983, during the governments of Carlos Andrés Pérez and Luis Herrera Campins; and from 1999 to 2002 with the government of Hugo Chávez. And this happens because the State intentionally decides to hand over that profit to the people by selling them cheap foreign currency, thus increasing the purchasing power of individuals, but not the strength of the economy or the autonomy of society.

The Petroleum Model of Society

This petroleum model of growth produced great economic, social, and political stability in the country, a stability that lasted until the 1980s. From the end of World War II until 1979, Venezuela experienced very significant economic growth: the gross domestic product increased at an annual rate of approximately 6% during this 40-year period, with an average of over 8% in the 1950s and an average of 4% in the 1970s. Even though the rate of growth declined from one decade to the next, it remained positive until the 1980s (see Table 1)

During this same period, Venezuela maintained a fixed exchange rate and unrestricted currency convertibility. During the 1930s, exchange parity had been fixed at 3.35 bolívares per dollar. This rate was maintained until the beginning of the 1960s, when fiscal pressures led to the first devaluation and exchange parity was fixed at 4.30 bolívares per dollar, a rate that was maintained for the following twenty years. It is hard to imagine greater stability, but this was maintained in Venezuela for years. It created harmony despite the fact that it meant obvious over-valuation and a transfer to and subsidy for the consumer. From the 1950s on, inflation was truly low: it remained at less than 5% per year until 1979, in the midst of the second great petroleum price increase, when inflation reached 20%, thus inaugurating a period of fluctuations that reached 103% in 1996 and 27% in 2003 (Banco Central de Venezuela 2004).

However, this model also created a situation that is very unusual in a capitalist society: sustained growth in both the real wages of workers and in the rate of profit of the business owners. This unique condition developed because the process was subsidized by petroleum income, making it possible to create social harmony that lasted for several decades, based on the distribution

Table 1: Annual growth of GDP, population, and GDP per capita

Growth	1950-59	1960-69	1970-79	1980-89	1990-98	1999-2002
GDP	8.29	5.79	4.83	0.49	2.60	-2.1
Population	4.07	3.54	3.52	2.61	2.00	2.00
GDP per capita	4.05	2.17	1.27	-2.30	0.62	-4.00

Source: Banco Central de Venezuela. Data elaborated by Luis Carlos Palacios.

of those earnings to both business owners and workers. This model entailed a very unusual social arrangement in which the demands of the conflicting parties were taken into account, but the resolution of the conflict was determined and financed by the State. For example, each year the textile unions demanded a wage increase and improvements in working conditions. The unions, companies, and government formed a three-part commission. Through a process of negotiations the commission would reach an agreement on salary increases for the workers. Business owners happily agreed to these increases because, in exchange, they received from the government cheap credits, subsidies, or tax exemptions; as a result, in the end, everyone was content.

Upward social mobility was a very important collective experience in Venezuela because it facilitated a process of migration in which the population, over a period of 50 years, moved to the cities, began to attend school, and improved their life expectancy and their standard of living to a surprising degree. Venezuelans' real wages increased steadily between 1950 and 1979 and were far above the wage rates, not only of the rest of Latin America, but also of many European countries. This wide-scale social mobility was also the basis for rising hopes; a survey conducted in 1982 revealed that nearly all (97%) of the respondents believed that in ten years the country would be better off, and that their children would be better off than they were themselves (Briceño-León 1992). The future seemed full of promise and progress, as it had in previous decades.

Economic growth and monetary stability, as well as social harmony, were accompanied by long-term political stability. In the 1940s, the foundations of a modern democratic system were laid in Venezuela: universal suffrage was established, which extended to women and the illiterate. The political parties that would play a role in the 20th century were formed—a social democratic party, called *Acción Democrática*; a Social Christian party, called COPEI; and the Communist Party of Venezuela. Following a series of coups, the military took power from 1948 to 1958, at which point General Marcos Pérez Jiménez was overthrown, initiating the democratic era in Venezuela that persists to this day. Faced with threats from the military and from a communist guerrilla movement supported by the Cuban government, the principal political parties

reached an agreement on governability—but not on alternation in power, as in Colombia—that strengthened the democratic system. The guerrilla movement was established in Venezuela in the 1960s with the same “focalist” approach as in the rest of Latin America, but the response of the Venezuelan government was neither exclusionist nor primarily military, but rather social. The government of Venezuela undertook programs of agrarian reform, sanitation, and rural housing development aimed at controlling endemic diseases and a program of rural school development that undermined the social support base of the guerrilla movement. Later governments offered the guerrillas a program of pacification, weapons surrender, and reincorporation into political life that made it possible to consolidate peace and convert the vast majority of guerrilla leaders into electoral activists. Peace prevailed in the country and the guerrilla movement died out. Nor was everyday violence a major problem: from the 1950s to the 1980s the murder rate was approximately 8 victims per 100,000 inhabitants per year, and the highest murder rate in Venezuela was lower than the lowest murder rate in Colombia during the same period.

The Breakdown of the Petroleum Model

Beginning twenty years ago, the petroleum model of State and society began to break down in Venezuela. This has become evident in the economic, social, and political spheres, and in the agony of a model of society that refuses to die or to be replaced by a different one. In the following pages the key moments of this process are considered chronologically in order to illustrate the magnitude of the crisis in which Venezuela is immersed and the banality of the calls for change and revolution being made at the beginning of the 21st century.

Black Friday of 1983

The petroleum crisis that broke out in October 1973 during the Yom Kippur War—when the Arab countries announced that they would no longer send petroleum to nations that had supported Israel—created immense and unexpected wealth for Venezuela. The price for a barrel of petroleum went from \$4.4 in 1973 to \$14.3 in 1974, and the regular income of the government tripled, from 16 to 42.5 million bolivars (Banco Central de Venezuela, 1975). The problem for the country was how to spend this gigantic fortune; the result was a general process of increasing state control of the economy. The Venezuelan State nationalized the petroleum industry, paying a reasonable price to the companies involved; however, it also decided to participate in every other sector of the economy, from iron and aluminum to hotels and tourism.¹

At the same time, the national currency was over-valued, so that for middle-class Venezuelans it became cheaper to take a vacation in New York than in their own country. Venezuelan imports, which were valued at \$2.6 million in 1973, increased to \$12.3 million in 1981 (Banco Central de Venezuela, 1981). During those years Venezuelans were major consumers in Miami.

Public spending reached high levels and became irreversible, and the government needed more resources for the grand plans it had initiated. In a somewhat paradoxical and incomprehensible turn of events, in the midst of this financial bonanza and at the height of its wealth, the country developed a substantial external debt. This was during the period of greatest foreign indebtedness in Latin America. Financial institutions all around the world were eager to lend, and to profit from, the large sums of money that had been deposited in its reserves by the Middle Eastern countries. It is understandable that other countries of the region, which needed the resources, would accept this tempting offer. Venezuela, however, was rich in resources. Nevertheless, Venezuela, too, took on debt, assuming that petroleum prices would continue to rise and would reach \$60 per barrel.

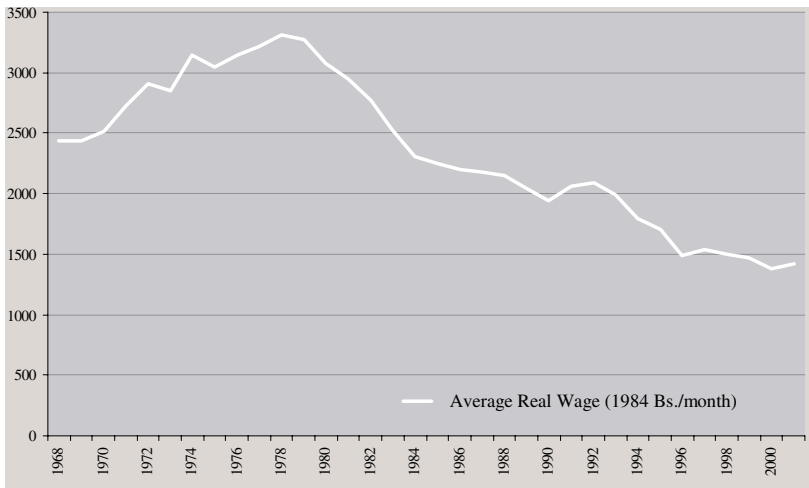
During the carnival of February 1983, the government announced that it was initiating exchange rate controls and currency devaluation; this hit Venezuelans like a bucket of cold water. For twenty years the dollar had held the same value, and the majority of Venezuelans did not know what exchange rate control was until it was instituted on what the press called “black Friday.” The dream of unlimited economic prosperity had come to an end.

As shown in Figure 1, from 1950 to 1979, the real wage of Venezuelans grew continuously. The real wage rate of workers and employees in Venezuela (in 1984 bolivars) was 14,873 in 1950 and reached 43,208 in 1978, nearly three times higher in real terms. But beginning in 1979, it began to decline rapidly; and in ten years it had been reduced to half that, reaching 18,677 in 1990 (Baptista 1997)—a true disaster for workers’ income.

The Popular Revolt of February 1989

Social harmony had been one of the great values of democracy, and even though there had been occasional strikes, the conflict was always resolved via State intervention. Since 1974, consumer issues had been resolved using imports and strict price controls. Given the over-valuation of the currency, this made imported foods always appear to be cheaper. This great political and economic maneuverability, which successive governments had enjoyed for decades, was sharply curtailed by the drop in petroleum prices and the obligation to pay the foreign debt incurred in the 1980s. However, the overall policy did not change. The government maintained price controls. To make this possible in an import economy with exchange rate controls, it made dollars available at a preferential

Figure 1. Real Wages in Venezuela, 1968-2002



Source: Banco Central de Venezuela, Instituto Nacional de Estadística

price, lower than the market price, for the importing of some essential products—such as food and medicine—and others of doubtful necessity, such as Scotch whisky. In this manner, they sought to contain inflation, which had risen at a rate unheard-of in Venezuela—to 40% in 1987 and 35% in 1988—and thereby to maintain social harmony. The consequence of these measures was a period of sustained scarcity (whether real or artificial) of essential goods, which could only be obtained on the black market. These circumstances encouraged the illegal sale of products, since buyers were always willing to pay more than the official price in order to get what they needed.

In December of 1988, Carlos Andrés Pérez won the presidential election for the second time, his image being associated with the great economic bonanza that the country had experienced during his first term in office, when Venezuela had been inundated with dollars during the petroleum crisis of 1974. Whether explicitly in his speeches or implicitly in the popular imagination, Pérez promised a return to abundance. However, after a few days in office, his administration learned the reality of the government's financial situation. They decided to raise the price of gasoline in order to reduce the losses generated by this subsidy to the entire society. This sparked a protest by public transportation passengers, who objected to the increase in fares. The conflict began with a protest in Guarenas, a bedroom community near Caracas, and, in a few hours, reached other parts of the country. It was especially serious in Caracas, where people began looting appliance stores and supermarkets. The police attempted, unsuccessfully, to

control robberies perpetrated by known delinquents, but these were quickly followed by crimes committed by ordinary people. In some cases, the looters' actions had a tone of protest, directed at storekeepers who had hoarded products in order to sell them clandestinely at a higher price than that established by the government. However, in other cases it was simply an opportunity to make off with other peoples' goods.

That night, Monday February 27, celebrations were taking place in many of the working-class neighborhoods—pilfered food and drinks were handed out right and left, while others continued the looting. The city was out of control. The initial retreat of the police had encouraged the protesters and looters, but then the army intervened, and the hospitals and morgues could not keep up with the injuries or find enough space to hold all the dead bodies. There was much speculation about the number of dead, but in the morgue of Caracas, we were able to count 534 reports of people who had died during the three days of the revolt (Briceño-León, 1990). Social harmony had vanished from Venezuela.

The Military Coups of 1992

Colonel Chávez likes to say that the army's repression of the popular revolt of 1989 made him think about the need for a political change in the country and led him to act on the plans for a military coup that he had been developing for several years, since entering the Armed Forces. What is certain is that, although a few may have known about the conspiracy that was being plotted, most Venezuelans continued their normal, everyday life, however dissatisfied they were about the deterioration in their standard of living brought about by inflation and the currency's loss of purchasing power. They missed the era of splendor, and they saw democracy as the only conceivable political system.

On February 4, 1992, when he was returning from a trip, President Pérez was notified of an attempted military coup. At first, there was disbelief, the same disbelief that any Venezuelan would have felt upon hearing such news. Then there was surprise and astonishment, as Caracas rang with machine gun fire from a ground battle, which was taking place in front of the presidential palace. The coup attempt failed, and an unknown colonel appeared on television to ask his brothers in arms to surrender, saying that the goals that they had proposed could not be achieved "for the time being." The military incursion into political life was a novelty. The incipient democracy of the 1960s had had to confront various coup attempts called for by the left-wing parties and by the military who wanted to return to a dictatorial regime, but thirty years had passed since then, and Venezuelans had become forgetful. But even more novel was the population's sympathetic response to the military's boldness. At the next carnival, many of the children dressed up in attire that imitated the paratroopers' uniform that

Chávez wore on the day of his sudden public appearance to surrender.

Nine months later, another group attempted a military coup once again. Planes bombed the Air Force base in Caracas; groups of soldiers used violent force to take control of the television stations, and then transmitted a message recorded previously by Colonel Chávez. A few hours later, the coup was put down; a group of soldiers requested asylum in the embassy of Peru, where they were taken and welcomed by the Fujimori government. From that point on, rumors and threats circulated through Venezuelan society. Each week saw a new coup attempt and every firecracker that went off seemed to be a gunshot. The calm that had reigned before turned into uneasiness.

The consequence of these military coups was a trial of the President of the Republic for diverting funds from the secret reserves. The motive seemed futile, but the consequences were substantial since the official condemnation was actually the outcome of a prior social condemnation, and the president was forced to resign. The President of the Congress replaced him for several weeks. Then, an historian, who had been a high-ranking bureaucrat and senator and was accustomed to the ins and outs of politics, was appointed. As a result, there were three presidents in less than a year, and bipartisanship was destroyed. Political stability had come to an end.

The Elections of 1993 and 1998

The political leadership that would take the stage in Venezuela during the following decade was defined in the days following the military coup of February 1992. While the political and democratic sectors of the country unanimously condemned the military action, the then-senator-for-life and ex-president Rafael Caldera launched into a dissonant, comprehensive diatribe about the public's dissatisfaction that, in his opinion, was both the explanation and the justification for the military's subversive action. Caldera had been the founder of the social Christian party that had represented the middle class and the conservative sectors of the country; he had been president between 1969 and 1974; and he had just lost an election in which he had tried, unsuccessfully, to return to power. This speech gave him a peculiar surge in political popularity. In the electoral campaign the following year, he ran for office on an anti-political-party platform and won once again, but this time as an "independent" confronting the political party candidates, including the party that he himself had founded forty years earlier and led for most of its existence.

Once he was President of the Republic, Caldera pardoned Colonel Chávez, who left prison and returned to a life of subversive politics supported by the most radical, coup-mongering groups. Caldera presided over a rather dull government that did not seek major changes but instead tried to spare the country any further

scares and re-establish a bit of calm after several tumultuous years, a goal that it arguably achieved.

The fireworks that accompany popular celebrations were once again heard simply as fireworks, and not as the opening shots of a new military revolt. But the country's feeling of discontent continued, because inflation had reached levels that had never before been seen in Venezuela: 70.8% in 1994, 56.6% in 1995, and 103% in 1996. Government policies oscillated between exchange and price controls, and then economic liberalization beginning in 1997, but the people's desire for social change was great. Furthermore, the price of petroleum fell to its lowest level in many years, reaching \$8 per barrel in 1998.

We participated in a survey done in 1996 in the capital cities of several Latin American countries. In it, we asked respondents if they believed that there should be social change in their society. We found the highest level of agreement in Caracas: 56.4% wanted radical change, more than in other capital cities (see Table 2). However, this desire for change had several different faces. Reacting against the traditional political parties, the Venezuelan people turned to a former beauty queen who had been elected mayor of one of the wealthiest municipalities in the country. Irene Sáez had been Miss Venezuela and had won the crown as the most beautiful woman in the Miss Universe pageant. She had been successful as a mayor and was praised by all the political parties, but she did not identify herself with any of them. She appeared frequently in the society pages and the sports sections of the press, but she never made political statements. As the presidential elections drew near, she seemed to be the obvious candidate. From the beginning of 1998, she led the opinion polls as the person who should confront the traditional political parties, each of which had presented its own candidate.

Nevertheless, this trend shifted during the months before the vote, although the elections continued to be dominated by anti-political-party sentiment and the desire for political change. The beauty queen had to leave the society pages and enter the political debates, which she found uncomfortable. She accepted the support of the social Christian party, thinking that she could count on it as a political organization that would take care of her votes. However, this alliance cost her the support of the voters, who suddenly shifted their sympathies to the colonel who proffered insults and offered a radical change in power. As his popularity grew, the traditional parties began to fall apart, panicking about the potential victory of Colonel Chávez. The social Christians retracted their support from the beauty queen. Meanwhile, the social democrats found themselves in the embarrassing situation of having to expel their own candidate from the party—a candidate they respectfully called “el caudillo,” who had refused to step down to make way for another independent candidate, who seemed to have a better chance of beating Chávez. Yet, in the end, Chávez defeated them all, capturing not only the votes, but also the hopes, of the majority of Venezuelans from all social sectors.

Table 2: Desire for Social Change in Latin American Cities (1996)

	Keep it the way it is	Some reforms are necessary	Change it totally
Bahía	4.4	49.3	46.3
Cali	4.3	54.1	41.6
Caracas	1.4	42.2	56.4
Río de Janeiro	6.0	50.8	43.2
San José	3.9	65.6	30.5
San Salvador	4.8	62.9	32.3
Santiago	4.4	62.8	32.8

Source: LACSO, Laboratorio de Ciencias Sociales, Activa Survey.

The New Social Actors

The composition as well as the relevance of the Venezuelan political leadership changed beginning in 1999, as hurricane Chávez leveled the political terrain, destroying some groups and parties and forcing the appearance of others. Nevertheless, Chávez did not destroy the traditional political parties in Venezuela; they had fallen from favor with the population much earlier, perhaps from the very moment Caldera won the election. What followed was the inability of the parties to position themselves as credible alternatives in the political arena, which led to a lack of organization and leadership. This vacuum was filled by Hugo Chávez, as a reaction against—and a punishment of—the political proponents of bipartisanship, but that same absence had already been filled before by Caldera or by the beauty queen.

Chávez began his term with more power than any president has ever had in Venezuela: extremely widespread popularity, a qualified majority in Congress, and the support of the Armed Forces. With no political opposition and no resistance from society, he was able to change the Constitution, the laws, and the name of the country completely at his own discretion. Yet, at the same time, he began a dispute with all the powerful groups in Venezuelan society: not only with the traditional political elite, but also with the Church, with the business leaders, with the unions, with the middle class, and with the media. Despite being retired from the military, he began using his military uniform, appearing regularly at public events in fatigues or in dress uniform, thus irritating the military and awakening fear within democratic society. He continuously threatened his real and potential enemies, repeating frequently that his revolution is “peaceful, but it is armed.”

This aggressiveness completely changed the language that the country was accustomed to hearing from its President, producing sympathy in some and rejection in others, but provoking the surprise of all. By speaking militaristically, Chávez became his own worst enemy in the eyes of a growing proportion

of society, and even in the eyes of many of his allies on the left, such as the Movement to Socialism (*Movimiento al Socialismo*, MAS) and the “Causa R,” who gradually distanced themselves from him in the face of his threats and insults.

In December of 1999, the new Constitution was approved, establishing new procedures for the election of the Supreme Court, but a month later the judges were chosen using a different procedure that guaranteed the selection of those sympathetic to the government. That same year the National Assembly relinquished its powers and delegated them to the President so that he could promulgate laws by decree. Despite the fact that the Assembly required only a few days’ advanced notice to review policy proposals, none were ever presented. The last day of the term arrived with no laws decreed, and on the last night, a few hours before the end of the mandate, 48 laws of the Republic were promulgated on such important issues as petroleum, land, or the environment. In some cases, the text of the law was not made available until several weeks later.

The Rise of Civil Society

In the face of this confusing and disorderly situation, and with no significant political party opposition, a response began to emerge from civil society—from the common people, principally from the middle class—who began to organize marches to defend themselves from what they saw as the aggression of the State. It is significant that the first street protest against the Chávez government was not organized by the political parties or by men, but by middle-class women protesting a decree concerning education; their slogan was “don’t mess with my children.”

The Venezuelan middle class, made up of mid-level workers employed in businesses or in the government, laborers with stable employment, and professionals, had abandoned politics because they saw them as dirty and undignified. The bourgeoisie never participated directly in politics, never had a preferred political party, and never sought to nominate any candidates for the presidency, although it did maintain the Ministers of the Economy on a first-name basis or as distinguished employees. However, the crisis that led to this abandonment of politics was related as much to the global tendency toward political apathy as it was to a local circumstance—the significant devaluation of the salaries of public employees. With no prestige and a low salary, a government job was not an especially attractive life goal for the middle-class professionals or the skilled laborers. Public service aroused neither interest nor admiration, and the political stability of the country and the hegemony of bipartisanship made participation either very difficult or superfluous for the common people. The middle class, which had risen under the protection of the policies of the State and the high revenues from petroleum, had bought into the idea of its

own independent development. Its contempt for government jobs was also a reflection of the pride it felt from pursuing a way of life—and prospering—in the private sector, whether as a boss or as an employee, but without depending on or having to submit to whatever government happened to be in power. The middle class' distaste for politics changed very rapidly and spontaneously.

Suddenly, the middle class awoke to politics and began to express its opinion and its political discontent. It defended its interests and its way of life and responded to the verbal aggressions of a President who threatened or made fun of the middle class social sector. When major protests against the government first began, the political parties were the majority of those present, and they organized the participants into groups according to their party affiliation—there was order and discipline. Soon, however, there was an overwhelming presence of the middle class filling the streets; they surpassed all expectations and became a major political actor with neither leaders nor organization.

The Popular Movement

In the first election, in 1998, Chávez had broad support from the middle class and significant support from the poorer sectors—the unemployed and those working in the informal economy. In the second election, his support from the middle class decreased, but it grew within the poor sectors. In the following years, this tendency continued, and Chávez lost the middle class almost completely but gained broad support among those in extreme or critical poverty. These changes manifested in several ways: he lost support in the cities but gained in the countryside; he lost support among organized workers but gained among the unemployed.

Two factors are at work in these changes—one relating to emotions and the other to welfare—but both have the same meaning in the language of politics you are important. For the most destitute sectors of society, those whom classic Marxism called the “lumpenproletariat” and who had felt excluded for economic or social reasons, the Chávez government represented hope. There have been two types of policy toward these sectors: the first, which is completely rhetorical, is the word of the President who speaks to them emotionally and didactically, saying “you are now the ones with power, the petroleum money is now yours.” The other policy, which is more practical, is the distribution of the petroleum earnings among the poor who sympathize with the government, using an institutional apparatus parallel to that of the State. The government was unable to develop an adequate set of policies toward the country's poor during its first few years in power. It had no program proposals and it was unable to steer the bureaucracy of the State. Faced with this sort of institutional incapacity, the government created a parallel structure, referred to as “the missions.” It answered

directly to the President of the Republic, and its function was to attend directly to those with the least resources, without the formal or financial controls to which other institutions of the State are subjected.

The two first and most important missions were dedicated to literacy and to primary health care, both were contracted out to the government of Cuba for implementation, with personnel, equipment, textbooks, and medicines brought from Cuba. In 2004, there were more than 13,000 Cuban doctors working in the poor areas of Venezuela; these doctors were not under the supervision of the Ministry of Health of Venezuela, but under the direction of its Cuban counterpart. Next, a mission was established to increase the number of students in primary education; the government offered these students a plan of informal studies, but also a \$100 scholarship (announced and offered, but never actually paid, in dollars). A mission charged with reducing unemployment was also initiated. It was supposed to create cooperatives or a social economy, but in actuality it merely handed out cash grants to the unemployed. Regardless of their benefits or shortcomings, these aid programs won support for the government.

The rise of a popular movement is a new political or social reality in Venezuela (López Maya 2004). There is a feeling of antagonism among the popular leadership, which is something new and important in the country. It is very difficult to foresee how this will evolve, but clearly there are some difficulties, since the governing party wants to convert these organizations into a subordinate element of the State. Although some accept this route, perhaps because the government provided them financial rewards, many others are opposed and want a popular organization that is truly independent, not a branch of the party or an agency of the State for social and political control. A movement that began as an avalanche in support of a caudillo (leader) has become a popular movement with an important degree of organization.

The Political Right

Nonetheless, there are other equally important actors in the new Venezuelan political scene, including the appearance of conservatism as a political tendency. For decades, no one in Venezuela defined themselves as right-wing. To be right-wing was frowned upon in the social imagination; of course this does not mean that there was no one who thought or acted in a way that could be considered right-wing or conservative, but they did not acknowledge it. It is difficult to establish a clear distinction between the left and the right in the contemporary world—Bobbio (1994) described this very well—but the distinction still functions as a part of language, although it is filled with a range of varying meanings. In Venezuela, in some sense “left” meant the communist, pro-soviet, secularist movement in favor of social change, while “right” meant the anti-communist,

pro-U.S., religious, and conservative movement. What is unusual is that for years politicians resented being called right-wing, and were even less likely to consider themselves right-wingers; in the universities, to call someone right-wing was tantamount to insulting them. In both the popular imagination and in practice, then, a society was constructed in which the political parties were multi-class and the ideological positions they espoused were always centrist. There was a small group that called itself leftist, but no one said they were right-wing.

This situation changed in Venezuela. In a survey conducted in April of 2004 using a national sample (N=1,200), 23% of the respondents located themselves on the political right. This is something completely novel in the country and can only be understood as a reaction to the government, which claims to be left-wing and revolutionary. It is interesting to examine the results of this survey (Table 3), since they show, on the one hand, that a third of the population says it is in the center, but also that 12% claims to be on the left, a proportion that corresponds to the historical size of the left in Venezuela. That is to say, the left has not grown, but sympathy for the right has, and by a great deal—and, even more importantly, so has people's recognition of this.

How can these statistics be consistent with those that show support for the President, especially if the percentage that considers itself leftist includes members of the various socialist parties that oppose the government? The answer is simple: the government's leftist symbolism is directed toward—and is well-received by—the militants of the national left as well as those outside of Venezuela, but for many other people these ideologies have no meaning whatsoever; they simply support a government that gives them immediate benefits.

The Military in Government

After the fall of the dictatorship in 1958, the military had accepted their role as an institution with no direct political participation. Petroleum revenues were used to placate the military with benefits and perks and to prevent them from being tempted into entering politics. During this period, some retired military officers ran unsuccessfully in the presidential elections, and promotions to high ranks were debated within the political parties, who shared the appointments among them. The military coup of 1992 splintered the Armed Forces and opened the door to active military participation in government. The new status of the military was later formalized in the Constitution of 1999, which gives the military an active role in national development.

The military presence in the government of Venezuela has reached a magnitude never seen before: it is estimated that there are more than 1,200 members of the military in the national government. The President is a member of the military, the President of the National Assembly is a member of the military, and 9 of the 24 governors are retired military officers. Members of

Table 3: Venezuela 2004: Political Preferences

(percentages)						
Extreme Left	Left center left	Center/ Liberal	Right/ conservative	Extreme right	No political preference	Others, don't know, no response
4.3	7.3	29.3	21.6	2.0	18.4	17

Source: LACSO, Laboratorio de Ciencias Sociales

the military hold many mid- and upper-level positions in the autonomous Institutes and state corporations. It is a government of soldiers. And soldiers have their own perspective on politics and administration. Their presence in government can be seen as a way of giving them full participation in power; it can also be seen simply as the same tactic for distracting them from politics by making them rich and by directing the benefits of the petroleum revenues into the administrative positions they hold.

The military is a new political actor—not because they never were in the past, but because never before had their leadership role had the form and the magnitude that it attained after 1999. It is not simply that they are Ministers of Finance or Construction; it is the fact that they have an active role in support of, or against, the government. However, the form that their participation takes is not always clear. The General, who announced that the President accepted the resignation that the military hierarchy had requested, when the coup attempt occurred in April 2002, was later given a prize and named Minister of the Interior and of Justice by that same President. In 2002, a group of high-ranking officials announced that they were rebelling, but they did not use their weapons; instead, they went to a plaza in Caracas and began haranguing the government. Some went to prison and others went into hiding. The Armed Forces are divided: the positions of command are in the hands of people close to the President, and a substantial number of officials agree with the nationalist, anti-U.S. discourse of the Head of State; but others are annoyed by the large number of Cuban officials present in the country. It is impossible to know with certainty what really occurs inside the military barracks, but there is no doubt that, whatever the military does or does not do, it will have a significant impact, given the situation of high political instability.

Old Wine in New Bottles

There has been an immense deterioration of the quality of life in Venezuelan society. Two indicators make this clear: the real salary that Venezuelans received in 2001 was Bs. 13,615 (in 1984 bolivars), but 50 years earlier it had been slightly

higher (Bs. 14,873 in 1950), and in 1978 it had reached a maximum of Bs. 43,208. In other words, at the beginning of the 21st century Venezuelans are earning an income four times less than what they earned 20 years earlier (Baptista, 2004). While income shrank, insecurity and violence rose: in 1990 there were 2,474 homicides; in 1993, a year after the crisis and the military coups, this figure doubled, rising to 4,292. It remained at this level until 1998 (when there were 4,550), and from there on it rose again, reaching 13,288 homicides in 2003. This is an average of 36.4 homicides per day—three times the rate that existed ten years earlier (Ministerio de Interior y Justicia, 2004).

At the same time, the country is going through a period of extreme political confrontation, perhaps comparable, in Latin America, only to the Argentinean experience in the 1950s with Perón, or Chile in the early 1970s with the government of Allende. The referendum to impeach the President in August 2004 revealed a thoroughly divided country. Accusations of fraud or electoral manipulation aside, the results revealed two bitterly opposed political factions, with neither one able to form a large majority over the other. There are two countries: one that loves the President of the Republic and one which hates him. Political violence, which had been non-existent, has now appeared on the scene: human rights organizations tallied 107 deaths between 2001 and 2004 (Provea, 2004). For the first time in 40 years, a terrorist act was committed: at the end of 2004, a bomb exploded in the car of a public official.

Is something new happening in Venezuela? In terms of fundamental social and economic organization: No. At the outset of the 21st century, we are repeating a familiar story: the economy is very strong due to high petroleum revenues, which are rising at a dizzying pace due to the war in the Middle East. This substantial revenue is received by the central government, which distributes it through public spending; the government hands out money right and left to the poor and to its supporters. That money is used to strengthen demand; the population decides to buy imported goods, which they use to meet their basic needs or to fulfill their desire to be modern, but not only does this not help national production, it works against it. Non-petroleum exports fall dramatically, and national industrial manufacturing shrinks by almost half.

At the same time, there is an increase in State corporations; that is, the government decides to create companies to produce and sell a wide range of products. Even in the midst of extremely high revenues, the government undertakes projects requiring deficit spending, and the country's external or internal debt grows. The party in government uses its power and public funds to constitute itself as a party and to guarantee its own continuity in power, and the President spends his time buying international prestige with the aid of petroleum money. This is a repetition of what occurred in the country between 1974 and 1983, the same as the "Great Venezuela" policy of Carlos Andrés Pérez that later brought such negative consequences. There is no essential difference

between the two regimes, simply a change of actors and modes.

Nevertheless, there are some differences at the political level. There has been a change in the elite that is in power. The government maintains a group of employees with many years of service, but the political elite has changed completely. The current high-level government functionaries are new politicians or members of the military, who are required to follow orders. There is also a group from the traditional Venezuelan left that had never had access to power in the central or regional government; it now holds power, along with the military, and has hegemonic designs. There is a greater distribution of income among the low-income sectors of the country, and there is a new feeling of pride and identity among the poor.

Nevertheless, the important changes that Venezuela needs, those that could signify a true revolution, have not been proposed. Venezuela should have as its goals: to become less dependent on petroleum revenues; to make the society less rent-based and more productive. Venezuela should wean itself from crude oil products, foster greater economic diversity, and rely more on the value added by domestic industry. Venezuelan society should invest less power in the State and much more in civil society. The president should have less power, with greater distribution of power among the different social sectors. The legislature and judiciary should become more independent from the central government and there should be greater participation of people in the management of the country and the government. None of this is happening in Venezuela at the outset of the 21st century; in fact what we see is the complete opposite.

In the midst of so many conflicts, the existence of high petroleum revenues and their distribution among the population will continue to create an illusion of progress and social improvement. In 1997 there were 1.1 million cellular phones; in 2003 this figure rose to 7 million in a population of 25 million—one for ever 3.6 people (Conatel 2004). But it is only that: an illusion of modernity and progress that will last only as long as the petroleum bonanza lasts.

Petroleum, which was the foundation on which democracy was built, is also the tool that can bring about its destruction and lend support to an authoritarian regime. Stable democracy will only be possible in Venezuela when the economic autonomy of the State diminishes and more power is transferred to civil society. This is only possible with a reduced presence of petroleum in the society, or with a completely different way of producing and selling it.

Endnotes

¹ It was very difficult to assimilate this immense wealth into society, and it created distortions; these can be illustrated by two examples. One of the government's plans was to expand the iron and steel industry, but since trained personnel

were not available in that zone or in the rest of the country, technicians were contracted from all over the world. However, the city did not have adequate housing or hotels to house them, nor was there time to wait for lodging to be built. So it was decided that easily-installed housing would be imported, but since this couldn't be done quickly enough either, a ship was purchased and anchored in the harbor to be used as a hotel for the employees of the public enterprise. Nor was there sufficient capacity to train more people, since university enrollment had grown at a dizzying pace and universities could not admit more students. Therefore a program was started to educate Venezuelan students abroad. In its first year, more than five thousand students were sent to U.S. and European universities with scholarships that, in some cases, were larger than the salaries of their professors.

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