Hugo Chávez’s First Decade in Office: Breakthroughs and Shortcomings

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by
Steve Ellner

A balance sheet of the 10 years of Chavismo in power refutes both the opposition’s demonization of it and the rosy depiction of it in the official media. Viewed objectively, the Venezuelan experience coincides with the historical tendency for socialist nations to score high on the social front and show weakness with regard to the stimulation of production of consumer goods. While the Chávez government has incorporated massive numbers of the formerly marginalized into the decision-making process, diversified technological and commercial ties, and asserted greater national control in the economic sphere, it has failed to substantially boost production in spite of a windfall in oil revenue and has moved very slowly toward institutionalization. Judged by liberal standards, Venezuelan democracy is deficient on a number of counts, but in terms of the standards associated with radical democracy (emphasizing majority rule and the participation of the popular sectors of the population) it fares much better.

Keywords: Chávez, Venezuela, Participatory democracy, Economic policy, Social programs

Now that the presidency of Hugo Chávez is beginning its second decade, the insistence of some critics on holding the government accountable by evaluating its concrete results becomes increasingly compelling. The assessment of gains and shortcomings is particularly important in light of the assertion of Chávez’s adversaries, as well as the concerns of some analysts who are more sympathetic to his government, that rent-seeking continues to underpin the Venezuelan economy and society, which remain completely dependent on petroleum (López Maya, 2008: 7; Coronil, 2008; Kelly and Palma, 2004: 229–230; Lombardi, 2003: 5–6). According to this line of reasoning, all the improvements over the past 10 years will be wiped out if international oil prices decline significantly. This article proposes to evaluate the gains in order to put this thesis to the test. Specifically, it seeks to determine whether paternalism and doles to the needy guide policy or, to the contrary, the government has set in motion fundamental changes that have the potential to contribute to structural transformation. The main premise of the article is that, in contrast to the situation in Bolivia and Ecuador, where leftist governments have been in

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power for a shorter time, it is possible to draw plausible conclusions on the basis of the Chávez government’s record in order to pinpoint its strong and weak points.

The proposed balance sheet of 10 years of Chavismo in power is designed to overcome the shortcomings of the debate on it at all levels. An empirically based analysis that contextualizes the positive and negative aspects of government policy inevitably highlights the complexity of Chávez’s rule. The resultant mixed picture of performance refutes both the opposition’s demonization of his government and the uncritically rosy depiction of it presented in the official media. It also promises to reframe the debate not only between pro- and anti-Chavista political analysts and writers but also among the main political currents within the Chávez movement.

The failure of anti-Chavista leaders and writers and many pro-Chavista ones to consider the broader picture stems in large part from two shortcomings that this article attempts to correct. In the first place, they overlook the trade-offs of government actions and the dissimilar effects on distinct sectors of the population outside of elite spheres. For example, the typical pro-Chavista analysis focuses on the underprivileged and stops short of weighing the effects of government discourse and policy on the middle sectors, implicitly if not explicitly conflating middle-class concerns with those of powerful economic groups. In the second place, writers reach different conclusions regarding concrete results according to the frameworks and lenses they use. Thus, for instance, according to the model of liberal democracy the Venezuelan political system fares poorly, while the model of radical democracy inspired by Rousseau leads to completely opposite conclusions.

The failure of most Chávez government critics as well as members of internal Chavista currents to root their analyses in the specifics of government performance and the failure of those who do so to overcome paradigmatic blinders are amply evident. Three examples—one of an anti-Chavista leader, another of anti-Chavista academics, and a third of internal currents within the Chavista movement—will suffice. Teodoro Petkoff, one of the less dogmatic opposition leaders and the author of several books on recent political developments, credits Chávez with converting the issue of poverty into a major topic of public debate, a feat that allegedly constitutes his main and perhaps only accomplishment as president. Petkoff’s focus on discourse, however, detracts from discussion of the government’s concrete breakthroughs on the social front (see, e.g., Frontline, 2008; Ellner, 2008: 135–136). This bias in favor of style and discourse over concrete results characterizes much of the formal and informal discussion of the Chávez phenomenon.

An example of an empirical study whose inflexible adherence to a given model undermines the objective interpretation of government performance is Castañeda and Morales’s (2008) Leftovers. Most of the book’s contributors use the unfavorable interpretation of the model of radical populism to argue that regimes like the Chávez government are inherently authoritarian, opportunist, wasteful, and given to rhetorical excesses. As a result of being locked into this line of thinking, they pass over the gains that are outside the purview of the negative concept of radical populism, such as social inclusion and participation (Ellner, n.d.).
A third example of obstacles to the objective evaluation of government performance concerns divergent perceptions stemming from different models within the Chavista movement. A social-prioritization strategy, which highlights socialist values and emphasizes social over economic goals, is at odds with a pragmatic-decision-making approach designed to maximize efficiency and guarantee the viability of the economic system. While the more radical social-prioritization strategy favors harnessing popular energy through mobilizations and social programs with limited restrictions and controls, pragmatic decision-making emphasizes the importance of state institutionalization (Ellner, 2008: Chaps. 6 and 7).

Chavista leaders, including Chávez himself, and analysts who are sympathetic to the government sometimes prioritize social and cultural goals over economic ones (see discussion in Bowman and Stone, 2006: 22; Piñeiro Harnecker, 2009: 333–337). Thus, for example, Chávez’s constitutional amendment proposal (defeated at the polls in 2007), which would have reduced the work week from 44 to 36 hours, placed cultural and social goals ahead of economic ones. Others who defend the social-prioritization approach tend to pass over concrete problems that undermine the productive capacity of state-owned companies while arguing for worker-participation schemes. The clash of priorities calls for a more nuanced evaluation, even among pro-leftist writers, that recognizes the plurality of goals.2

In view of these conflicting priorities and claims, a balanced examination of the performance of the Chavistas in power that addresses distinct goals should shed considerable light on Venezuelan developments. This article will examine the concrete results of the Chávez presidency on political, economic, and social fronts. In doing so, it will place the government’s record in a broader context by looking at both the winners and losers of its policies among nonelite sectors, as well as the different and often conflicting goals that guide its actions.

THE POLITICAL FRONT

The two distinct criteria used to evaluate the political system that has emerged under Chávez result in distinct evaluations of his rule. On the one hand, liberal democracy emphasizes checks and balances and the rights of minorities and warns against excessive executive power and centralism. On the other hand, radical democracy stresses majority rule and the direct participation of the people in decision making (though not necessarily to the detriment of representative institutions). While the Chavistas embrace radical democracy, or what they call “participatory democracy,” the Venezuelan opposition’s condemnation of the government rests on assumptions associated with liberal democracy.

Judging by liberal standards, Venezuelan democracy is highly deficient on a number of counts. First, those occupying key positions that are intended to be politically nonpartisan, such as the attorney general, national controller, and a majority of the members of the National Electoral Council, have been clearly identified with Chavismo. As a result, institutional checks on power are largely absent. Second, the 1999 constitution strengthened the power of the
national executive by giving it, for instance, exclusive control over the promotion of military officers. Third, the nonpolitical character of the public administration, which was largely a myth in the decades prior to 1998, continues to be openly disregarded. Thus, for instance, those belonging to individual social programs participate in political mobilizations in favor of the government in separate blocs. In addition, liberal democracy warns against electoral initiatives originating from the executive branch (pejoratively labeled “plebiscitary democracy”), since the nation’s president ends up framing the issues without input from the opposition. Some political analysts apply this critique to Chávez, who called for two referenda at the outset of his presidency, another in 2007, and yet another in 2009. Finally, the Chávez government has refused to call tripartite commissions—which previous governments had created to provide organized sectors of the population such as labor and management with policy input—on the ground that they provide a voice for national elites rather than the rank and file (Márquez, 2007: 85–86).

Judging by standards associated with radical democracy, the Venezuelan political system under Chávez fares much better. Radical democracy (underpinned by the formulations of Jean-Jacques Rousseau) places emphasis on majority rule as opposed to the rights of minorities. It also attaches primary importance to the participation of popular sectors of the population. A key component of radical democracy is mass mobilizations, which in turn lead to empowerment, incorporation, and “political learning” on the part of the formerly excluded—largely subjective factors that are difficult to measure. During Chávez’s rule, significant progress has been made on these fronts. In contrast, three other components that are essential for the achievement and consolidation of any new democratic system lag behind: mechanisms for internal critical discussion, organizational solidity, and institutionalization of new rules of the game that are conducive to participation on a regular basis. The following discussion examines advances and obstacles in the achievement of these goals.

A system that emphasizes majority rule is conducive to frequent electoral contests. During Chávez’s presidency, the government held a record number of elections, which were validated by international observers and surveys by the international media and which the Chavistas largely won by percentages unmatched since 1958, with an abstention rate generally lower than throughout the 1990s. These electoral contests include the presidential recall election of 2004 and the referenda on the constitution in 1999, the 69-article constitutional reform in 2007, and a constitutional amendment in 2009. The system of referenda contains elements of direct or participatory democracy in that elections are preceded by a signature campaign (in the case of the 2004 recall) and the electoral contest puts specific proposals rather than candidates to the test. Thus, for instance, in 1999, 2007, and 2009 the national debates over constitutional proposals involved all voters and not just national political elites and were largely without precedent in Venezuelan history, although the opposition criticized their relatively short duration (García Guadilla, 2003: 186–187). Finally, despite violence at critical moments, in some cases traced to the radical opposition, and the refusal of the opposition to endorse any of President Chávez’s initiatives, thus indirectly questioning his legitimacy, overt government repression was avoided.
Another important component of radical democracy is mobilization, particularly when it leads to empowerment and political learning that in turn contributes to organizational growth. Never in the history of Venezuela have massive numbers of people participated in marches and rallies over such an extended period of time as during the Chávez presidency. Indeed, the key to Chávez’s political survival in the face of the opposition’s aggressive street tactics beginning in late 2001 has been his mobilization capacity, which at first equaled and then exceeded that of his adversaries.

Most important, the hundreds of thousands of poor people who surrounded the presidential palace and military bases following the April 11, 2002 coup made possible Chávez’s return to power. In contrast to the street mobilizations on that day, which were largely spontaneous, the participation of large numbers of Chávez’s followers in the numerous electoral campaigns since 1998 has required a degree of organization. Electoral organizations that were perceived as representing a bottom-up effort included the Unidades de Batalla Electoral, created to campaign against the presidential recall vote in August 2004, the “battalions,” “platoons,” and “squadrons” formed for the presidential campaign of December 2006, the “socialist battalions” of the newly created Partido Socialista Unido de Venezuela (United Socialist Party of Venezuela—PSUV), which canvassed in favor of the constitutional reform in the referendum held in December 2007 and for the Chavista candidates in the state-municipal elections of November 2008, and the 20–30-member “patrols” that the PSUV created in 2009 to replace the much larger “battalions.”

The formation of the PSUV, which was designed to overcome the bureaucracy and lack of communication with the Chavista base that characterized its predecessor the Movimiento Quinta República (Fifth Republic Movement—MVR), also promoted mass participation. In the first half of 2007, 5.7 million Chavistas, representing about 75 percent of those who had voted for Chávez in the presidential elections of the previous year, enrolled in the PSUV. In a sign of rank-and-file empowerment and discontent, PSUV elections for local party “spokespeople” (leaders) excluded in large part those Chavistas who held positions in the government and movement, in accordance with Chávez’s call for new leadership. In June 2008, about 2.5 million PSUV members participated in primaries to choose the party’s gubernatorial and mayoral candidates for the upcoming elections, in contrast to the opposition’s largely top-down method of selection.

The key role of popular mobilization in the Chavista political strategy and Chávez’s discourse emphasizing the “protagonist” role of the people as spelled out in the 1999 constitution have contributed to a sense of empowerment among those who for decades had been largely excluded from decision making. Political victories have also empowered the rank and file of the Chavista movement. Thus, for instance, the Chavistas who took to the streets at the time of the April 2002 coup assumed credit for Chávez’s return to power by pointing out that the MVR “political class” had gone into hiding while they had acted on their own and risked their lives in the process. Furthermore, after each successful electoral contest beginning with the August 2004 recall election, rank-and-file Chavistas have asserted that their
activism entitled them to decision-making power, particularly with regard to the selection of party candidates.

Diverse social programs that provide education and employment opportunities to large numbers of the underprivileged, in accordance with the government policy of prioritizing quantity over quality (to be discussed below), have also had an empowering effect. While a sense of paternalism (the antithesis of empowerment) prevailed among many of the original cooperatives and some community councils consisting mainly of low-income Venezuelans and although a large number failed to get off the ground, those that did became well versed in legal and administrative matters for the purpose of strengthening their hand in negotiations with state institutions. Thus, for instance, their application for loans, grants, and contracts from state institutions have proved to be a learning experience for cooperative and community council members while enhancing their sense of efficacy (López Maya, 2007; Piñeiro Harnecker, 2007: 30–31; Ellner, 2007; 2009).

Mobilization and empowerment have influenced general attitudes toward Venezuelan democracy. The annual Latinbarometer public opinion surveys in recent years have placed Venezuela significantly above the continent’s average in terms of respondents’ positive feelings about the nation’s democratic system. In 2006, for instance, the continent’s average was 58 percent, 12 points below that of Venezuela. High levels of democratic commitment became particularly evident at the time of the April 2002 coup, when both opposition and pro-Chávez forces participated in massive demonstrations zealously calling for the restoration of democracy (Santiso, 2006: 105–106).

Mobilization and empowerment have not, however, stimulated organizational development and formal internal debate, which are also essential elements of radical democracy. Social organizations such as the Círculos Bolivarianos have proved short-lived as their members dropped out to join state-sponsored social programs and then Chavista electoral organizations. Although state money did not necessarily co-opt the rank-and-file Chavistas, who maintained a critical attitude toward the party and elected officials, the lack of organizational continuity limited avenues of popular input in decision making.

The Chavista movement’s lack of organizational stability and consolidation are reflected in a major way in the labor movement. The pro-Chavista Unión Nacional de Trabajadores (National Workers’ Union—UNT) had an auspicious beginning in the aftermath of the general strike of 2002–2003, when it immediately displaced the discredited Confederación de Trabajadores de Venezuela (Workers’ Confederation of Venezuela—CTV). Nevertheless, an intense struggle among internal currents (between those like the Trotskyist Orlando Chirino, who insisted on complete autonomy, and those who stressed the need to defend the government) has delayed elections for confederation authorities and the structural consolidation of the organization (Ellner, 2008: 157–158). So heavily charged is the internal debate that the head of the UNT’s Anzoátegui chapter stated, “We tell our members to leave their factional sympathies at the door, since otherwise our meetings become raucous” (Luis Serrano, interview, Barcelona, Venezuela, December 18, 2007). Buoyed by the recent nationalization of the steel company Sidérgica de Orinoco (Orinoco Steel Company—SIDOR) as a result of an intense labor conflict, UNT-sponsored May Day
marches in 2008 expressed rank-and-file support for the unity of the Chavista labor movement.

Until the government’s defeat in the referendum held in December 2007, the Chavista movement consistently postponed internal debate and self-criticism. Two positions emerged in meetings (such as those of the PSUV’s socialist battalions) held throughout the country and in discussion aired by the Chavista media to analyze the unfavorable electoral results of 2007 (Guillermo García Ponce, interview, Caracas, January 24, 2008). Some Chavistas, and initially Chávez himself, focused on tactics as well as the Chavistas’ overconfidence and communicational errors. They also blamed a campaign of misinformation engineered by government adversaries. A second position stressed the larger implications of the defeat and was defended by Chavistas at all levels, including the outspoken national deputy from the state of Táchira, Luis Tascón, as well as intellectuals on the periphery of the movement, such as Heinz Dieterich. These Chavistas attributed the defeat to errors of policy and strategy committed over a period of time and particularly to the failure of Chavista-elected officials at the local and state levels to promote efficient government. Some of them also claimed that corrupt and moderate members of the Chavista movement, fearing the radicalization process, had secretly worked against the referendum’s approval. At the outset of the new year, Chávez modified his position by calling for an open debate within his movement and for the first time recognized the existence of internal currents of opinion that needed to be harnessed rather than suppressed.

In short, since 1999 the Chávez government has made certain advances toward radical democracy, but major obstacles block the goal’s full achievement. Ongoing mobilization of record numbers of Venezuelans and the incorporation of excluded sectors and their resultant sense of empowerment represent important steps toward a new, more inclusive political system. The critical internal debate among Chavistas set off by the referendum’s defeat in 2007 initiated a discussion within the movement that could serve to counter bureaucratization and corruption. At the same time, however, the all-encompassing role of Chávez and the tendency of Chavistas to look to him to formulate official positions discourage internal debate and the creation of well-defined mechanisms for decision making. Furthermore, the tendency of Chavistas with critical positions to defect to the opposition (such as the dissident group led by Francisco Arias Cárdenas in 2000, the Movimiento al Socialismo party and Luis Miquilena in 2001–2002, and the Podemos Party along with General Raúl Baduel in 2007) militates against the tolerance of diversity that is a sine qua non for internal democracy.

The greatest challenge the Chavistas face in their effort to transform the nation’s political system is organizational solidification and institutionalization. Steps toward institutionalization have been taken in the recent past. In some areas, the state has become more demanding of experimental forms of economic activity (in accordance with the pragmatic-decision-making approach). Thus, for instance, following the failure of the initial practice of granting start-up capital to massive numbers of cooperatives without effective guarantees, the government has tightened requirements for new loans and allocations to the nation’s 20,000 community councils. Nevertheless, much-needed institutional oversight consisting of links between the controllerships
at the national, state and municipal levels and the makeshift “social control-
erships” at the community level (and the latter’s access to technical informa-
tion regarding public works projects) is lacking.

In another auspicious organizational development, the PSUV was designed
to establish mechanisms linking the rank and file to the Chavista leadership.
The PSUV’s socialist battalions played a central role in the campaign for the
local elections in November 2008, for which the party (in contrast to the oppo-
sition bloc) held primaries to choose its candidates. The battalions, however,
were less active in the campaign for the referendum on a proposed constitu-
tional amendment that was held four months later, when the Chavistas relied
to a greater degree on those participating in the social missions and other state
programs.

Various explanations for the slow pace of institutionalization can be offered.
One obstacle is the differences in strategies within the Chavista movement.
Those who defend the social-prioritization model highlight mobilization of
massive numbers and their participation in different programs but are suspi-
cious of state interference in social programs that could dampen popular
enthusiasm. In contrast, the pragmatic-decision-making approach underlines
the importance of formal mechanisms to ensure efficiency and is thus more
supportive of institutionalization.

In addition, the Chavista movement’s distrust of political party leaders and
state-sector professional employees (pejoratively called “technocrats”) holds
back organizational and institutional growth. This attitude especially mani-

fests itself in the social-prioritization line of thinking. Furthermore, the fre-
çent replacement of personnel in top ministerial positions and their
inexperience, in the context of profound structural changes, contribute to
uncertainty regarding the rules of the game and lack of regularity in public
administration, which are characteristics of low levels of institutionalization.

The failure of Chavismo to make important advances along institutional
lines can also be understood in historical and theoretical contexts. In the first
place, the Chávez phenomenon resembles stages of other revolutionary pro-
cesses, such as that of Cuba in the 1960s and the Cultural Revolution in China,
which were characterized by “ultraleftism,” voluntarism, and campaigns
against established bureaucracies and promoted makeshift structures holding
back institutionalization. The direct appeal to the mass of the population
above legalistic and bureaucratic restraints is frequently a reaction to the per-
cieved (and very often real) threats posed by a ruthless internal and external
enemy. In the second place, Max Weber’s observation that charismatic leader-
ship generates legitimacy at the same time that it forestalls the emergence of
legal structures is applicable to the Chávez presidency. Indeed, Chávez’s char-
ismatic qualities have militated against institutionalization by impeding the
development of the system of checks and balances associated with the liberal-
democracy model. Furthermore, Chávez’s undisputed role as maximum
leader of the government and the Chavista movement slows down the emer-
gence of collective leadership and competition for leadership roles and hin-
ders the organizational development of the party. These shortcomings
discourage healthy rivalry within the PSUV that would stimulate internal
debate. They also hold back the party from serving as a two-way link between
the Chavista base and social movements on the one hand and state institu-
tions on the other.
THE ECONOMIC FRONT

The Chávez government has targeted three fundamental economic goals that have been defended by most political leaders in Venezuela, at least in principle, since the beginning of the modern democratic period in 1958. The first explicit goal is the diversification of commercial relations in order to overcome dependence on the U.S. oil market (Últimas Noticias, September 11, 2007). A second, related goal is the assertion of national “sovereignty” by increasing the nation’s independent productive capacity, specifically severing dependence on capital and technology from the advanced capitalist nations. Third, the government seeks to challenge oligopolistic control of the economy by opening opportunities for new sources of competition. In attempting to achieve these goals, the Chávez government has taken bold initiatives on national and international fronts and has displayed a sense of economic nationalism. Any evaluation of the government’s economic performance must center on advances along these three lines, as well as deficiencies and hardships resulting from misguided policies and resistance from powerful economic groups.

The so-called nationalization of the Orinoco Oil Belt in 2007 was designed to further the first two goals. Under the arrangement, the state oil company Petróleos de Venezuela (Petroleum of Venezuela—PDVSA), which had until then been a junior partner among the companies that produced and refined heavyweight unconventional petroleum from the Orinoco Belt, was given a minimum of 60 percent ownership. In addition, the employees of the Orinoco companies were transferred to PDVSA’s payroll. The move was a gambit that produced mixed results. On the one hand, Exxon and ConocoPhillips, both with important interests in the Orinoco Belt, refused to accept reduced ownership and pulled out. The resultant shortage of skilled personnel was aggravated by PDVSA’s pay scale, which was lower than that of the multinationals and even than its own salaries in the past. However, another major Orinoco producer, Chevron Texaco, along with several other multinationals, accepted the new arrangement at the same time that it negotiated an expanded role.

The government’s diversification of foreign participation in the Orinoco contributed to this relative success. Shortly before implementation of the nationalization scheme, PDVSA had opened the Orinoco’s 27 blocks to mostly state companies outside of the advanced capitalist world in nations such as China, Iran, Russia, Belarus, Vietnam, Argentina, Uruguay, and Brazil. The prospect of being eventually displaced by countries like energy-hungry China in the Orinoco reserves, which may be the largest in the world, discouraged the multinationals from rejecting the Venezuelan government’s initiative.

Chávez’s activist foreign policy, including his frequent travel abroad, has facilitated arrangements allowing Venezuela to diversify sources of capital, technology, and commerce. During his presidency, Venezuela’s exports of crude to China have risen rapidly, surpassing 350,000 barrels per day in 2008. In addition, the Chávez government established PetroCaribe, consisting of 16 nations (including Jamaica, Cuba, the Dominican Republic, and, as of 2007, Nicaragua and Haiti), which received lenient terms of payment for 40 percent of the price of the Venezuelan oil that was purchased. Diplomatic moves also paved the way for the construction of a gas pipeline connecting Venezuela’s...
western region and Colombia, which was completed in 2007, as well as a refinery in Cienfuegos, Cuba, concluded in 2007 and another in Pernambuco, Brazil, due for completion in 2011. Venezuela has a 49 percent stake in the Cienfuegos refinery and 40 percent in the case of Pernambuco. These endeavors contributed to a modest lessening of dependency on U.S. markets, as shown by the decline of Venezuelan oil exports to the United States by 8.2 percent in 2005 and 2006 (Luhnow and Millard, 2007).

Other sectors of the economy also benefit from the policy of attracting investments from nonadvanced nations, particularly state companies, which unlike multinational corporations do not generally block the transfer of technology. Technology transfer, for instance, is a major objective in the joint automobile production venture consisting of a semipublic Iranian company with 51 percent of the ownership and Venezuelan state capital with 49 percent. In 2007 the factory, located in Maracay and using Iranian technology, produced the first lot of 227 cars called Venirautos. Their retail price was less than half of market value, and buyers were given lenient credit options by the state bank BANFOANDES. In 2009 the mixed company announced plans to produce 5,000 vehicles that year and open 10 concessionaires throughout the nation. By 2010, the cars are to use 35 percent Venezuelan parts, and this figure is supposed to reach 92 percent in subsequent years.

The diversification of investment and technological transfer beyond the advanced capitalist bloc is also evident in the case of the nation’s ambitious expansion of the public transportation system. In 2006, three rail lines were completed in Caracas, one cutting across the inner city and the other two connecting the metro system with the surrounding towns of Los Teques and Cua. In the same year, the first lines of metro systems were inaugurated in Maracaibo (with two stations extending 1.1 kilometers) and Valencia (with seven stations extending 4.7 kilometers). Shortly thereafter, the trolley bus of Mérida began functioning, while another in Barquisimeto was nearing completion. The Brazilian company Odebrecht directed several major transportation projects, including Caracas’s parallel inner-city metro line and its planned extension (beyond Parque del Este), in addition to the Orinoco River’s second bridge, completed in 2006, and a cable car system in the capital’s hillside barrio of San Agustín.

Work is under way to expand most of these projects. There have been modest advances in the recent past, such as the establishment of daylong service along the Los Teques and Cua lines, which previously had been suspended between 9:00 a.m. and 5:00 p.m. while work was being undertaken on parallel tracks. Nevertheless, the plan to expand the national railroad system did not receive the priority attention that was merited given the traffic problems generated by the boom in automobile sales, itself made possible by increased purchasing power. Electoral considerations may explain the impressive number of inaugurations of projects prior to the presidential elections in 2006 in contrast with the slower pace of construction since then.

The Chávez presidency’s demands on foreign capital were unmatched by the Venezuelan governments that pursued state interventionist policies over the previous half century. Chávez’s boldness was apparent in his 2007 showdown with SIDOR, whose controlling shares were owned by the Argentine-dominated consortium Ternium. In May of that year, Chávez accused SIDOR
of prioritizing foreign markets, thus forcing Venezuela to import seamless pipes for its oil industry from China. At the same time, he threatened nationalization, which the militant steel workers’ union had been demanding for some time. In an effort to avert nationalization, top executives of SIDOR and its parent companies met with the minister of basic industries and mining and the minister of light industry. The resultant agreement committed SIDOR to selling steel to Venezuelan clients at a discount and providing worker cooperatives with an additional 2 percent reduction. SIDOR also agreed to invest US$500 million (including US$70 million for environmental protection) to increase the company’s productive capacity. In addition, the Argentine company Techint, which controls Ternium, agreed to supply Venezuela with seamless pipes. In an unprecedented arrangement, a commission that included the Ministry of Basic Industries was established to function within SIDOR to monitor the fulfillment of the agreement. By the end of the year, SIDOR claimed to be placing 80 percent of its production in the national market.

The new arrangement, however, did not deter the Venezuelan government from nationalizing SIDOR the following year as a result of a labor conflict over the failure to sign a collective bargaining agreement. The move followed the state takeover of the Compañía Anónima Nacional de Teléfonos (National Telephone Corporation—CANTV) and several electricity companies and preceded the acquisition of three cement companies (the largest being the Mexican-owned Cementos Mexicanos) and one of the nation’s largest and oldest banks, the Bank of Venezuela. All of these companies were foreign-owned, as were other, smaller nationalized ones, including several that served SIDOR, as well as various food-processing firms. State control of strategic sectors of the economy had been a political rallying point dating back to the first leftist and nationalist parties in the 1930s and became part of the economic program of the two main pro-establishment parties, Acción Democrática (Democratic Action—AD) and the Comité de Organización Política Electoral Independiente (Independent Committee for Electoral Political Organization—COPEI) prior to the neoliberal period of the 1990s. Chávez had advocated state management of basic industry prior to running for the presidency in 1998 but then laid the issue aside until his third presidential triumph in December 2006.

The nationalization of important sectors beginning in 2007, as in the past, was designed to promote national development and social objectives more than profit-making considerations. During its initial year or two of operation, each nationalized company boasted of achieving goals unrelated to profits: SIDOR began placing a number of the 10,000 workers of contractor companies on its payroll; the state cement company began to address the problem of the national demand that had gone unfulfilled while 50 percent of the industry’s production was destined for export, a situation that SIDOR also pledged itself to correct; and CANTV offered a “tariff solidarity plan” with discounts of 10–15 percent to 820,000 low-income subscribers.

Different criteria existed within the Chavista movement on the management and goals of nationalized industries. Members of the social-prioritization current defended a strategy of disregarding market and globalization pressures and concentrating on the priorities established by national planning. In contrast, members of the pragmatic-decision-making current, while supporting noneconomic objectives, prioritized efficiency and production
goals. They also questioned the application of worker-management schemes in strategic state-owned sectors such as the aluminum industry, the state electricity company CADAFE, and PDVSA. In contrast, the social-prioritization champions, including UNT trade unionists, called for a complete overhaul of the company bureaucracy and warned that some of its employees were government adversaries who were engaging in sabotage.

A major shortcoming of government economic policy has been the failure to stimulate production in certain key sectors to the degree necessary to meet the levels of demand brought about by record high oil prices. The land distribution facilitated by the Lands Law of 2001, the government’s promotion of thousands of agricultural cooperatives with generous amounts of start-up capital, and the state-run food distribution chain Mercado de Alimentos (MERCAL), with its 15,000 retail outlets (many of them “Bodegas Mercales” located in people’s homes), were designed to break the oligopoly control of the food industry that had induced shortages during the 2002–2003 general strike. These efforts, however, failed to alleviate significantly the ongoing shortage of staples in 2007, including milk, sugar, meat, and orange juice, which undoubtedly contributed to the government’s defeat in the referendum held that December.

The country’s heightened dependence on foreign imports thwarts the achievement of the Chavistas’ fundamental goal of national sovereignty. With the steady increase in oil revenue, the problem of commercial dependence had by 2007 reached an extreme. In the first half of 2007, overall national demand rose 30 percent with respect to the equivalent months of the previous year, while industrial production increased only 7 percent (El Caribeño, July 28, 2007). In his annual address to the National Assembly in January 2008, Chávez recognized that insufficient national production and resultant scarcities reflected poorly on the state’s national planning efforts. Chronic shortages, a poor investment climate, and the failure of the nation’s productive capacity to keep pace with increased demand were translated into inflation, which reached 22.5 percent in 2007 and 30.9 percent in 2008.

The astronomical increase in car imports and related problems put in evidence the government’s failure to set and follow through on economic priorities. While car sales rose 176 percent between January and June 2007 compared with the first half of 2006, production increased only 5 percent (El Universal, July 6, 2007). In addition to allowing imports to overtake national production, this trend undermined the fabrication of automobile parts, which are geared toward models assembled in the country. Furthermore, investment in public transportation, in spite of the positive results discussed above, has been insufficient to lessen the steep increase in demand for automobiles. Along with the boom in automobile purchases, various government policies aggravated the problem of urban traffic: low gasoline prices, set at about 15 cents a gallon; the government-sponsored popular cars known as the Venemovil (whose sales represented 18 percent of the national market in 2007), which are exempt from the 9–14 percent value-added tax; and the government’s failure to place a tax on luxury cars (in spite of Chávez’s support for the proposition). In mid-2009 Chávez backed down on his announced plan to increase gasoline prices.
While imports in general have surged, the upturn in national production fell far behind increases in purchasing power. The modest increase in output was mainly due to the utilization of excess capacity and not to private-sector investments. Thus, by 2008 the economy was operating at 90 percent of capacity, up from 60 percent in four years (Panorama, January 14, 2008).

Analysts and actors have put forward several related explanations for scarcities and insufficient investment by national and foreign capital. One attributes the problem to the government’s regulatory policies, which are incompatible with the realities of the globalized economy. The World Liberty Index, which ranks nations largely on the basis of economic freedoms, lowered Venezuela’s ranking from 135th to 141st place in 2006 and made special reference to state regulation of labor, credit, and prices (Economía, September 4, 2007). In early 2007, some of the price controls established by the government to combat the inflation set off by the 2002–2003 general strike were lifted. The adjustments, however, allegedly did not accord with increases in the cost of production, and to make matters worse the consumer protection agency temporarily closed hundreds of commercial establishments for having ignored regulated prices (Ordoñez, 2007). Other critics of the Chavistas explain the disparity between national supply and demand by pointing out that investors always react negatively to governments perceived to be hostile, particularly those like Chávez’s that threaten expropriation and advocate socialism (Rosenberg, 2007). The head of the business organization VenAmCham, Carlos Tejera París, summarized this dynamic with the words “Capital is cowardly” (El Universal, September 7, 2007).

In 2008, the government began to limit imports in nonpriority areas. A greater percentage of preferential dollars (sold at a lower exchange rate) was assigned to the importation of food and medicine at the expense of automobiles and other nonessential products. In addition, by mid-2008 the government had taken steps to eliminate the Venemovil program.

The diversification of commercial relations and investment has proved to be more achievable, at least in the short run, than increasing production. PDVSA’s strategy for meeting its industrial requirements reflects this productive lag. In 2007, PDVSA created PDVSA Industrial and PDVSA Servicios to supply parts and equipment for the oil industry, partly to overcome the shortage of oil drills. PDVSA Industrial undertook a project to build a factory in the Orinoco region to assemble drills from components imported from China. Meanwhile, as part of the diversification process, PDVSA has begun to import drills from China and elsewhere that will be serviced by PDVSA Servicios. The strategy reflects the slow pace of implementation of plans to increase productive capacity in order to meet the rising demand generated by windfall oil revenue.

THE SOCIAL FRONT

Zero-sum-game policies under Chávez’s rule include the strict enforcement of the income tax by the state collection agency Servicio Integrado de Administración Aduanera y Tributaria (SENIAT), reduction of the value-added tax, and the prioritization of social spending (Parker, 2007: 68–69). In addition, for the first time since the outset of the democratic period in 1958 the
government has refrained from appointing business representatives to key positions in the formulation of economic policy. Although these measures favor the nonprivileged at the expense of the privileged, abundant oil income under Chávez’s presidency has ruled out the necessity of a substantial transfer of wealth from one sector of the population to another. According to the Economic Commission for Latin America and the Caribbean (ECLAC, 2007), poverty and extreme poverty rates in Venezuela decreased by 18.4 and 12.3 percent respectively between 2002 and 2006, the second sharpest decline in the continent. At the same time, the more than twofold increase in automobile sales in 2007 and the large number of new SUVs visible in middle-class neighborhoods put in evidence the improved purchasing power of the well-to-do.

Some of the main advances achieved under Chávez’s rule imply trade-offs in which quantity is prioritized over quality. This strategy is designed to facilitate the incorporation of previously excluded sectors of the population, a fundamental Chavista goal. In some cases, however, the losers in the trade-offs do not belong to the nation’s elite.

An example of this dynamic is the educational “missions,” consisting of literacy classes as well as programs at the high school (Misión Ribas) and university (Misión Sucre) levels. By 2008, Misión Ribas had graduated 450,000 students. Its use of videocassettes and “facilitators” as substitutes for teachers is a practical innovation but one that not surprisingly fails to match the quality of regular schools. Thus, for instance, Misión Ribas employs university graduates mainly as supervisors but not as facilitators, as was the original intention (although facilitators are obliged to be enrolled in university studies). Some universities under the direct control of the Ministry of Higher Education play a supervisory role in the Misión Sucre and confer on the graduates diplomas in the name of their respective institutions. The “losers” are the graduates of traditional schools, who end up competing with the mission graduates in the labor market, and the private universities, which lose students to the Mión Sucre and the related Universidad Bolivariana. Some members of the opposition question the validity of the mission degrees, arguing that they should not be given the same weight as those issued by traditional schools because of the missions’ lower standards. They particularly criticize medical programs at the undergraduate and graduate levels, which are under the direction of Cuban doctors. Nevertheless, the success of the missions in attracting large numbers of students is due in large part to the issuance of regular high school (bachillerato) and university (licenciatura) degrees, since junior college ones (técnico superior universitario) command notoriously low salaries on the job market.

Just as the opportunity of obtaining a high school or college degree (as well as a stipend) motivates Mión Ribas and Mión Sucre enrollees, the prospect of receiving grants for neighborhood projects has catalyzed the formation of community councils beginning in 2006. The councils select priority public works projects for their respective communities and then design them, apply for funding, and implement them. In contrast to the cooperatives, all those in charge of the councils are on an equal footing and are simply called “spokespeople” (voceros). Diverse agencies provide funding, including the Ministry of Participation and Social Protection, the Fondo Intergubernamental para la Descentralización (Intergovernmental Fund for Decentralization—FIDES), local governments, and state banks, in accordance with Article 25 of the Law of
Community Councils. (The mandatory allocation of 5 percent of the ordinary federal budget for the community councils was one of the 69 proposed constitutional articles voted down in the national referendum in 2007.) To date, much of the money has been used to construct community centers, roads, sidewalks, and family housing, although the councils also provide loans for small local businessmen, following approval in community assemblies.

In spite of greater state controls than was initially the case with the cooperatives, the Chávez government’s low levels of institutionalization has contributed to the misuse of public funds. At the same time, however, the councils that have achieved consolidation have produced favorable results. Given the time and effort invested by their leading members, the community councils that have withstood the test of time have a vested interest in complying with fiscal obligations in order to qualify for additional support.

Diverse activities promoted by the community councils demonstrate their potential to assume diverse responsibilities. First, their “social controllership” commissions monitor public works in accordance with Article 11 of the Law of Community Councils, which defines their role as one of “inspection, control, and supervision.” The social controllerships complement the activity of inspectors sent by the agency that finances community projects and are able to take grievances to the National Registry of Contractors. Second, the community councils establish employment commissions that demand preferential hiring for neighborhood residents in the carrying out of public works projects within their jurisdiction (Leandro Rodríguez, interview, Caracas, January 24, 2008).

A host of government initiatives tie the community councils to state entities and programs. Thus college students enrolled in the social sciences in the Misión Sucre take courses called “Projects” in which they work with community councils to design proposals for consideration by state financial agencies. Similarly, community council leaders accompany the consumer protection agency in its inspections of commercial establishments in order to monitor prices on regulated commodities and to close stores that overcharge for 24–48 hours. In addition, CANTV provides discounted monthly rates to community council spokespeople.

Rank-and-file Chavistas frequently argue that there is visible evidence of clientelism, corruption, and exaggerated lifestyles among some Chavista leaders. Other vices in the public sector are also discernible. In 2004, the names of those who had signed the petition in favor of the presidential recall were published as the “Tascón List.” Although several leading government officials (such as Labor Minister María Cristina Iglesias and PDVSA president Alí Rodríguez), as well as Chávez himself, publicly opposed discrimination in the public sector against the petition’s signers, the controversial Minister of Health Roger Capella took the opposite stand: “In NASA if someone signs a petition against the Bush government and declares that he is conspiring against it, you can just imagine whether or not he continues in NASA” (El Universal, November 17, 2004).

At the same time, however, major government social programs are collective in scope, representing the antithesis of clientelism and paternalism. The system of social security pensions, for instance, compensates working people for their lifelong service and thus represents the opposite of a “handout.”

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Chávez government for the first time pegged social security pensions to the minimum wage (which itself steadily increased), an arrangement that had been signed into law but not enforced under the previous government of Rafael Caldera. Various obstacles to entrance into the system were removed and payments were made on time, also in sharp contrast with past practice. In addition, the government accepted the pension movement’s proposal for a Christmas bonus amounting to two months’ payment. By 2007 the number of pension recipients had reached 2.2 million, a figure that surpassed the expectations of social movement activists and represented a threefold increase over those in the program in 1998 (Arturo Tremont, interview, Caracas, December 4, 2007). The government included a proposal for a special social security fund for members of the informal economy in the constitutional reform that was defeated at the polls in December 2007.

Differences in the criteria used by different currents within the Chavista movement as well as the opposition lead to distinct evaluations of the government’s social programs. From the standpoint of the Chavista goal of the incorporation of the marginalized and semimarginalized sectors of the population (emphasized by the social-prioritization strategy), the cooperatives, community councils, and educational mission programs have been undeniably successful. They have provided opportunities to hundreds of thousands of the underprivileged for learning and participation in decision making, which in turn enhance their sense of empowerment. Furthermore, their participation is not merely symbolic. A significant number of public works projects undertaken by community councils throughout the country have been satisfactorily completed. In addition, hundreds of thousands of students are now beginning to graduate from the mission programs. Nevertheless, from a cost-benefit perspective that prioritizes quality over quantity, the results are not equally impressive. Large contractors with greater capital, experience, and technological know-how could undoubtedly perform better than the community councils and cooperatives, at least in the short run (Ellner, 2009). The real test for the programs will come with the consolidation of the community councils at a later date, when statistics will demonstrate how many of them continue to function actively and when it will be possible to determine how the graduates of the mission programs fare in the job market and the workplace.

CONCLUSION

Empirical studies of socialist governments over the past century that center on their strengths and weaknesses in specific areas are well suited to the framing of issues for theoretical analysis. Thus, for instance, an objective examination of “really existing socialism” that draws up a balance sheet for socialist experiences since 1917 is conducive to a conclusion that those who demonize or glorify the system may not readily accept: that while socialist nations have scored high on the social front, the stimulation of production of consumer goods has proved to be a major weak point. The Venezuelan experience coincides with this historical tendency in social and economic performance.9

This article has pointed to concrete advances achieved by the Chávez government on political, economic, and social fronts, including the mobilization
and incorporation of massive numbers of the formerly marginalized in the decision-making process, the diversification of technological and commercial ties, and the assertion of greater national control in the economic sphere. The shortcomings of the government include the failure to substantially boost production in spite of a windfall in oil revenue and the slow pace of institutionalization. This mixed picture counters analyses that simplify the process of change under way in Venezuela such as those that demonize Chávez and the Chavista movement. It also demonstrates the limitations of the rent-seeking thesis, which posits continuity over a lengthy period of time and denies any alteration in Venezuela’s status as an oil-dependent nation.

In addition, the article makes evident the complexity of the task of devising a uniform standard for evaluating the positive and negative features of Chávez’s rule and the importance of going beyond paradigmatic boundaries. In the first place, different models highlight distinct objectives. Liberal democracy, which underpins the thinking of Chávez’s critics to his right, places a premium on a system of checks and balances that the Chavistas, who embrace a model of radical democracy, tend to ignore. Nevertheless, checks are an indispensable mechanism for overcoming corruption in Venezuela, which is generally recognized as a critical problem by both sides. Another example of differences in models that tend to cloud the objective evaluation of the government’s performance is the social-prioritization and pragmatic-decision-making approaches within the Chavista movement. While the former posits that nationalized companies in strategic industries should be primarily committed to developmental and social objectives, the latter prioritizes production targets and efficiency. Furthermore, while the social-prioritization thesis, which largely rejects Venezuela’s incorporation into the global market, hails PetroCaribe as an example of international solidarity, the pragmatic-decision-making defenders view the arrangement as a viable commercial strategy to promote diversification by penetrating new markets.

In the second place, the evaluation of the impact of government policies needs to take into account widely dissimilar effects on different nonprivileged sectors of the population, a reality that both Chavista and anti-Chavista political actors seldom recognize. Indeed, those who are sympathetic to the Chávez government tend to lose sight of the fact that government policies have had “winners” and “losers” and that not all of the latter belong to elite groups. The Chavistas, by highlighting the success of the government’s social programs in incorporating the nonprivileged into the nation’s life, often pass over the “losers.” Students in established universities, for instance, end up competing with their counterparts in the Misión Sucre in the job market in spite of the marked differences in the educational standards of the two programs. The Chavistas overlook this incongruity when they commonly attribute the mobilizations of large numbers of anti-Chavista students to the influence of the opposition-controlled media while failing to recognize that the mission programs undermine the interests of the traditional educational system.

The recognition of the need for a broader analysis of government policies that looks at the effects on “losers” among nonelite groups and the applicability of diverse models suggests the importance for the Chavistas of going beyond rhetoric and dogma by promoting formal debate in an effort to examine complex and knotty problems and devise viable solutions. Since the defeat
of the proposed constitutional reform in the national referendum in 2007, self-criticism, which Chávez himself has declared necessary, has begun to transcend informal discussion among Chavistas. The daily, online pro-Chavista Aporrea.org, for example, has opened its pages to a diversity of viewpoints, including critical ones, within the movement (Hellinger, 2009). Nevertheless, when a gathering of pro-Chávez intellectuals in June 2009 sponsored by the leftist think tank Centro Internacional Miranda, which is organically linked to the Chavista movement, issued a document that raised such polemical issues as the need for collective leadership and an internally democratic revolutionary party, Foreign Minister Nicolás Maduro called the statement “nonsense.” Chávez reacted to the document by reiterating his commitment to self-criticism but warned that internal differences of this type could be utilized by the anti-Chavista media.

This article has attempted to demonstrate that a balance sheet of the relative successes and shortcomings of the Chávez government reveals the complex nature of the changes currently under way in Venezuela. Dogmatic, simplistic accounts coming from all sides of the political spectrum that ignore this complexity are especially misleading given the model of “twenty-first-century socialism” embraced by the Chavistas. The concept’s trial-and-error approach calls for originality and open-mindedness in facing the novel challenges and mistakes that are inevitable in any untested process of change. In this sense “twenty-first-century socialism” represents the antithesis of the preconceived notions and simplifications that have characterized much of the debate on socialism in the past and much of the analysis of the Chávez phenomenon.

NOTES

1. This interpretation of populism dates back to the works of the Italian-Argentine sociologist Gino Germani, who compared Perón to Mussolini, whose government had jailed him prior to his emigrating in 1934.

2. Although all revolutionary movements are divided over conflicting aims, the Chavista movement is particularly characterized by the lack of clear priorities. Indeed, the Chavista official discourse of “twenty-first-century socialism” is admittedly ill-defined. One reason for the prioritization of social goals among many Chavistas is the existence of far greater inequality in Venezuela than was the case with the Soviet Union and other revolutionary governments following the initial years of socialist rule.

3. Because space is limited, this article does not pretend to deal with the charges of government violation of civil liberties and freedom of the press. In my opinion there is sufficient evidence to demonstrate that these claims are exaggerated and fail to prove that the Chávez government is headed in the direction of authoritarian rule.

4. PDVSA’s lower salaries are designed as a corrective to the previous perception of oil-industry employees as a technocratic elite.

5. These figures and others that demonstrate the net social gains under the Chávez presidency for the most part do not take into account the free and discounted services provided the poor in such areas as health and food distribution (Weisbrot, 2008: 39).

6. The interests of the established universities were also threatened by the demand of the pro-Chavista student movement that all schools of higher education be required to grant admission preference to Misión Ribas graduates.

7. The Chávez government has applied the same policy of privileging quantity over quality to the Programa de Promoción del Investigador (PPI), which grants stipends pegged to the productivity of university professors engaged in research. During its first decade in the 1990s, the PPI was often criticized for being elitist and overly selective. Under Chávez, requirements were
loosened and publication in Venezuelan journals received greater weight. As a result the number of professors in the program has increased threefold. The “losers” in this case are the most renowned researchers, who complain that the incorporation of less-productive professors in the program has undermined its prestige and reduced the compensation allotted to those at the top.

8. An example of handouts was the main campaign proposal of Manuel Rosales (the opposition’s presidential candidate in 2006) to distribute 20 percent of oil-derived state revenue equally to all citizens in cash.

9. The focus on socialism’s performance needs to take into account that the aggressive behavior of powerful actors intent on restoring the old order saps the energy and resources of the socialist government. Nevertheless, contrary to what many revolutionaries state or assume, shortcomings and failures cannot be attributed solely to the campaign of attrition and destruction, particularly when the socialist government has remained in power for a considerable period of time. After replacing his brother in the nation’s presidency, Raúl Castro acknowledged the validity of this point with regard to Cuba.

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