

DEVELOPMENT ALTERNATIVE OR ALTERNATIVE TO DEVELOPMENT?
EXPLORING SOCIO-POLITICAL TRANSFORMATION IN THE BOLIVARIAN
REVOLUTION

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ABSTRACT

This thesis explores the contemporary mass social and political process in Venezuela referred to as the Bolivarian Revolution. Through a historical sociological approach that stresses the inseparability of history and sociology in understanding social reality, I attempt to discover the transformative nature of this socialist transition. Thus I take the 1989 *Caracazo* as the starting point of the Bolivarian Revolution that triumphantly took state power just one decade later, while accounting for the multiple historical influences that shaped and allowed the transformative processes to take place.

An examination of the socio-historical context of Venezuela from the colonial period to 1935 reveals a unique case of a weak working-class, fragmented landowning elite, and passive peasantry. When this particular social configuration is combined with the overwhelming dominance of the oil industry, the relative social stability that makes Venezuela such a special case in Latin America becomes clear. The overview of the socio-political trajectory of Venezuela from 1935 to 1989 demonstrates how a liberal bourgeois governing system was able to exist for nearly four decades, before the demise of the neo-liberal model made possible the development of the mass popular Bolivarian movement. The implementation of IMF-approved economic policies, discrediting of the two traditional Venezuelan political parties, increased misery of the poor and working-class, and growing social consciousness and mobilization all paved the way for the political opening that allowed the diverse and mass popular *Chavista* movement to take power in 1999 via the electoral road.

Coming to terms with Venezuela's particular social configuration and historical socio-political dynamics and the legacy of Latin American attempts at social transformation enables us to accurately analyze the current construction of the new

form of socialism known as *Socialismo del Siglo XXI*, or ‘21st century socialism’, which forms part of the new cycle of anti-capitalist struggles in Latin America. An analysis of the combination of social, economic, and political reforms of this new form of socialism shows that comprehensive strategies have been put into place to tackle the overconcentration of capital, class division and antagonisms, ecological degradation, racism, exploitation, and overall agony faced by the working-class and poor majority - all of which are inherent to the capitalist ideology and practice (and its neo-liberal form). Among the social transformations that have been initiated are the creation of new communal forms of property relations, a dismantling of the old elite’s structures of power, and increased democratization and participation in the ownership of the means of production and in local and national authority.

Venezuela’s ‘21st century socialism’, therefore, is in fact creating the possibilities for alternative anti-capitalist forms of social organization and political-economic models. Despite incorporating a series of transformative reforms, however, the Bolivarian Revolution represents a ‘development alternative’ since it continues to operate under the global capitalist framework based on the accumulation of capital and economic growth. At the same time, however, certain transformative elements of this process combined together as a package (specifically the establishment of communal property, self-governed communal councils and self-managed enterprises) do constitute an ‘alternative to development’ since they reject the concept of economic growth altogether and replace the logic of capital with a functioning rationality based on the satisfaction of human needs and the full development of human potentialities (Fagen et al. 1986). Significant progress has thus been made in terms of replacing the painfully alienated and solitary human being with new revolutionary and socialist women and men selflessly dedicated to the collective will and betterment of society, as described by Che Guevara in his 1965 book *Man and Socialism in Cuba*.

BIOGRAPHICAL SKETCH

Richard Ocampo was born in Medellin, Colombia. He graduated from G. Holmes Braddock Senior High School in Miami, FL in 2001. In 2005 he completed his Bachelor's of Arts at Swarthmore College with a major in Sociology/Anthropology and a minor in Environmental Studies.

Being born and raised into a working-class family, and experiencing firsthand the injustices committed against working-class and poor communities, allowed Richard to develop a strong social, political, and ecological consciousness that would attract him to social justice work. He began traveling nationally and internationally to see firsthand the struggles of oppressed peoples, and their mobilizing efforts against the injustices perpetrated against them. His travels included a student of color delegation to Chiapas, Mexico that allowed him to exchange ideas and experiences with activists from around the world, visit autonomous Zapatista communities, and see how a group of indigenous people were directly combating the exploitative and racist attack of capitalism.

While in college, Richard traveled to India, South Africa, Brazil, and a host of other Latin American countries and learned from members of social movements from around the world about the organizing strategies that they employ in their quest for a better world, where the oppressed majorities are no longer subjugated by the greed and violence of the governing elite minorities. After graduating from Swarthmore, he worked as a community organizer with the Industrial Areas Foundation (IAF) in one of the poorest regions of the United States - the Rio Grande Valley. Before joining the department of Development Sociology at Cornell, he worked for nearly a year as a labor organizer with the Service Employees International Union (SEIU) in Miami, FL.

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To my brother for providing me with a constant flow of news and information and engaging me in critical debate and discussion pertaining to my research topic.

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Lastly, I would like to give a special thanks to all the people in Venezuela that allowed me to enter their lives by showing me around their communities and sharing their valuable personal ideas and experiences. This firsthand encounter with the realities 'on the ground' gave me a unique view of the situation in Venezuela, thus facilitating the subsequent carrying out of my research. Above all, I thank the bravery of Venezuelans for their tireless daily struggle to create a better world for themselves and for us all.

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CHAPTER 1
INTRODUCTION: THEORY & METHOD

No hay otra definición del socialismo, válida para nosotros, que la abolición de la explotación del hombre por el hombre. Mientras esto no se produzca, se está en el período de construcción de la sociedad socialista y, si en vez de producirse este fenómeno, la tarea de la supresión de la explotación se estanca o, aún, retrocede en ella, no es válido hablar siquiera de la construcción del socialismo.

(...)

No puede existir socialismo si en las conciencias no se opera un cambio que provoque una nueva actitud fraternal frente a la humanidad, tanto de índole individual, en la sociedad en que se construye o está construido el socialismo, como de índole mundial en relación a todos los pueblos que sufren la opresión imperialista.

Discurso de Argel

Ernesto Che Guevara. Argel. 24 de febrero de 1965.

On the morning of February 27, 1989 thousands of Venezuelans took to the streets to protest the neo-liberal economic reforms introduced by president Carlos Andres Perez. Subsequently known as the *Caracazo* – this represented the first mass action since the 1958 overthrow of the Perez Jimenez dictatorship. This “prolonged and mighty rebellion” (Gott, 2005: 43) against the government’s imposition of the structural adjustment program, or ‘*el paquete*’ (‘the package’) took the lives of several hundred people, while also marking the beginning of the crisis and loss of legitimacy

of neo-liberalism in Venezuela. One decade later, in the December 6, 1998 Venezuelan presidential election, Hugo Chavez was elected by a majority of the Venezuelan people (56.2%, the largest percentage of the popular vote in four decades) to lead their country and bring about a change to the half-century dominance of Venezuela's old political system, *puntofijismo*. The people had spoken assertively in favor of ending the corruption and poverty fostered by the established interests of the elite, and ultimately, creating the possibility for far-reaching structural changes and a better future.

This electoral triumph of Chavismo, which traces its beginnings to the *Caracazo*, has been regarded by some as constituting the rise of the most serious challenge to the hegemonic neo-liberal model of development. Undeniably, an awakening has occurred in search of viable alternative political and economic models that challenge the unjust societal and ecological destruction inherent in the capitalist system's *modus operandi* of ceaseless accumulation. Politically these alternative initiatives range from the autonomist 'anti-power' thesis of Holloway (2002) and the Zapatistas to the more radical seizing of state power that we have witnessed by movements in Venezuela, Ecuador, and Bolivia. Economically they span the spectrum from "ambitious proposals for neo-Keynesian, progressive macro-economic capital controls" to "micro-initiatives undertaken by marginalized sectors in the global South [...] organizing into cooperatives of informal workers (De Sousa Santos 2006: p.xviii).

By employing a historical sociological approach that stresses the inseparability of history and sociology in understanding social reality, this thesis hopes to uncover the complexity of the Bolivarian Revolution's project for social transformation. Thus it situates the Bolivarian Revolution within the context of Venezuela's overall history and socio-political dynamics, and argues that the Bolivarian Revolution is greatly

shaped by the international conjuncture within which it unfolds.

The overall goal is explore the Bolivarian Revolution's social transformations in order to determine if it represents the development of an alternative political-economic framework and production system. In other words, is this contemporary counter-movement creating opportunities and mechanisms for dismantling the neo-liberal model of development (both its discourse and practice), and possibly even capitalism itself? Ultimately, I seek to assess whether the Bolivarian Revolution constitutes a development alternative, in which economic growth is not rejected but complemented by various alternative tools, and/or an alternative to development that rejects the concept of an exclusive focus on economic growth as the means to improve livelihoods (De Sousa Santos 2006).

The importance of this study is underscored by recent social and political protests against the technocratic neo-liberal reforms that have spread across the Latin American continent. Most importantly, these mass protests have sought to move beyond simply attacking the neo-liberal development model, and towards formulating and implementing an alternative vision. So in 2005 Bolivians elected their first indigenous head of state, Evo Morales, and shortly thereafter Rafael Correa was elected president of Ecuador. Moreover, the growth and mobilization of social movements throughout the region have helped other left-of-center candidates reach the presidency in other Latin American nations -Brazil, Uruguay, Chile, Argentina, Paraguay, and El Salvador. The demand for an end to the free-market neo-liberal orthodoxy is thus clearly evident across the continent, as discontent grows and causes a wide array of social forces to unite in opposition.

Literature Review

My research takes into account the overall literature that has been made

available since the commencement of the social transformation in Venezuela in December 1998. To date a large portion of what has been written on the subject of the Bolivarian Revolution has taken the form of an ongoing debate among critics and supporters over whether to characterize the policies of the Venezuelan Government and the character of its leader Hugo Chavez, as authoritarian, democratic, or somewhere in between. I have tended to concentrate specifically on literature that provides a more nuanced, historical analysis of the process of deepening social change and transformation within Venezuela. In order to truly understand the nature and complexity of the current situation one needs to examine the past and look closely at the series of events that took place over time in Venezuela, and that made this contemporary socialist experiment possible.

For the most part there is consensus in the literature that the implementation of the 1989 structural adjustment programs, or *el paquete* (“the package”), and the immediate mass popular uprising mark a significant turning point in Venezuela that galvanized large sectors of the population to demand change in the status quo (Coronil 1997; Gott 2000, Ellner and Hellinger, 2003; Lebowitz 2006; Wilpert 2007). Wilpert (2007: p.16) refers to it as the, “first real crack in the system,” that allowed a process of change in Venezuela to commence. The economic hardships experienced by the majority of Venezuelans in the fluid political interlude of the 1990s following the implementation of the Washington Consensus led to what Marquez (2003) characterizes as complete disenchantment and mistrust of politicians and political parties, and increased social polarization.

It is in the examination of what took place post 1998, following the election of Hugo Chavez, that the opinions within the literature greatly diverge. On one side there are those that claim that the policies of the Chavez administration have only led to the over-centralization of power, emergence of social polarization, curtailment of

freedom, militarization of Venezuelan society, and economic instability (Garrido 2002; Blanco 2002; Heydra 2003). Some refer to President Chavez's extension of presidential powers and the dominance of pro-Chavez officials in government as evidence of Chavez's strong desire for, and subsequent centralization of power (Marcano et al. 2007). Norden (2003) asserts that both, the substantial presence of officials with military backgrounds in various government positions, and that the important role that has been given to the military in civilian matters, demonstrate the militarization of Venezuelan society and politicization of the Venezuelan military. More recently, the government's decision not to renew the broadcast license of Radio Caracas Television (RCTV), the attempt to consolidate all of the political groups of the left into one pro-Chavez party (PSUV), and the December 2007 national referendum on the constitutional reforms, that included the indefinite presidential re-election to office, have all been used to label the Venezuelan government as a regime with autocratic tendencies (WOLA Conference Report July, 2007).

It is clear that like any other attempt at socio-political transformation the Bolivarian Revolution has its own contradictions, which impede its successful advancement. Wilpert (2007) specifically refers to the proposed changing of the Constitution to allow for unlimited terms and the consolidation of leftist political parties as plans that, "directly undermine efforts to create a progressive social movement that is self-sustaining and capable of pushing twenty-first century socialism because of the force of its ideas and not because of the force of Chavez's personality" (p.39). Additionally, Marquez (2003) stresses the need to move beyond Chavez as some supernatural agent of change. Both Wilpert (2007) and Marquez (2003) suggest that the solution to this problem lies in transforming Venezuela's political culture, so that the clientilistic practices and culture of paternalism of the past four decades can be overcome.

Yet, as Ellner and Hellinger (2003) point out, it is exactly this attempt by the Chavez government to take on clientelism and corruption that has naturally produced the charges of interference and authoritarianism by the opposition. Two other obvious reasons for the criticism and opposition to the Chavez government have been its attempts to slowly wrestle away the bourgeoisie's power and to destroy its repressive and bureaucratic apparatus, and its systematic attempts to break down the racial and gender injustices that the old political system actively reinforced.

The reality is that the past two decades in Venezuela were times of deep social polarization, with chronic decadence of the economy and an increase in inequalities (Roberts 2003). Moreover, centralization of power had been a long-standing reality much before the arrival of President Chavez. The state and the two political parties that dominated it, AD and COPEI, maintained complete control over the oil-dependant nation's wealth through a corporatist and clientelist culture (Coronil 1997). The argument presented by several authors of the new so-called suppression of freedom by the Chavez government does not withstand the evidence either. Catala and Rangel (2003) point out that press freedom was in fact very limited before Chavez, during the so-called democratic period of Venezuelan history, and that in fact what has actually been taking place is an expansion of press freedom.

What the Chavez government has sought to accomplish is to break not only the tight economic control of the elite through the nationalization of key industries, but also the media monopoly that the political elites have long enjoyed, and which Petras says amounts to "ownership of 90% of the major television networks and print media and most of the major radio stations" (Petras 2003; p. vii). This democratization is illustrated in the latest Latinobarometro poll, in which Venezuela is among the top three countries (along with Costa Rica and Uruguay) in Latin America whose citizens rate their country as most democratic (WOLA Conference Report July, 2007). This

suggests that Venezuelans' notion of democracy is quite different from that of the occidental liberal camp, so that it is not enough to just have a representative democracy, but that social justice must also be guaranteed. For most Venezuelans the feeling is that for the first time in their lives they are benefiting from the policies of the government and are being included in the political decision-making of their country (WOLA Conference Report July, 2007).

Drawing on Fagen et al.'s (1986) insight into experiments in transition to socialism, I investigate the various policies of the Bolivarian Revolution, both on paper and on the ground, in order to understand exactly how it is shifting Venezuela from a neo-liberal development strategy to an alternative path towards socialism. Essentially, I am interested in learning whether the primary focus is the traditional satisfaction of the needs of capital, or whether this is being replaced by the satisfaction of the needs of human beings (Lebowitz 2006). The ongoing and complex experiment in Venezuela places heavy emphasis on many important ideas that are aiding its development towards socialism, such as participatory democracy, justice, human development, agrarian reform, self-governance, self-management, and regional integration.

The most comprehensive examination of the Chavez government's policies relating to governance is provided by Wilpert (2007) who looks specifically at the constitution, judiciary, military, and participatory democracy. His critical analysis of the new 1999 constitution and the reforms of Venezuela's entire polity shows that the constitution is not merely a formality on paper as some have suggested. Instead Wilpert (2007) maintains that it provides for broad citizen participation and that constitutional reforms are in fact being implemented, thus advancing the social transformation in Venezuela towards a more participatory and just society. Yet he also notes that some of these advances are being undermined through centralization of

power, lack of institutionalization, and delay in the passing of laws that support participatory democracy (Wilpert 2007).

I stress Lebowitz's (2006) view that the satisfaction of people's basic needs, such as health care, housing, food, and education, will in large part be used by Venezuelans to judge the Bolivarian Revolution. In order to accomplish these difficult tasks, the Venezuelan government has taken up an endogenous development approach. Due to the specific needs and conditions of Venezuela, the Bolivarian Revolution has created its own conception of endogenous development. One of its main strategies is providing education in cooperation and self-management in order to prepare its citizens for new productive relations (Lebowitz 2006). The goal of this approach is to emphasize collective property, reject wage-labor, and "attack the division between those who think and those who do" (Lebowitz 2006; p.100). The government's strong promotion of the formation of cooperatives, through education, loans, and technical support, has meant the existence of 84,000 cooperatives and nearly one million members by August 2005 (Lebowitz 2006).

In addition to self-management, the idea of self-governance is also central to the social transformation of Venezuela. While local planning councils had been developing prior to 2006, it was not until April of that year that the new communal council law was passed (Wilpert 2007). The empowerment that these communal councils have given local communities is undeniable. For the first time communities are allowed to manage their own affairs and budgets as they see fit. To date, close to 20,000 councils have been registered throughout the entire country, and federal grants have been provided for 653 community improvement projects (Wilpert 2007). Moreover, the government plans to increase the funds for communal councils from \$5 billion in 2007, or 30% of total funds for local and regional governments, to 50% in the upcoming years (Wilpert 2007). The goal now, however, must be on promoting

and further institutionalizing these councils in order to include them into decision-making at the federal level.

As Lebowitz cleverly points out, socialism does not fall from the sky, instead it must be built (2006). Therefore, there is no consensus about what twenty-first century socialism exactly looks like. Wilpert (2007) is the first to attempt to specifically outline what twenty-first century socialism could look like in Venezuela. My study undertakes the difficult task of envisioning what this new socialism, distinctly different from state socialism, might entail. I seek to show how Venezuela's historical trajectory has made it possible for a socialist agenda to emerge in this Latin American nation. Most importantly, through a careful examination of the new social formations in Venezuela, this thesis demonstrates and strongly promotes one alternative to neo-liberal capitalist development, and serves to show the possibilities that are available to the many other similar alternatives that exist and are in the process of developing.

Research Questions

In my attempt to assess the transformative potential of the Bolivarian Revolution, I concentrate on the extent to which the 'logic of capital' (endless accumulation of capital at the cost of human and ecological habitats) is being replaced with a functioning social rationality (Fagen et al. 1986). Moreover, to determine this I take into account Fagen et al.'s three basic goals of socialist transformations: "1- production and distribution oriented towards meeting the basic needs of the majority of the population; (2) an ending of class, gender, racial, ethnic, and other forms of privilege in access to 'valued goods' like income, culture, justice, and recreation; and (3) the reconstitution of state-society relations such that the popular classes have a high degree of participation in determining public policy at all levels" (1986: p.10).

Some pertinent questions are: Is Venezuela moving towards a new type of

socialism, or is it simply becoming a kind of state capitalism with a developmentalist perspective? Are property relations being changed? How does the attempt at social transformation in Venezuela compare with other such experiments throughout the history of Latin America? Is the struggle in Venezuela one that is defined by class conflict? Besides class, how does gender and racial injustice also contribute to the conflictual nature of this transition? Is an autonomous, alternative popular power developing that is capable of challenging existing state structures? Or is the motor behind transformations state power itself? What is the possibility for institutionalizing participatory communal power at the national level? What are the consequences of a failure to nationally institutionalize popular participation? What is the relationship between the revolutionary vanguard and mass organizations in Venezuela? How is Venezuela dealing with the destabilizing interference of the elite and U.S. imperialism? What attempts at regional and global integration/cooperation are being formulated to promote, support, and defend the socialist transition of Venezuela?

Methodology and Guiding Theoretical Concepts

In order to carry out my study and find answers to the questions stated above, I employ a historical sociological approach that stresses the inseparability of history and sociology in understanding social reality. This methodological approach specifically borrows from Abrams' (1982) understanding of 'analytical structuring,' which refers to the critical examination and theorization of the process of 'becoming' in order to achieve a deeper understanding of social reality. Essentially, it entails pursuing close analysis of the interacting process of structure and action that allows for the elucidation of the meaning of historical occurrences. Thus it is a combination of empirical and theoretical analysis. This of course, is strikingly opposed to the unsatisfactory method of trying to discover social realities simply through empirical

observation of social appearances.

This historical sociological approach enables a more comprehensive understanding of the contemporary Venezuelan counter-movement, since it takes into account the complex two-sided relationship that Abrams (1982) argues exists in society between social structure and social action – the influence of each on one another. It does not regard social structures as natural, but instead understands them as shaped by a complex series of social processes. Social processes are in turn influenced and shaped by the existing social structures. Therefore instead of looking at the Bolivarian Revolution as simply a social appearance or direct representation, I seek to discover the social reality by using analytical structuring, whereby one takes into account multiple historical influences and then analyzes the complex ways in which these interact with one another, thus shaping and allowing for ‘the becoming’ of a historical occurrence; in this case the Bolivarian Revolution.

In following the methodological approach advocated by Abrams (1982), I commence and center my research around an event; “a transformation device between past and future,” that serves as the principal point of access to the structuring and meaning of social action (p.191). In addition to trying to elucidate the *longue duree*, examination of particular events becomes of central importance in historical analysis since they are full of empirical content and provide us with a lens to better perceive and make sense of social structure and process. For the purpose of this study, I designate the 1989 *Caracazo* as the crucial ‘event’ in Venezuela in which the ‘becoming’ of the Bolivarian Revolution is crystallized in a moment of being. In other words, this event represents the peculiarly forceful and transparent meeting of action and structure that signifies the starting point of the mass popular movement known as the Bolivarian Revolution that triumphantly took state power just one decade later.

Abrams (1982) argues that when analyzing events problems of method arise;

specifically those of detail, concreteness, and uniqueness arise. In fact, he maintains that the event is “constituted by its details; it is a specific, bounded happening to be studied, elucidated and explained in terms of other specific, bounded happenings that precede, surround and compose it” (p.192). Moreover, he points out that in constructing an event as an object of study the researcher will naturally have to select particular details from a wide range of available details, and that it is the criteria of selecting detail that gives the work its force and validity.

According to Abrams (1982), the importance of the concreteness of events is their significance as “markers of transition” (Abrams 1982: p.195). In the case of the *Caracazo* this significant happening marked a historic transition in Venezuela, in which the demise of the traditional liberal bourgeois political system was effectively completed and the construction of a participatory democratic model commenced through the birth of a mass popular movement. Additionally, Abrams (1982) argues that what gives an event its uniqueness is the conjunction of elements that it embodies. Therefore in terms of the *Caracazo* what marks its uniqueness is the spontaneous eruption of a mass popular movement in Venezuela (the first of its kind in nearly four decades) against both the imposition of neo-liberal structural adjustments and the continuing deterioration of the well-being of the poor and working-class majority.

In the methodological process of constructing the *Caracazo*, I identify details that I feel accurately account for the multiple historical and global influences that shaped and allowed this event to take place. Thus I believe that only by way of historical analysis can we study and comprehend the numerous interactive influences that contributed to the decision of the popular Venezuelan forces to rebel in February of 1989. More specifically, the combination of various social, political, and economic factors opened the door for the development and strengthening of a popular movement that sought to change the status quo in Venezuela. Additionally it is important to see

that instead of regarding revolution as inevitable, or as being the only inevitable option, it must be understood as only one among many possible courses of action (i.e. continuing to be servile, employing reformist tactics of social change, etc). Thus revolution must be viewed as an option that emerged among many others because of various historical factors.

In taking the above methodological considerations into account, an examination of the historical context of Venezuela from the colonial period to 1935 reveals that a unique social configuration developed in Venezuela. That is, the relative decline in the importance of land and agriculture due to the overwhelming dominance of the oil industry impeded the development of an industrial base in Venezuela, and thus also of a strong and organized working-class. It also meant that the consolidation of a powerful landowning elite and the organization of a forceful peasant movement failed to materialize. What this particular social configuration (weak working-class, fragmented landowning elite, and passive peasantry) resulted in was relative social stability in the country. As will be demonstrated, this in turn allowed for the creation and long-term maintenance of a liberal bourgeois governing system. Yet it also made possible the coalescing of diverse sectors of the population and the subsequent development of the mass popular movement known as the Bolivarian Revolution that has as its goal the creation of a homegrown form of socialism for the 21st century.

Besides providing the evidence to answer my research questions this methodological approach is utilized to adjudicate the successes and limitations of Venezuela's Bolivarian Revolution. It accomplishes these tasks by focusing on and using the specific societal structural changes and socio-political transformations that the Bolivarian Revolution has achieved in Venezuela. The nature and extent of these social and political transformations therefore serve as the 'data' or evidence used in order to assess the success and failure of the Bolivarian Revolution.

The focus of the study is thus to assess the policies of the government and their impact on the structures of Venezuela society. I hope to discover how much indeed the current government has been able to move away from neo-liberal policies (and capitalist ones in general). Thus I examine the governance, social, economic, and foreign policies of the government. I will analyze to what extent the previous elite structure of power has been dismantled and the transformations that have occurred in the ownership of the means of production and in local and national authority. I want to understand how the balance of power between social forces has changed. I also provide quantitative data from various sources showing changes in levels of poverty, unemployment, informality, extent of land reform, access to social services, wages, and other indicators.

My research therefore consists of a qualitative analysis of the Bolivarian Revolution. It primarily makes use of secondary sources such as scholarly journals, books, and internet resources. Additionally it uses primary data from various sources: literature from Venezuelan non-governmental organizations; documents, speeches, and newsletters from the government of the Bolivarian Republic of Venezuela; statistical information on Latin America from the United Nations; documents from Venezuelan cooperatives and citizen-run communal councils; and articles from Venezuelan newspapers and magazines.

Finally, in accepting C. Wright Mills' argument that, "there is no way in which any social scientist can avoid assuming choices of value and implying them in his work as a whole" (1959, p.177), I wish to openly state my critical support for counter-movements to the neo-liberal order, particularly that of the Bolivarian Revolution, which in this case will be the object of my study. This explicit and honest acknowledgement of my values does not in any way diminish the validity of my research. Instead, being forthright as a researcher regarding my values and position

helps readers to understand where I am situated in relation to my investigation, while also contributing a unique perspective to current political debates regarding the revival of socialism in Latin American. Therefore this study is both a theoretical and political intervention. By placing the current attempt at social transformation in Venezuela within its spatio-temporal, cultural, and socio-historical context, and by highlighting the contradictions of the dominant economic orthodoxy, my intention is to influence the current debate and struggle in formulating alternatives to the hegemonic neo-liberal model of development.

Chapter Outlines

In the following chapter I carry out a socio-historical analysis from the colonial period to 1935, when Venezuela liberated itself from the long Gomez dictatorship. The purpose of this chapter is to allow us to understand the emergence and development of the current attempt at social transformation in Venezuela, by demonstrating how the Bolivarian Revolution is shaped by, and constitutive of, the country's broader socio-historical trajectory. The analysis of the complex socio-political trajectories not only helps to explain the creation of a stable liberal bourgeois democracy in Venezuela, but also sheds light into the country's contemporary reality. What emerges is a complex social configuration in the country that is quite unique to Latin America, and that is crucial in helping to comprehend how today's transition towards 'twenty-first century socialism' in Venezuela was made possible.

In the third chapter, I trace Venezuela's socio-political trajectory from the end of the Gomez regime in 1935 until the *Caracazo* uprising of 1989. The chapter begins with the political opening that came about with the fall of the Gomez dictatorship in 1935, and which signaled the start of important socio-political economic transformations in Venezuela. This momentous event occurred in the context of the

historical conjuncture that saw the entire world gripped by the most severe economic crisis of modern times that dismantled the entire global financial and trading system. In this chapter I attempt to uncover the meaning, cause, and significance of the exclusionary two-party pact known as *puntofijismo*, which allowed the old political system (through systematic exclusion of all leftist parties) to rule for four decades, while also situating Venezuela within the larger historical context of the Cold War era, and dominance of the Import Substitution Industrialization (ISI) development strategy in Latin American from 1930-1970.

In the fourth chapter of the thesis, I analyze the beginning of the neo-liberal era, which I maintain is just simply another phase of capitalist accumulation and exploitation. It begins by studying the implication of the collapse of the development framework, and of the economic stagnation and debt crisis that gripped Latin America. This is followed by an overview of the specific kinds of neo-liberal policies that were carried out in Venezuela, and what their effects on Venezuelan society were. Rising insecurity among the working-class and poor, increased ecological damage, and a growing informal economy are among the effects that are examined.

The fifth chapter analyzes the crisis of neo-liberalism, and situates *Chavismo* within the Latin American experience of resistance. We will examine the social backlash to both this economic deterioration and to the subsequent imposition of a pattern of neo-liberal development that profoundly restructured Latin American economic systems. We are then able to study the popular response to neo-liberalism in Venezuela in particular that manifested itself in the form of *Chavismo* and the rise of the Bolivarian Revolution more generally.

The sixth and final chapter of this thesis explores the uniqueness and complexity of the Bolivarian Revolution, as well as the specific social transformations that have been accomplished and those that have yet to be achieved. It acknowledges

the new Constitution as the clearest example of the progressive nature of the socially transformative processes underway in Venezuela. Moreover it is argued that while broad citizen participation is advancing, it still needs to be further institutionalization at the national level. The chapter also deals with the question of whether the constitution moves beyond its formality on paper, to its actual implementation for the advancement of social transformation. It particularly concentrates on two fundamental concepts of social transformation - self-management and self-governance. These two ideas that are based on the principles of sovereignty, cooperation, and justice are regarded as direct challenges to the neo-liberal model of development and to the logic of capital. A larger theme that emerges from the institutionalization of these concepts is that of human development; a quintessential aspect and goal of the Bolivarian Revolution.

In the concluding remarks, I suggest that the transition towards socialism in Venezuela is in fact creating new paths toward the construction of alternative forms of social organization and political-economic decision-making and management that need to be carefully examined worldwide by others seeking more just and sustainable societies. The failure of the capitalist model of development to create an equitable and sustainable society where everyone is able to fulfill their human potentials (and its neo-liberal form) has become blatantly evident, as has the need for real and profound change to the current world order. The Bolivarian Revolution has brought to light the failures of the capitalist model of development and to the need for anti-capitalist alternatives that stop the pillaging and plundering of the planet and exploitation of workers. I argue that while the Bolivarian Revolution has achieved significant social and political-economic transformations that challenge capitalist values, there still has yet to be a fundamental overcoming of the capitalist system.

CHAPTER 2

THE HISTORICAL CONTEXT

In order to comprehend the emergence and development of the current attempt at social transformation in Venezuela it is necessary to examine how the Bolivarian Revolution is shaped by the country's broader socio-historical trajectory. This chapter therefore historicizes the current situation by closely examining Venezuela's overall socio-political dynamics since the colonial period. What emerges is a complex social configuration in the country that is quite unique to Latin America, and that is crucial for explaining the particular social configuration of the Bolivarian transformation under Hugo Chavez.

'Coloniality of Power'

The rapid growth of colonial society in Venezuela, and in the New World in general, meant the simultaneous struggle to create and implement institutions of government by imperial Spain (Tarver and Frederick, 2005). This colonial period also witnessed the establishment of the Catholic Church as an institution and the setting up of Latin grammar schools in Venezuela, in addition to the Christianization and so-called education of the indigenous peoples by missionaries. Most important, however, was the commencement of a process of *mestizaje*, or increased racial mixing, which generated a complex system of social stratification that would become a "crucial element of the territory's mature colonial identity" (Tarver and Frederick, 2005: p.31). One key aspect of this process was the forced introduction of enslaved Africans and the influx of Spanish and Portuguese immigrants, which led to quick and intense transformations in the demographics of colonial Venezuela.

Here it is important to note Quijano's concept of the 'coloniality of power' that

stipulates that the idea of race in its modern meaning seems to have begun with the colonization of America and the “phenotypic differences between conquerors and conquered” (Quijano, 2000: 534). The larger significance of this was the subsequent construction of race as a category to distinguish between the supposedly differential biological structures of European colonialists and American natives, thereby producing new historical social identities- Indians, blacks, and *mestizos*. At first, racial mixing was confined to the creation of the *mestizo* ethnic group that emerged from the mixing of white males and Indian women. However, after the forced introduction of people from Africa, racial mixing also created the *mulato* or *pardo* ethnic group (between white men and black women) and *zambo* or *sambo* (between Indian men and black women).

This complex racial mix led to a high level of stratification within the country based on skin color, whereby the white *criollos* purposely and forcefully fought to maintain their elite status by restricting the social mobility of so-called inferiors, like the majority *pardo* ethnic group. In other words, the imposition of this new model of colonial domination that saw race and racial identity as “instruments of basic social classification,” allowed the white *criollo* elites to maintain dominance over so-called inferior races, thus greatly influencing the shaping of Venezuela’s identity and social configuration (Quijano, 2000: 534).

The Eurocentric system based on the idea of race saw the confinement of Indians to serfdom, blacks to slavery, dominant white class of Spaniards and Portuguese to independent commodity production, and white European nobility to military and civil colonial administrative positions (Quijano, 2000). This “antagonistic social environment” and hierarchy, in which oppressed ethnic groups would struggle for equal rights with *criollos*, would persist all throughout Venezuelan history and help to shape overall the socio-political landscape of the country (Tarver

and Frederick, 2005: p.44). We will now see how this systematic racist division of labor and model of power set up by European colonialists played a central role in the expansion of the process of accumulation and the maintenance of the colonial mercantilist economy.

Social Structure of Colonial Society

The formation and maintenance of this colonial economy was facilitated by the pre-conquest social organization of the indigenous populations, which provided Spaniards with an exploitable source of labor (Roseberry, 1983). The colonial era saw the subjugation and extraction of indigenous labor by Spanish settlers through *encomiendas* (tracts of land together with their Indian inhabitants granted to colonists), whereby *latifundia* (large estates of agricultural land) were set up to maintain the country's predominantly agricultural plantation economy based on the production of cacao, tobacco, wheat flour, and cowhides for internal consumption back in the motherland. The development of the base for colonial towns in Venezuela entailed subduing the indigenous populations and forcing them to submit to Spanish rule, thereby enabling the establishment of towns in particular locations and their subsequent division into *encomiendas*. Thus entire indigenous communities were granted in *encomienda* to Spanish colonialists who settled in Venezuelan towns. The *encomenderos* were then allowed to extract indigenous labor, which included the appropriation of several days of labor per week from each Indian of his *encomienda* (Roseberry, 1983). Perhaps the only concession bestowed by the colonialists to the Indian communities was the granting of plots for the growing of traditional crops for their own subsistence.

Important to note, however, is that the *encomienda* did not necessarily mean ownership of land, but simply a right to labor tribute. Ultimately, the Spanish Crown

remained the sole owner of the land. This *encomienda* system would continue to exist in Venezuela for about a century after the establishment of private property in 1591. It wasn't until 1687 when a royal order outlawed the labor service by Indians, greatly reducing the importance of the indigenous population as a source of labor, that the *encomienda* came to an end and gave way to the rise of the privately-owned *hacienda*. During this time production relations would undergo a constant process of transformation as vast amounts of lands were sold throughout the country.

What resulted was a new pattern of land use that established two forms of landed property (Roseberry, 1983). The first of these was private property, or *posesiones*, which were essentially large, indivisible parcels of land that were sold to Spanish colonialists. The second was community reserve land, or *resguardos*, for indigenous populations. Throughout the colonial era, *posesiones* and *resguardos* either remained intact or were divided with the passing of generations and further selling of land and land rights.

This pattern of land ownership and of production relations would persist until the nineteenth century, when the indigenous population lost even more of its importance as a source of labor due to its displacement by the non-Indian Spanish and *mestizo* populations. In fact, the land that had been granted to indigenous populations back in the sixteenth century was subject to forced expropriations throughout the eighteenth century, causing both the displacement of many indigenous communities and the overall alienation of Indian land by the nineteenth century (Roseberry, 1983). Thus the basic class relationship in colonial Venezuela was transformed from one that included a landowning elite and a class of agricultural producers who were either landless or owned land in community, to one in which the landowning class sought labor for their *haciendas* from agricultural producers that were unable to provide for their own subsistence (Roseberry, 1983). The basic nature of class division was also

transformed. Previously, this division had been exclusively between Europeans and indigenous communities, but this changed as *mestizos* and late-arriving Europeans constituted an ever greater segment of the labor force. As it turned out, colonial commerce in Venezuela based on these exploitative relationships was quite successful, especially due to the boom in cacao trade that allowed for impressive economic growth.

Wars of Independence and Oligarchic Factionalism

This intertwined examination of the ‘coloniality of power’ (Quijano, 2000) and the social structure of colonial society allows for a more complete understanding of the development of Venezuela’s social composition throughout the 19th century. Along with the economic success of colonial commerce came a growing demand for greater participation in provincial affairs by the country’s white *criollo* population, some of which was eventually granted by the recently inaugurated Bourbon dynasty of Spain. Yet, an increasing desire among the Venezuelan colonial elite for an expanded role in the management of their government would only continue intensifying throughout the years. In addition to this struggle by the colonial elites against the Spanish Crown, agitation amongst themselves had also been brewing for years so that eventually two camps emerged in the independence movement: one of pro-autonomy loyalists who enjoyed the backing of the Spanish troops and another that demanded complete independence from the Spanish Crown and self-government.

Events in Europe also played a significant role in triggering this split. Napoleon Bonaparte unilaterally placed his brother on the Spanish throne in 1808, after forcing Spanish King Carlos IV and his heir to the throne, Fernando VII, on house arrest. In retaliation to this imposition by Napoleon many Spaniards created *juntas* in the name of Fernando VII. This struggle culminated with the events that

transpired on April 19, 1810 on the streets of Caracas, Venezuela, which signaled the beginning of the end of Spanish rule in the country. On this day the white *criollo* population organized itself peacefully in a demonstration and set up a national *junta* to rule Venezuela, while also demanding the end of the colonial Venezuelan government and forcing the removal of its captain-general, Juan de Casas.

Among the actions of the newly created *junta*, was the opening up of Venezuelan ports to free trade and the putting to an end of the slave trade. However, these actions were seen by many in Venezuela as authoritarian, thereby fueling polarization within the country between groups who supported the *junta* and others that wished to remain loyal to the Spanish Crown. Eventually on July 5, 1811 the pro-independence leaders announced the break with Spanish Crown rule and the establishment of the first Venezuelan Republic. While the new constitution included the elimination of many feudal traditions and the abolishment of slavery (many white *criollos* planters however still refused to free their slaves), it only granted limited rights of citizenship to free blacks and *pardos* (full citizenship was reserved only for property owners). Moreover, it arbitrarily placed restrictions on *llaneros*, or ranchers from the grasslands, such as requiring them to possess documents proving their employment at *haciendas* (large estates) and instituting vagrancy laws against those who were unemployed (Tarver and Frederick, 2005). The announcement of independence also meant that revolutionary action on the part of patriots was both necessary and imminent.

Two of the principal patriots seeking independence were leading white *criollos*, Simon Bolivar and Francisco de Miranda, both of whom had already been involved in the planning of various revolutionary plots. These two figures represented the independence group, which called for revolution and self-government. There had also though, previously been other attempted revolts like the one in 1795 led by Jose

Leonardo Chirino, a *zambo* who had been inspired by the Haitian Revolution. In fact, both the Haitian and American Revolutions and their ideals of liberty, sovereignty, and equality provided a source of inspiration and motivation to those seeking Spanish American independence (Tarver and Frederick, 2005). On the other side, in opposition to the pro-independence faction, were the pro-autonomy loyalists who enjoyed the backing of the Spanish troops. Finally, in July of 1821, the two decade long military struggle that combined uprisings, revolution, and war came to an end with the achievement of Venezuelan independence. The devastating wars of independence in Venezuela had a debilitating effect on the colonial elite, which besides fighting off the shackles of Spanish dominance had also engaged in brutal confrontations with itself

Unsurprisingly, independence had not brought with it an end to the internal elite struggle in the country. Instead oligarchic factionalism persisted and manifested itself in the form of regional *caudillo* battles for political power and constant civil wars. While the causes of these long civil wars were many and complex in nature, they dealt largely with the desire of the victorious *caudillos* to maintain the status-quo oligarchic system of governance, which among its ranks included both the ruling conservative elites and *caudillos* from the earlier emancipation wars. The criollo landowning oligarchy, much of which supported and fought in the independence struggles, was able to maintain its position and power following the liberation from Spain. In this sense, the socio-political structure in Venezuela remained relatively unchanged for years after independence as conservative rule dominated.

Throughout the country *caudillos* had been rewarded with plentiful tracts of land from the Spanish colonial *latifundias*, and they now demanded assurances of the protection of their prestige and privilege through increased political authority. Unsurprisingly, they fought fiercely to maintain the regionalistic *caudillo* system that

gave them control over entire regions of the country. Determined to expand their political-economic autonomy, these regional landowning *caudillos* also sought to prevent the centralization of power by the post-independence Paez government (1831-1848) and ruling elites (Tarver and Frederick, 2005). A growing movement of liberal landlords in favor of a strong centralized government stood in sharp opposition to a more conservative group that preferred a decentralized government and regional autonomy. The division among the oligarchy between conservatives and liberals would only continue to intensify throughout the years. Overall, the remainder of the nineteenth century in Venezuela was characterized by political personalism, continued division and polarization of the country's political landscape and oligarchy due to opposing regional identities, and the absence of a state-building apparatus.

Break and Reintegration with World Economy: The Rise of Venezuela's Coffee Economy

Following independence Latin American nations experienced a temporary break with the international economy and a subsequent restructuring of their economies, resulting in a complete shift away from colonial mercantilism and towards a model of outward economic growth based entirely on the export of primary goods. For Venezuela its liberation from colonial ties and the end of Spain's commercial monopoly meant the country's reintegration into the world capitalist economy and global division of labor, mainly as a supplier of coffee for export. It also represented the elite's (both foreign and national) new method of exploitation and capital accumulation. Thus the development of the nineteenth century coffee economy in Venezuela must be understood in terms of the global capitalist economic system of which it forms a part.

Post-independence Venezuela signaled the country's coming into direct

contact with the “developing centers of capitalist production” through the export and sale of its agricultural commodities in “international markets at the center of the capitalist system” (Roseberry 1983: p.100). As the Venezuela economy experienced a steady conversion towards coffee production in the first half of the nineteenth century cacao’s reign as the main export commodity slowly eroded. Yet it was not until the second half of the nineteenth century that coffee would overtake cacao and become the dominant export commodity in the Venezuela economy, with its key production center in the Andes constituting more than half of the country’s total production (Roseberry, 1983). The increasing dependence on coffee throughout the nineteenth century forced the country to “confront the international market as a monocrop producer and exporter, subject to price fluctuations on that market” (Roseberry 1983: p.72).

The post-war Venezuelan coffee boom saw an influx of migrants from southern Europe, ready to become growers and traders of coffee in the market towns. Consequently, the development of the coffee economy was very much dependent on immigration. This was true for almost all of Latin America, where a favorable immigration policy allowed for a massive influx of European peasants who served to maintain sufficient labor supply for large export-oriented coffee estates and cattle ranches (Llambi, 1989). Coffee’s profitability enriched recently arrived British merchants, while also benefiting already established German, British, and Italian entrepreneurs of the trading companies in the major port city of Maracaibo. Despite the presence and influence of these foreigners, Venezuelan coffee production and marketing remained under local control. The Venezuelan Andes saw the increased exploitation of land for coffee production, and the establishment of new towns and cities serving as centers of production and commercialization. This expansion of the export sector also entailed the development of a more complex transportation network in which new road systems and railroads were constructed to link production centers

with port towns like Maracaibo, with local merchants serving as intermediaries between the two.

Land and Social Configuration in 19th Century Venezuela

The development and success of the nineteenth century coffee economy created further transformations to the social configuration of Venezuela. Most importantly, were the new relationships and tensions that arose between social actors as a result of the emergence of two new social classes in the country – a local merchant class closely linked with the Maracaibo commercial trading firms that bought coffee and transported it to the ports, and that of a “property-holding, commodity-producing peasantry” (Roseberry 1983: p.76). To help us understand these new dynamics Roseberry (1983) makes reference to an analysis of the coffee economy done by Carvallo and Rios de Hernandez (1979) in which the authors make the important observation that the *hacendados* (owners of *haciendas*) continued being the dominant class in Venezuela in the nineteenth century just as they had been throughout the colonial era. That is, the ability of the large landowning farmers of the central and coastal areas of the country to incorporate coffee into the traditional hacienda structure, allowed the maintenance and reinforcement of the basic class structure (Roseberry, 1983). Carvallo and Hernandez (1979) describe this structure as being constituted by a plantation sector and *conuco* sector. They classify the former as being controlled by the hacienda owners and specializing in commercial crops like cacao and coffee, while the *conuco* sector was managed by tenant farmers and used exclusively for subsistence crops.

Yet, the dominance of large landowners that existed in the central regions of the country was not characteristic of the Venezuela Andes, where instead there tended to be a decline in the *hacendados* as a political class and the ascendance of a new

export-merchant class. Therefore, throughout the nineteenth century these two groups would engage in a fierce power struggle with the overall result being the “social eclipse” of the landlord class (Roseberry 1983: p.96). Although the political and economic power of large landowners persisted they now had to contend with the growing influence of a merchant class. The success of the coffee economy elevated the importance of trading companies in port cities like Maracaibo, and thus also of the group of large merchants that specialized in coffee. As we will now see, this group of large wealthy merchants accumulated their capital by either supplying producers of coffee with production and consumption goods and credit in exchange for the coffee that they would later sell, or by simply buying the coffee directly from intermediaries such as petty merchants and then selling it for a profit.

Land and the Peasantry

Along with rise of the coffee economy also came further changes to the nature of landed property in Venezuela. Since the eighteenth century a series of laws had begun instituting the sanctity of private property, and negatively impacting the lives of small farmers. Judicial demarcations now allowed large landowners to buy large plots of land and restrict access to their properties. These large landlords usually divided their farms into smaller family units, so that small farmers held control over small coffee plots and paid the landlords a share of the yield in kind. Alternatively, landlords could retain control over the coffee plots by simply hiring small farmers for their labor on the coffee patches and in exchange granting them access to subsistence plots.

These sharecropping and tenant farmer arrangements provided the basis for accumulation through the coffee economy. Additionally, Indian reserve lands that had been communally owned were further divided during this time until being completely

transformed into private property. Roseberry (1983) points out that this division of properties and reserves served the purpose of securing and fostering capital investment and the establishment of the coffee economy. In other words, the division of land and conversion to private property for large landowners was needed to foster capital accumulation, since investors demanded secure land whose ownership was not in dispute and would not be subject to conflicting claims.

In addition to properties and reserves a third component - *terrenos baldios* - contributed to the continuation of this accumulation of capital and to the creation of the foundations for small-scale production (Roseberry, 1983). These relatively uncultivated national lands were slowly occupied by squatters who set up family farms largely for the cultivation of coffee, but also for the production of their subsistence crops. Family farms therefore constituted an important part of the coffee economy as the small coffee farmers that occupied them were forced to enter into credit relations with merchants in order to attain better equipment for the production of their coffee and to be able to satisfy their own consumption needs. The decision to grow coffee was a sacrifice for these small farmers due to the burdensome initial start-up costs that plunged them into endless debt with merchants, and also reduced the amount of time and labor that they could dedicate to the production of subsistence crops.

This direct relationship between small farmers and merchants gave the latter a structural claim to a share of the former's surplus product. Thus small farmers become proprietors with independence from landlords, but under constant debt burden to the possessors of money capital, merchants, who were becoming dominant in the coffee region. The combined effect of the growing influence of merchants and the creation of this property-holding peasantry was the further decline of the landlord as a social category throughout the country (Roseberry 1983).

What becomes clear from this analysis is that the formation of the peasantry in

Venezuela is inseparable from the imposition and development of a particular form of capitalist social relations in the country (Roseberry, 1983). The growing dominance of commodity production for export and the ever increasing dependence of peasants on merchants for the reproduction of their farms meant the transformation of labor power into a commodity. Moreover, capitalism's destructive forces such as the breakdown of closely knit family and community social relations and networks provided the basis by which the peasantry evolved. The further division and alienation of communal forms of landed property like Indian reserve lands eliminated the basis for indigenous identity and permitted the establishment of small-scale private property, thus precipitating the formation of a peasantry (Roseberry, 1983).

This new reality presented an interesting contradiction. On the one hand, peasants were now forced to obtain investment of capital for production and subsistence needs, thus tying them more closely to the means of production. At the same time, they were further divorced from those same means of production. Thus, Roseberry (1983) argues that while Venezuela's small farmers were alienated through their long-term credit relationships with merchants, they were in fact a sort of peasant-proletariat hybrid since they retained some control over the means of production but had not experienced the "final separation characteristic of industrial capital" (p.109). Furthermore, he points out that the ability of peasants to maintain some, albeit minor control over the production process allowed them to accumulate a portion of their total product; an impossibility according to the rules of industrial capital (Roseberry, 1983).

Equally important to note is that most of the Venezuelan peasantry had never truly been an undifferentiated class (Roseberry, 1983). Instead, it was comprised of heterogeneous elements, including Indians from former reserve lands, migrants that had settled on national lands, and people from divided colonial properties. The development of small-scale private property only enhanced the diversity of the

peasantry, as some peasants went on to produce coffee for overseas markets and other produced minor crops for local and regional consumption. Peasants who worked in the privileged coffee economy tended to be in better positions than those who produced minor crops, thus demonstrating the differential access to land and resources that existed among the peasantry. Generally speaking, the Venezuelan peasantry of the coffee economy consisted of family farmers in commercial production who were either dependent renters or independent landowners or squatters (Roseberry, 1983).

All this is to demonstrate the historical formation of a politically weak Venezuelan peasantry with little structural unity and unable to organize itself as a class. The breakdown of communal lands and networks along with the fragmentation of the peasantry paved the way for the development of a rural environment where competition and conflict predominated. The forging of alliances between peasants and merchants, creation of local factions, favoring of some peasants over others, and disparity between wealthy and poor peasants all added to the heterogeneity and division of the peasantry. These factors along with the strong promotion of forces against community ideology and practice, and the demise of agriculture in the early twentieth century following the creation of the petroleum industry, to be later examined, all help to explain the overall passivity of the Venezuela peasantry. This relative passivity marks a striking feature of the peasant movement in Venezuela that greatly distinguishes it from other Latin American nations where violent peasant struggles have been the norm.

As Venezuela entered the twentieth century, its once dynamic coffee economy slowly began showing signs of its limits and eventual demise. The turn of the century brought with it several problems for the coffee economy including price fluctuations of coffee and decreased availability of high quality land. While the coffee sector remained profitable, it was clear that production had begun to level off and that

transformations were imminent.

The Gomez Era Begins

The end of the nineteenth century in Venezuela witnessed the rise of the liberals from the Andean state of Tachira, and signaled the start of important social, economic, and political changes. In 1899 the strong liberal national army of Cipriano Castro succeeded in marching into Caracas and seizing power, in an event referred to as the *Revolución Liberal Restauradora* (Tarver and Frederick, 2005). This acquisition of control over the Venezuela central government by the liberal strongman cemented the shift in regional power from conservatives to liberals in the country.

Shortly thereafter, an event took place in the country that would have profound consequences on Venezuelan society for years to come. On December 19, 1908 a prominent coffee *hacendado* and military general by the name of Juan Gomez would seize power from the Cipriano Castro government, continuing a long period of military strongman rule. The installation of the personalistic dictatorship of Juan Gomez in 1908 led to greatly enhanced centralization and control of state power, thus producing significant transformations throughout the country as the state machinery for the first time was able to integrate the Venezuelan social formation and begin dismantling the regional bases of political and economic power (Roseberry, 1983). Gomez therefore came to represent the ideal Venezuelan *caudillo* while simultaneously dismantling the era of the regional *caudillo* through his ability to consolidate power nationally through a strongman military strategy.

Gomez was able to take advantage of this to intensify both the process of capital accumulation and modernization in Venezuela. In this he was greatly aided by the momentous event that would forever change the entire social, political, and economic identity of Venezuela: the drilling of the first commercial oil well in the

country in February 1914. It was during the Gomez era that the country's transformation from an agricultural export economy to a petroleum republic was set into motion. As we will see, the previously noted oligarchic factionalism combined with the emergence and subsequent growth of the country's immense oil wealth contributed heavily to the severe marginalization of the role of land as a source of capital and investment, which in turn prevented the consolidation existence of a strong traditional landowning oligarchy in Venezuela (Anderson, 1986).

The Rise of a Petroleum Republic

The discovery of petroleum in 1914 on the eastern shore of Lake Maracaibo by the Caribbean Petroleum Corporation (Shell) at Mene Gande coincided with the start of the bloody First World War. Thus it is important to place Venezuela's transformation into a petroleum republic in the context of the international conjuncture within which it occurred. This global war which saw the creation of a series of alliances and war declarations between nations engulfed the entire European continent, and spread to other areas like Africa and the Middle East. Its end results were the redrawing of much of Europe as empires fell and new nations were created, as well as setting the stage for future world conflicts. Most importantly, however, the four year struggle between the global powers took a significant toll on human life (40 million casualties) and had extraordinary economic consequences. In order to sustain their war efforts nations looked abroad for the resources they desperately needed.

In Venezuela, the Gomez dictatorship enjoyed both the prosperity that came to Latin American following WWI, as well as the recently found wealth from petroleum. That is, while the regime maintained domestic peace by way of force, intimidation, and repression, it simultaneously capitalized on the prosperity of the coffee and petroleum industries. The dramatically increasing revenues being pumped into the

government's coffers through these industries allowed Gomez to advance his plans for accumulation of capital and modernization.

Venezuela had begun to export petroleum in 1917, just three years after its discovery in the country. The transformation of the country that ensued, from a largely agriculturally based society to an oil exporting one, was dramatic. Moreover, the historical (and contemporary) significance of the emergence of Venezuela's oil-based economy is immeasurable. At the time coffee production was the only viable sector of Venezuela's economy (cacao and cowhide exports were greatly declining), providing more than one million bags of coffee for the rest of the world. A decade later, by 1929, Venezuela had become the world's second largest oil producer after the U.S. and the leader in the export of oil, with over 100 million barrels sold abroad yearly (Wilpert, 2007). Incredibly, the contribution of oil to Venezuela's economy skyrocketed from 1.9% of exports in 1920 to 91.2% in 1935, leading to the near total extinction of agricultural production and stagnation of industrialization in comparison to the other nations of Latin America (Wilpert, 2007). In fact, agriculture would later go on to play a smaller role in the Venezuelan economy than in virtually any other Latin American country, so much so that by the 1980s the sector only contributed about 5.9 percent of GDP, employed 13 percent of the labor force, and accounted for a dismal 1 percent of total exports (U.S. Library of Congress 2007). The results of this radical change in Venezuela, in which oil became the country's so-called life-blood, included reduced class-based politics, a weakening of the traditional elite, and a further over-concentration of state power.

Roseberry (1989) distinguishes between two periods of the petroleum industry; one of simple growth from 1920-1945 and another of more complex development from 1945 onward. During the first period of simple growth he explains that the industry was a sort of enclave within the Venezuelan economy that employed just a

small fraction of the country's population yet produced the majority of its wealth. With few regulations and many concessions granted to them, foreign oil companies were able to dictate their own terms, build private road networks, and prevent the Venezuela state from receiving the benefits of its own patrimony. Moreover, as a result of the petroleum economy complementary industries and services were created that enabled the diversification and growth of the nation's commerce. This included an expanded and more complex bureaucracy and the development of several state institutions, as well as the creation of a middle-class made up mostly of public sector employees that purchased imported goods from the newly created group of merchants.

The commencement of the petroleum era did not necessary produce the immediate demise of the coffee economy. In fact, while coffee prices did fluctuate they generally continued to rise throughout the 1920s. Yet, the settlement of petroleum firms in the early period of the petroleum era (1920-1945) in the lowlands around Lack Maracaibo and near the Andes created a pull factor that attracted migrants from nearby coffee-producing areas like Trujillo, Carache, and Escuque (Roseberry 1983). It was not until the 1930's that the coffee economy really entered into crisis as coffee prices fell considerably, pushing migrants out and causing many people to abandon coffee production altogether. Despite this, agriculture still provided 22 percent of Venezuela's GDP and accounted for 60 percent of its labor force as late as the 1930's (U.S. Library of Congress 2007). While the agricultural sector in the country experienced a decline, the tertiary sector saw considerable expansion as public institutions were created and commercial activity grew and diversified.

The inability of the coffee economy to respond to the crisis and to the twentieth century national economic transformations in Venezuela that were put into motion as a result of the rise of the petroleum industry signified its complete disintegration. Many large landowners were unable to pay back their loans to the

state-run *Banco y Pacuario (BAP)* in the 1930's, causing them to accept the government takeover of their properties (Ellner, 1993). The extensive public domain that resulted from this provided the basis for future government agrarian reform efforts, which themselves, lessened the tension that existed between large landowners and peasants and prevented the violent peasant struggles of the twentieth century that were so characteristic of Mexico, Colombia, Peru, and many other Latin American nations (Ellner, 1993). It is interesting to note, however, that even with the demise of the coffee economy and decline in productivity, the number of farms and surface area devoted to coffee production nationally actually continued increasing until 1971. This can be explained by the inability of local merchants to collect debts from struggling small coffee producers, and their subsequent decision to either attempt to expand spatially to squeeze out more coffee, or to sell out to Maracaibo companies (Roseberry 1983).

Again, it is necessary to take into account the global conjuncture within which this demise of the coffee economy took place. The year 1929 marked the beginning of the worldwide economic crisis that produced devastating effects for nations around the world. The inability of many European nations to make payments towards the debts that they had incurred from the post-WWI rebuilding effort led to several defaults on their loans, and accelerated the eventual collapse of banks, financial institutions, and overall international monetary system (Makki, 2004). The stock market crash in the U.S. and the overall economic depression in the industrialized countries resulted in a great reduction in the demand for raw materials from Latin America and thus a drastic drop in the region's exports. The effect of this external shock was so pronounced for Latin American countries that some even experienced reductions of their exports by as much as 70 percent (Weaver, 2000). Consequently, these nations underwent significant economic restructuring that shifted their economies from an external to an

internal model to cope with the new realities.

The Differentiation of the Peasantry and the Venezuelan Proletariat

Around this same time another important development had already begun taking place throughout Latin America and worldwide: the explosion of labor strife. That is, the rapid development of industry in the early twentieth century led to the rise of an industrial proletariat that would organize itself into strong and politically-conscious social forces like militant labor unions. The revolutionary currents in the working class that flourished during these years were greatly influenced by and had their roots in Marxist and anarchist theory and literature. Furthermore, the progression of socialist and anarchist movements greatly intensified following the unprecedented Russian Revolution of 1917, which provided the world's working-class with an important source of inspiration and hope.

For Latin America, the increase of industrial activity and the influence of socialist and anarchist thought brought over by European migrants meant the development and spread of working-class movements and trade unions. This was especially true in countries that saw a greater influx of European migrants, like Chile, Argentina, and Brazil, where massive proletarian movements developed and battled militantly to combat the exploitative capitalist establishment. According to Perez Sainz & Zarembka (1979) however, in Venezuela it is not possible to speak of an industrialization process, "understood as development of the industrial branch of the capitalist mode of production," prior to the 1940's. They regard any earlier process as minimal and characterize it as petty-commodity in nature. Yet, as we will see, this did not impede the development of various working-class currents in Venezuela. The period of tyranny, economic growth, and modernization that characterized the Gomez regime (1908-1935) did not go unopposed. In fact, over 20 national armed revolts and

numerous student-led protests and popular mobilizations took place during this era in protest of the brutal Gomez tyranny (Tarver and Frederick, 2005).

This important social force would develop quite differently in Venezuela from that of the rest of Latin America, where for the most part it proved to be a strong socially-conscious political actor. In Venezuela on the other hand, the absence of a strong landed elite class was also accompanied by a relatively weak and unorganized working-class. This would prove a crucial factor in the maintenance of the country's relative political stability, and as will be examined, in the eventual rise and survival of the post-1958 liberal democratic system. But first, it is important to analyze the historical formation of the weak Venezuela proletariat; a key social reality with many causes. Most significant among these is the overwhelming influence that oil has played in the political-economic sphere of Venezuela after its discovery in the early 20th century. In other words, it is demonstrated that the country's over-dependency on oil wealth has had a severely limiting effect on both agricultural production and industrialization, therefore contributing to the prevention of the formation of a strong and organized working-class.

To begin, it is important to note that the dominance of *latifundia* in the Venezuelan economy ever since the colonial period meant that the industrial sector failed to really take off until the third decade of the twentieth century. Prior to this, the manufacturing that did exist was restricted to small, family-run artisan shops in the countryside that processed the products of certain regions (Carrillo Batalla, 1962). That is, manufactured goods were generally for consumption at the site of their production since transportation and technology was not advanced enough for large-scale national industrial commerce. As late as the beginning of the twentieth century, there still only existed throughout the rural areas a few industries such as beer, textiles, cigarettes, and shoes (Quintero, 1966). In fact during this time industry represented a

small sector of Venezuela's economy, and industrial employment totaled just 39,000 or 5 percent of the total labor force in 1937 (Fagan, 1974).

The transformations of the Venezuelan agricultural sector that had commenced in the early twentieth century continued into the 1930's, further changing the overall landscape of the countryside. Roseberry (1983) points out that although labor power had slowly been becoming a commodity in Venezuela since the nineteenth century, a new feature emerged with the increasing demand for and dominance of wage labor starting in the 1930's. This new reality was the development of a type of proletarianization process of small and middle-level Venezuelan farmers, in which peasants who used to work off the farm to supplement farm income now did so to supplement wages instead. The breakdown of family farms and small-farm organization led members of farming families to migrate and seek wage labor in order to provide income for the livelihood of their families. Yet, Roseberry (1983) argues against the restrictive and idealized versions of proletarians and peasants, and proposes that we not treat the process of proletarianization as progressing along an even or linear fashion. The reason for this is the complex nature of wage labor in the context of property-holding small farmers in Venezuela, demonstrated by the fact that small farmers persisted despite the establishment of capitalist farms (Roseberry, 1983).

Overall, therefore, the 1930's saw the great transformation of the traditional *latifundia* system as the peasantry was largely converted from sharecroppers and tenant farmers to small holders and wage laborers, principally as a result of the crisis of pre-capitalist agriculture and the emergence of the oil enclave as the principal axis of the accumulation process (Perez Sainz & Zarembka, 1979). The transformation of *aparceros and arrendatarios* (tenant farmers) into *jornaleros* (day laborers, i.e. wage workers) represented the displacement of pre-capitalist forms of production and

meant, “the definitive consolidation of the capitalist mode of production as the dominant mode in the Venezuela social formation (Perez Sainz & Zarembka, 1979: p.6). Therefore, these important transformations and new realities in the social situation of farmers signified the disintegration and internal differentiation of the peasantry in Venezuela, and the establishment of a new form of exploitation and capital accumulation on the part of the country’s elites.

What this discussion suggests is that there is a need to conceive of the Venezuela working-class as a much broader and complex social group. This becomes even more important when discussing the growth of the industrial development and rise of the oil industry in Venezuela during this era, which relegated agriculture to permanent secondary status. The rural surplus population that had been created as a consequence of the displacing-effects of the oil enclave allowed the newly created capitalist agrarian sector to integrate with the nascent industrial branch (Perez Sainz & Zarembka, 1979). Consequently, it was this labor power that enabled the growth of the industrial branch in the country. The oil branch, however, was able to absorb only a small fraction of the large reserve army of labor, leaving millions to find employment elsewhere. In fact, while the oil industry served as the primary generator of revenue for the Venezuelan state, and thus the leading source of accumulation, it only provided employment for a tiny subset of the entire working class population.

The existence of a fragmented proletariat, therefore, is no mystery. By this I mean that ever since the early evolvement of a working class in Venezuela there has existed an extremely small and privileged sector of the proletariat that works in the oil industry, while at the same time the vast majority of the Venezuelan population has remained overwhelmingly un-, under-, or self-employed. According to Anderson (1986), the sociological consequences of this have been both the relative absence of any massive concentration of workers in the oil industry and the overall weakness of

an organized Venezuelan working-class. In addition, the historically harsh repression and exclusion of all forms of political opposition during the Gomez era, especially of labor unions and ideologically progressive and left tendencies in Venezuela has further impeded any mass working-class mobilization. As we will see in more detail in a discussion of the labor movement in the next chapter, all of these factors together help to explain the relative lack of a strong and politically-conscious working-class movement in Venezuela.

Conclusion: A Fragmented Landowning Oligarchy, Passive Peasantry, and Weak Working-Class

This chapter has provided a historical overview of the development of the social forces in Venezuela, including the traditional landowning class, peasantry, and working-class; all of whose strength was greatly weakened through time. It was demonstrated that the overall formation of a weak traditional landowning class and discontinuous ownership of the means of agricultural production was the result of a series of historical processes which include the country's bloody independence struggles that significantly reduced the influence of colonial elites, continual oligarchic conflict and factionalism, tyrannical rule of Juan Vicente Gomez, and displacement of the export economy by petroleum (Anderson, 1986). Moreover, it was shown that the introduction of an export commodity-based capitalist coffee economy that dismantled traditional Indian communal forms property and living, in addition to the marginalization of land caused by the discovery of petroleum, resulted in the formation of an alienated Venezuela peasantry incapable of organizing itself as a strong social force. Finally, the lack of a strong and socially conscious mass working-class was found to be a result of the overwhelming dominance of petroleum in all spheres of the Venezuelan society and the numerically small privileged

proletariat that makes up the industry (Anderson, 1986).

This analysis of the development and transformation of Venezuela's overall social configuration better allows us to examine the socio-political trajectory of the country following the end of the Gomez dictatorship in 1935 and the beginning of an important new era in the country. Furthermore, it is argued that the relationship between the three social groups previously analyzed led to a particular socio-political formation that provides the basis for an understanding of Venezuela's current and historical social processes and realities. Most importantly for the purposes of this thesis, this overview of Venezuela's socio-historical context provides the necessary foundation by which to then examine the character and significance of the Bolivarian Revolution, and its potential construction of an alternative to the neo-liberal model of development and capitalism in general.

CHAPTER 3

THE SOCIO-POLITICAL TRAJECTORY (1935 – 1989)

The fall of the Gomez dictatorship in 1935 signaled the start of important socio-political and economic transformations in Venezuela. This momentous event occurred in the context of the historic conjuncture that saw the entire world gripped by the most severe economic crisis of modern times. The Great Depression witnessed the breakdown of the entire global financial and trading system. Moreover, it signaled the collapse of the gold standard, which according to Polanyi was the “linchpin of the ‘self-regulating’ market” (Makki 2004:152). Among the political-economic consequences of this was the rise of new interventionist policies on the part of governments worldwide as part of the new development paradigm. More importantly, it was the beginning of yet another phase of the broader, ongoing historical process of capitalist accumulation of capital.

For Latin America, this meant the rise to power of populist coalitions of nationalists and industrialists (Makki, 2004), and also the adoption and popularizing of import substitution industrialization (ISI) development strategies to deal with the region’s problem of exhausted reserves that a collapsed export sector and continued imports had produced. Thus, the post-WWII emergence of the developmentalist framework and Venezuela’s own experience with this model will be analyzed following an examination of the post-Gomez ‘modernizing’ efforts. An overview will be provided of the *treino* period and subsequent Perez Jimenez era, both of which helped to create the initial foundations for Venezuela’s eventual comprehensive developmentalist efforts following the end of the dictatorship. After an examination of the solidification of the rentier state in Venezuela, we look at the Import Substitution Industrial (ISI) strategy in Venezuela. Finally we explain the eventual

establishment and consolidation of Venezuela's long lasting liberal bourgeois system of governance following the ousting of the country's military regime, which signaled the definite triumph of a liberal capitalist regime in the country. Overall, this chapter seeks to illuminate the country's socio-political trajectory with the purpose of providing the basis for a more thorough analysis of the origins and ascendance of the Bolivarian Revolution as an attempt of social transformation in Venezuela.

A Political Opening

The situating of Venezuela's transition from dictatorial rule to civilian rule in the context of the international depression of the 1930's facilitates the examination of the country's overall socio-political transformations. This period coincides with the growing influence of the Venezuelan bourgeoisie and the further decline of the agrarian oligarchy (Ellner, 1984). Following the economic crisis of the thirties local dominant classes had increased their share in the oil surplus. This surplus was then used to finance productive processes such as subsidizing the country's declining pre-capitalist agriculture, and promoting capitalist agriculture and the nascent industrial sector (Perez Sainz & Zarembka, 1979). The post-Gomez era included the implementation of the state's first development plans during the Contreras (1936-1941) regime, and the landmark revision of the petroleum laws by Medina Angarita (1941-1945), both of which led to further changes in the country.

It is interesting to note that later regimes ironically tried relegating the Gomez tyranny to the 'backward' age of Venezuela's past, allowing them to "fashion themselves as the deputies of modernity," and thus also permitted the obscuring of "their foundations in the Gomez regime, their shared dependence on the oil economy, and their extraordinary personalization of state power" (Coronil, 1997: p.3). This attempt by later governments to distance themselves from the past by redefining the

Gomez regime as, “a backward dictatorship that stood in opposition to Venezuela’s civilizing democracy,” is troublesome since it ignores the fact that the period of the 'traditional' Gomez regime actually made it possible to, "imagine Venezuela as a modern oil nation, to identify the ruler with the state, and to construe the state as the agent of modernization" (Coronil, 1997: p.3).

While Gomez’s death left a leadership vacuum in the country that was quickly filled by other military leaders, it did however also begin a slow process of transferring power from the military to civilians. Besides initiating the beginnings of a process of modernization and industrialization in the country, this transition also led to the emergence of a political opening that saw new political institutions and parties develop. During his 27 year rule Gomez had been able to effectively and ruthlessly control and almost entirely eliminate his opposition. The two governments that ruled Venezuela for the decade following Gomez’s death were led by General Lopez Contreras (1935-1941) and General Isaias Medina Angarita (1941-1945), both personal friends of Gomez and loyal followers of his traditional attitudes and values (Ellner, 1993). Although they both promoted the idea of democratic liberties and modernization, they failed to “open regular channels of participation for organized labor,” and consequently “forced many labor leaders to conceal their political commitments and pretend to be apolitical in accordance with the legal requirement” (Ellner 1993: p. 1).

Yet despite this, they did allow for the first time in Venezuela the opening up of space for, and legalization of political organizations and socially indoctrinated and structured political parties, many of which had already been organizing clandestinely. Many of the prominent leaders of these organizations had belonged to the *Generacion de 28* in Venezuela, which had carried out street protests against the Gomez regime (Ellner, 1984). A variety of new social forces began to emerge, one of the most

importantly of which was the PDN *Partido Democratico Nacional*, itself the result of a fusion of various leftist groups. This new social force would later evolve into the *Accion Democratica (AD)*, a party that viewed itself as leftist, nationalist, populist, multiclass, and anti-imperialist, and that sought to carry out the dictates of social democracy (Elner, 1984).

AD, however, would from its inception distance itself from the emerging Venezuelan Communist movement and subsequent *Partido Comunista de Venezuela* (PCV). The entering of the PCV into the country's political scene during this time was significant. The PCV had its organizational foundations in the *Partido Revolucionario Venezolano* (PRV), which had been founded in Mexico in 1926 (Tarver and Frederick, 2005). In fact, among the leaders of this nascent communist movement were the revolutionary Salvador de la Plaza (1896-1970) and Gustavo Machado (1898-1983). Although already active in the international communist movement for some years, the PCV had been banned in Venezuela since its inception. Taking advantage of the narrow political opening that emerged following Gomez's death, the leaders of the communist movement decided to return to Venezuela and proceeded to clandestinely build up their organization under the name *Partido Republicano Progresista*, until finally being legalized by the Medina Angarita presidency in 1941 (Tarver and Frederick, 2005).

Another key new development that occurred as a consequence of the political opening in Venezuela was the rise of the labor movement. Just one year after Gomez's death the Labor Law of 1936 was instituted, thereby legalizing unions for the first time in the country (Ellner, 1993). The period in between the Gomez tyranny and the installation of Perez Jimenez dictatorship served as the formative years for the Venezuela labor movement. From early on it was clear that the oil workers played the major role in the development of the country's labor movement, despite their

numerical weakness. The influence that it exerted on organized labor stemmed largely from its famous strike of 1936 in which it galvanized anti-imperialist, nationalist sentiment and caused the isolation of oil companies (Ellner, 1993). Yet, despite the opening of the political arena during this era, labor leaders were targeted and persecuted in the years immediately after 1936, and even more so during the military dictatorship of Perez Jimenez (1948-1958) where many of them were imprisoned and exiled.

One of the important distinguishing features of the Venezuelan labor movement that greatly determined its future trajectory was the close tie that existed between unions and political parties in the country. Initially, the radical PCV had been the leading force within the newly emerging labor movement. However, AD was able to slowly grow its presence in the movement over the years to the point of gaining control of it by 1944-45 (Ellner, 1993). This shift away from the more leftist and militant ideology of the PCV and towards a liberal reformist outlook led to the splintering of the labor movement and would have serious implications for the future path of the working-class movement in Venezuela.

As Ellner (1993) observes, AD represented the ideal typical Latin American populist party, “in that it defended a radical program of income redistribution, its long-term goals were not clearly defined, and it based its popular appeal to a considerable degree on the charismatic qualities of its *jefe maximo*, Romulo Betancourt” (p.1). This well-funded political machine known as AD, inspired by democratic centralism and seeking to “carry out the dictates of social democracy,” finally achieved its self-professed goal of leading the masses with its successful *golpe de estado* in 1945 that ushered in the three year *treino*, as this period came to be called (Tarver and Frederick 2005: p.88).

The Treino (1945-1948)

The civilian-military coup of 1945 that placed AD as the main political force in Venezuela was largely the result of a high level of impatience on the part of AD at the relative slowness of the liberalization and modernization processes in the country (Ellner, 1993). However, it also stemmed from the fact that AD had suffered a crushing defeat in the recent Caracas municipal elections of 1944 in which an alliance between opposition groups (that included the Venezuelan communists) had successfully won (Tarver and Frederick, 2005). This huge setback for AD made its leadership come to the realization that it would not be able to gain state power through the electoral process, and instead would have to rely on extrajudicial methods to attain their objective.

In a historic move, a clandestine group of discontented junior officers created an organization known as the *Union Patriótica Militar* (UPM), or Patriotic Military Union. These officers, frustrated at the sluggish pace of modernization and advancement within the military service, and at the lack of professionalism on the part of military officers in the senior ranks, decided to join forces with AD in the *golpe de estado* (Tarver and Frederick, 2005). The result was the taking of power and the setting up of the *Junta Revolucionaria de Gobierno*, or Revolutionary Government *Junta*, that was presided over by AD's leader, Romulo Betancourt. This was a civilian-military alliance in the strict sense of the term, since the new governing body included both a civilian-led government and an armed forces controlled by the UPM.

Significant political changes occurred from the start of the coup until its collapse in November of 1948. Most importantly, democracy in Venezuelan political life was said to have been institutionalized for the first time as universal, direct, and secret voting was finally implemented (Tarver and Frederick, 2005). During this time period, AD was able to further consolidate its power by its increased support among

the popular sectors, and obtainment of complete control over working-class, peasant, and student movements in the country (Ellner, 1993). The immense size of its following led to intense interparty conflicts as AD's exceedingly high self-confidence allowed it to isolate opposition parties to its left, like the PCV, and to the right, such as the *Comite de Organizacion Politica Electoral Independiente*, or COPEI (Ellner, 1993).

COPEI was in fact a newly created right-of-center Christian democratic political party that was formed during this reform period of the *treino*. This party, which would come to represent one of the nation's largest political forces, was founded in 1946 by the future president, Rafael Caldera. Another political party that emerged during this era and that would come to play a significant role in the nation's political arena was the left-of-center *Union Republicana Democratica* (URD). Along with the creation of these new political parties also came the organization of labor into the *Confederacion de Trabajadores de Venezuela* CTV (Confederation of Venezuelan Workers), which as will later be shown, was historically dominated by AD. The promotion of unionization and creation of new labor unions was another strategy on the part of AD to build its base of support, especially due to its acknowledgement of labor as an important source of its power and legitimization (Tarver and Frederick, 2005).

Other developments that occurred during AD rule included increased industrialization plans, implementation of laws that reinforced the modernization process, agrarian reform, organization of political parties, and changes to the military forces. As will be demonstrated in the next section, the agreement reached by the government and the petroleum companies to give the state a larger share of the oil revenues provided the necessary capital for an early industrialization process to begin. The government began a program of land redistribution to reduce the high levels of

insecurity that peasants faced, but also to co-opt the *campesino* movement, which organized itself into the *Federacion Campesina de Venezuela* FCV (Peasant Federation of Venezuela) in 1947. By giving members of the FCV some limited roles in the nation's decision-making and granting them 10 percent representation within the CTV labor federation, AD was able to further pacify the country's peasant forces and reduce tension between peasants and large landowners (Ellner, 1993). The rhetoric and program of the FCV, however, differed from that of AD, and its leadership even threatened civil disobedience and violence should agrarian reform be blocked.

Of the new developments in the country it was the changes to the military structure that would cause the most serious difficulties for AD. The reform of the armed forces would prove to be a roadblock in AD's quest to gain absolute control of the country. There still remained hostility and resentment among sectors of the military at the 1945 coup d'etat. There also existed significant differences among various elements in the military, particularly between "the generation of military academy-trained officials (with solid technical and professional backgrounds) and the old guard officers, especially the *tachirenses* [from the state of Tachira], who had risen through the ranks under Gomez" (Tarver and Frederick 2005: p. 92). Despite carrying out and winning the nation's first universal democratic presidential elections in December 1947, AD was unable to avoid the military coup against its government on November 24, 1948. This momentous event would signal the start of a decade-long military rule that would reverse several democratic advancements and reforms made during the *treino* period, while simultaneously continuing to promote Venezuela's early efforts at modernization and national development, albeit haphazardly.

Perez Jimenez Dictatorship (1948-1958)

Before the start of Venezuela's so-called exceptionalism era, in which the

country remained relatively free of severe political and military conflict, Venezuelans first had to endure a repressive military dictatorship that ruled with an iron fist from 1948 to 1958. In the fraudulent elections of 1952, General Marcos Perez Jimenez was elected president. The first couple of years of military rule were particularly turbulent. According to most analysts of Venezuelan history, the Perez Jimenez era saw the banning on trade unions and disbandment of the labor federation (CTV) following its call for a strike, repression and torture of all opposition groups, censorship of the press, shutting down of universities, selling out to foreign interests, and lack of economic progress (Ellner, 1995).

However, revisionists who have focused on the state-run industrial policy during this era have argued that in fact there were a series of ambitious development projects in steel and hydroelectric power. Moreover, they point to the success of the Perez Jimenez regime in the building of infrastructure, and development of plans for a national railroad system and aluminum and atomic energy (Ellner, 1995). These arguments refute the common simplistic view of an infamous Perez Jimenez dictatorship. The overall assessment of the dictatorship therefore needs to take into account both its ruthlessness with regard to its treatment of political opposition, but also the impressive mass public works projects that it carried out. One fact that is not generally disputed is that Venezuela's industrial sector stagnated from 1948 to 1958 due to Perez Jimenez's favoring of "commerce and construction over manufacturing activity, financial and commercial capital over industrial capital, and luxury goods over the traditional industrial sector (Ellner 1995: p. 105). Yet, as will later be explained, Venezuela's first phase of 'easy' industrialization (1950-1957) did in fact take place during the Perez Jimenez period in which interventionist state policies were implemented.

Interestingly, despite ruthlessly suppressing all of the political opposition while

in power, Perez Jimenez was awarded the U.S. Legion of Merit by the United States (Ewell, 1977). Intensely active and politically inspired civilian-military protests and mobilizations, organized by the popular Patriotic Front of 1958, helped to pave the road towards the eventual overthrow of the dictatorship on January 23, 1958 (Gott, 2006). To many, the end of the Perez Jimenez regime signified the start of a long period of democracy in Venezuela. Yet this popular claim downplays the exclusiveness of the two-party political system known as *puntofijismo* that was subsequently created and that would help to maintain four decades of liberal bourgeois democracy in Venezuela.

Prior to analyzing the *puntofijismo* period, during which the interventionist Venezuela state was consolidated for the implementation of a national development strategy, we first turn to an examination of the developmentalist framework. The analysis of the Venezuela's political trajectory, therefore, must take into account the broader historical conjuncture that saw the end of WWII and the ushering in of a new phase of capitalist accumulation that was based on the school of thought known as developmentalism, whose principal focus was the notion of national development and economic growth by way of an interventionist welfare state.

The Developmentalist Paradigm and Modernization Theory

The Second World War is appropriately referred to as a watershed that sharply shifted global power in favor of the United States. While the U.S. had long been the leading power in the Western Hemisphere and had maintained the strongest economy in the world prior to WWII, it had also remained a distant third behind England and France as a global player in world affairs (Chomsky, 1997). Following WWII, however, the United States' main European industrial rivals were either severely weakened or decimated by the war. Profiting enormously from the post-war

rebuilding efforts in Europe, the U.S. was able to gain overwhelming control over the new world order. As Chomsky (1997) poignantly notes, “The people who determine American policy were well aware that the U.S. would emerge from WWII as the first global power in history, and during and after the war they were carefully planning how to shape the postwar world” (p.7). This intentional plan for global domination on the part of American planners resulted in the possession of over half of the world’s wealth, incomparable military might, quadrupling of industrial production, and brutal intolerance toward any efforts by other countries to exercise sovereignty (Chomsky, 1997).

Furthermore, the post WWII period, which witnessed the birth of the Cold War, the process of decolonization, and the emergence of a challenge to the dominant *laissez-faire* capitalist economic order, produced a conceptual shift in the relationship between the state and economy. Since the global depression of the 1930’s politicians and economists alike had begun acknowledging that “the pure logic of the market could no longer be relied on to ensure stability and growth,” (Makki 2004: p.153). There was also a growing shift towards the notion of the economy as “a self-contained and internally dynamic totality, separate from other economies and subject to state intervention” (Makki 2004: p.153). Influential thinkers like John Maynard Keynes began calling for intervention on the part of states through macroeconomic policy instruments to deal with the inability of the market to correct itself. The result of this was the replacement of the logic of the market and its abstraction with the notion of an integrated global economic system comprised of nation-states and requiring state intervention for the promotion of economic stability and growth. This new state-economy framework would take on several different manifestations including Leninist, Keynesian, and fascist forms (Makki, 2004).

The proliferation of these new ideas, especially those of influential economists

like Keynes, constituted the first formulations of what in the 1950's came to be known as 'development theory' (Leys, 1996). The basic motive behind this nascent theoretical work was to find ways to transform and increase the productivity of the colonial economies (Leys, 1996). In other words, faced with the decolonization of their former colonies, European powers sought to restructure their economies in such ways as to create new strategies for their continued accumulation of capital. It is surprising, as Leys (1996) notes, how little this new theoretical paradigm drew from the body of theory about development that already existed since the advent of capitalism, particularly in the work of Hegel and Marx (Leys 1996).

In fact, modernization theory, which was based on the assumption that countries develop from traditional to modern in a unilinear fashion, grew out of socio-cultural evolutionist theories. Later, sociologists and political scientists working for U.S. government research and teaching programs that sought to advance the role of the U.S. as a superpower would go on to construct the discourse of the theory (Leys, 1996). It basically maintained that Third World countries were simply behind, or in the earlier stages of development, and that they would eventually progress and reach the levels of development of the Western world.

As elsewhere, modernization theory was popularized during the 1950's and 60's in Latin America, where poverty ran rampant and demands for change flourished. The next sections demonstrate the growing impact of development and modernization theory on Venezuela in the post-Gomez 'modernizing' period, which witnessed the beginnings of the crystallization of a bureaucratic state apparatus and its increased intervention in the economy, as well as the start of an industrialization process and the eventual embrace of protectionist policies. Appropriately, we first provide an examination of the solidification of the Venezuelan rentier state, the basis of the developmentalist project in Venezuela. It will be demonstrated that while initial

efforts at national development and modernization were made in Venezuela by both the revolutionary junta that took control of Venezuela from 1945-1948, and the Perez Jimenez regime (1948-1958), it was the Venezuelan governments that succeeded the dictatorship which actually put into gear a comprehensive and sustained process of interventionist-led national development and modernization.

Venezuela as a Rentier State

The previous discussion on the period from the end of the Gomez tyranny (1935) to the ousting of the Perez Jimenez (1958) dictatorship is fundamentally crucial to understanding the rest of Venezuela's historical trajectory. Yet, this analysis would be incomplete without further incorporating the significance and impact of petroleum on the social reality of Venezuela. In order to comprehend the particular form of realization of the development project in Venezuela, we now continue the examination commenced in an earlier section on the formation and solidification of the Venezuelan rentier state, a quintessential reality that would forever change the socio-political trajectory of the country.

As we previously noted, the radical transformation of the country's economic structure from one that was based on agriculture to one dominated by the export of oil greatly altered the social structure and political dynamics of Venezuela. The weakening of the traditional landowning class that had begun with the independence struggles of the colonial elites, progressed with the civil wars and *caudillo* battles of the 19th century and intensified during to the Gomez regime, was complete by the early twentieth century due to the drastic marginalization of agriculture following the discovery of oil. The dominance of oil also impeded the growth of a strong domestic industry. The effect of this was that it prevented the development of a strong entrepreneurial class to replace the landed elite, therefore concentrating the reigns of

political power in the state and into the hands of whoever controlled it (Wilpert, 2007). We've also seen that the exclusivity of the oil industry and slow industrialization process created both a weak peasantry and working-class as the majority of Venezuelans were forced into various forms of precarious wage labor employment. It is important to also include in this analysis the contribution of the incredibly rapid urbanization process in Venezuela following the oil bonanza, which provided yet another impediment to the creation of a strong landed elite and organized peasant movement.

Up to now, however, we have only analyzed the first period (1920-1945) of simple growth of the oil industry. We saw that despite producing the majority of the country's wealth, the oil industry was able to only absorb a tiny fraction of the entire working-class. Moreover, it was demonstrated that the Venezuelan state was prevented from receiving the benefits of its own patrimony due to the dominance of the foreign oil companies. These companies not only had few regulations to abide by, but were also granted many concessions that allowed them to dictate their own terms. For example, they demanded and received the paying of lower taxes and the ability to build private road networks for their use only (Rosberry 1993).

Now we delve into the second period in the growth of the petroleum industry, which Roseberry (1983) characterizes as one of diversification and development. This post-1945 period saw great changes take place in Venezuela, most importantly of which was the increased complexity of the state bureaucracy and the swelling of the public treasury. This process had been initiated with the momentous passing of the 1943 Hydrocarbons Act in Venezuela that increased the state's share of the total oil profits to 16.66 percent and eventually to 50 percent by 1948, thus tying the state's revenues tightly to the extraction of oil. In fact, the state's revenues from and intervention of the petroleum industry, had both been relatively low prior to the

enactment of this legislation. As late as 1940 the share of surplus profits (ground rent) that the Venezuelan state retained was lower than 20 percent (Ellner, 1984).

Afterwards, the state's increasing share would allow it to *sembrar petróleo*, or sow the oil.

The tremendous expansion and bureaucratization of the state and its capital led to huge public expenditures on public works, direct financing of investment, and the enlargement of the internal market (Perez Sainz & Zarembka, 1979). Moreover, it allowed the expansion of government intervention in the economy through the creation of institutions that increased the state's control over economic decisions. This allowed it to embark on an economic growth strategy that helped to diversify the agricultural sector and set up the infrastructure that was needed for the intensification of the industrialization process (Llambi, 1989). New government institutions like the *Corporación Venezolana de Fomento* CVF (Venezuelan Development Corporation) allowed the state to invest heavily in industry and agriculture, while the *Instituto Agrario Nacional*, IAN (National Agrarian Institute) was put in charge of administering the agrarian reform that had been approved during the *treino* years.

Additionally, the expanding government payroll led to increased employment in the public sector, and thus the creation of a new middle class. Out of this complex state bureaucracy also emerged a new group of merchants that imported consumer goods for the nascent middle-class (Roseberry, 1983). Equally important, the abundance of state funds permitted the construction of highways and the expansion of transportation. These new developments combined attracted many more Venezuelans to the country's urban areas, accelerating the already massive shift of the country's population distribution from rural to urban. Following the post-WWII oil boom the movement of people into the cities accelerated tremendously, so that the once urbanization rate of 7 percent in 1920 skyrocketed to 32 percent by 1950, and to 60

percent two decades later (Gall, 1973).

The increased demand for agricultural foodstuffs and raw materials that this new phenomenon created, however, was not easily satisfied by the country's agricultural sector. As Wilpert (2007) notes, this was caused by a sort of 'Dutch Disease' in which one sector of the economy grows extremely fast in comparison with others, leading to various complications in these other sectors. In Venezuela, this meant the rapid rise of the oil industry and the inability of both domestic industry and the agricultural sector to meet the increasing demand for consumer goods. This resulted in the necessity of the country to import industrial and agricultural goods, and in fact, become the second most urbanized country in Latin America and its only net food importer (Wilpert, 2007). The increasing dominance of the extractive oil industry and the government's appropriation of its profits for national revenue thus solidified the rentier state in Venezuela, provided the basis for the developmentalist strategy in Venezuela, and led to the implementation of the interventionist ISI policies that had become so popular throughout Latin America.

The Adoption of Import Substitution Industrialization (ISI)

The global economic crisis of the 1930's had devastated most economies of Latin American due to the inability of these nations to export their goods to the world's shrinking markets. The drastic cut in export earnings further weakened the traditionally powerful exporting elites, therefore creating a political vacuum in which the ability of a social class to exercise political hegemony was absent. This in turn supported the political viability of strong state power, and enabled the government to become the principal actor in maintaining social order (Weaver, 2000). Despite reduced export revenues and shortage of credit Latin American countries continued to import heavily, causing further economic imbalances including the exhaustion of these

countries' reserves and the devaluation of their currencies. In response, the external export-dependent model of growth that had dominated for the past decades was put into question.

In its place was established an internal model of import substitution industrialization that allowed Latin American countries to substitute imported finished goods with locally produced substitute in order to develop the domestic manufacturing industry. That is, due to the increased cost of imported goods and various other economic difficulties, Latin American nations set off on a strong national program and ISI process that set up protective barriers to trade and was initially limited to the implementation of import tariffs to protect local industry. This led to the 'Golden Era' in Latin America from the 1930s to the 1960s, which was identified with nationalist and populist governments that carried out strong state interventionist policies with mass popular support. The next sections analyze the specific nature, importance, and outcome of ISI strategies in Venezuela and Latin America in general.

While the initiation of ISI in other Latin American countries was a direct result of the crisis of the balance of payments and the "subsequent relative disarticulation [of these economies] from the process of accumulation at the world scale," this was not the case in Venezuela thanks to its oil enclave (Perez Sainz and Zarembka, 1979: p.24). As we have seen, the consolidation of the oil enclave as the basis of the accumulation process in Venezuela conditioned the emergence of the country's industrial branch through the crisis in pre-capitalist agriculture, increase in state expenditures on public works from growing oil revenues, and enlargement of the internal market (Perez Sainz and Zarembka, 1979). Thus the increased local share of the oil surplus in the 1930's had neutralized the effects of the economic crisis that gripped the world, and "avoided the necessity of a process of import substitution" in Venezuela (Perez Sainz & Zarembka, 1979: p.24). Prior to the 1940's the country's

industrialization processes were nearly nonexistent, or very minimal. On the whole, they were characterized as petty commodity in nature and consisted of a low level of productivity. The most important sector was the food branch, which represented 54% of the total absorbed labor, followed by textiles and leather (Perez Sainz and Zarembka, 1979).

It was not until Venezuela suffered a brief interruption of its imports during WWII that an initial and brief attempt at ISI based on consumption commodities began in the country. The decreased flow of imported capital and intermediate goods led to an increase in production and a shift towards labor-intensive techniques, resulting in the expansion of the absorbed labor (Carrillo Batalla, 1962; in Perez Sainz and Zarembka, 1979). This transition period, however, was short-lived since through its oil revenues Venezuela was able to resume its pre-bellum import flow following the end of the war, thereby also signaling the end of this early attempt at the formation of a national capital in the country. In Venezuela, the ISI process would truly commence only after the completion of WWII. This contrasted with most other Latin American nations that had begun long-term processes of ISI during the interwar period as a result of the weakening of ties between them, as peripheral social formations, and the center. These processes had subsequently allowed for the creation of (peripheral) national bourgeoisies in other Latin American countries.

Yet unlike in these other Latin American nations, a national bourgeoisie would not emerge in Venezuela in the 1940's (Perez Sainz & Zarembka, 1979). Thus, as Perez Sainz & Zarembka (1979) point out, "the dominant contradiction between the national bourgeoisie and its possible allies against foreign capital" (p.23) failed to materialize in Venezuela during the first phase of ISI, as it had throughout most of the region. In fact, the Venezuelan bourgeoisie had shared a cordial existence with foreign capital from the start of the country's industrialization. This prevented the

need that was found in other Latin American nations of a ‘denationalization’ process, whereby center-periphery relationships are redefined to break the domination of foreign capital and to allow (peripheral) national bourgeoisies to become associated bourgeoisies with those of the center (Perez Sainz & Zarembka, 1979).

The construction of an industrial branch of the capitalist mode of production in Venezuela finally took off, albeit haphazardly, in the years following the completion of the Second World War. That is, the post-war period allowed for the establishment of a sufficiently broad internal market in Venezuela that enabled the commencement of the industrialization process and adoption of a long-term ISI economic strategy in the country. Perez Sainz & Zarembka (1979) argue that during this first phase of ‘easy’ industrialization from 1950-1957 the expansion of import substitution of consumer goods was greatly restricted due to the limitations of the 1939 Treaty of Commercial Reciprocity between Venezuela and the United States that placed tariff limits on roughly 200 products. While pressure from local capital in the industrial branch forced amendments to this treaty in 1952 the revisions still only allowed only a precarious ISI process based on quantitative restrictions (Maza Zavala, 1969; in Perez Sainz & Zarembka 1979).

The volume and orientation of public investment changed drastically during this first industrialization stage as public investment gradually increased, particularly in the industries linked to construction. In contrast to the usual first stage of ISI processes that focused on light consumer goods the accumulation process in Venezuela shifted more rapidly towards intermediate goods branches (Araujo, 1964: 13; Carroll Batalla, 1962; Perez Sainz & Zarembka 1979). The need for skilled labor to meet the capital-intensive techniques of these industries, and its absence locally, meant a sharp increase in migration to Venezuela during the 1950’s. Overall only a few industries were able to complete import substitution, including biscuits by 1955

and beer in 1956. These protectionist policies under the Perez Jimenez regime also greatly increased the production of wood, rubber tires, assembled vehicles, and especially cement, which experienced a dramatic fall in imports from 82 percent in 1938 to just 1 percent in 1956 (Perez Sainz & Zarembka 1979). While the rubber tire and assembled vehicle industries were owned by foreign capital, the beer and cement industries remained under the control of the rising local monopoly capitalist class.

The second more advanced phase of industrialization in Venezuela (1958-1973) coincided with the fall of the Perez Jimenez dictatorship and the establishment of the country's liberal bourgeois state, and was geared towards intermediate branches (food processing, textiles, pharmaceuticals, tires, glass, and cement, iron, steel, ceramics, and transportation equipment). During this period the Venezuelan state created a framework for a consistent ISI strategy that consisted of both an unusual tariff structure and licensing. While tariffs did help to protect against external commodities the average tariff surcharge of 21.6 percent was rather low, with high tariffs only being applied to products that accounted for less than 5 percent of total imports (CORDIPLAN, 1968: 164; in Perez Sainz & Zarembka 1979). Overall, tariffs tended to most affect non-durable consumer goods, while minimally affecting durable consumer goods, capital goods, and raw materials.

As Perez Sainz & Zarembka (1979) note, the main instrument of Venezuela's own ISI strategy was the granting of licensing protection to firms whose investment exceeded 100,000 bolivares. These firms applied to the Ministry of Development and were then chosen according to three criteria: "potential absorption by the internal market;" "use of domestic inputs;" and "the impact on employment, price level, and value added" (Perez Sainz & Zarembka 1979: p.10). These criteria were also applied to the two other principal mechanisms of state intervention in industrial development, duty exemptions for imported machinery and raw materials, and access to public

financing. This licensing framework was applied to numerous commodities, including “food products, manufactured goods classified according to materials, machinery and transportation equipment, and various manufactured goods” (Perez Sainz & Zarembka 1979: p. 11).

The goal of this ISI process was to change the composition of imports, so that instead of importing finished goods Venezuela would now import the technology to make these goods itself, thus also creating backward linkages in the form of state subsidies for local producers and suppliers. By the 1960’s this ISI process had shown clear signs of success such as the displacement of food and other consumer good imports by raw material imports, and the increase to nearly half of total imports of “machinery, tools, construction materials, and transportation equipment,” thus “showing the external reproduction of the process” (Banco Central de Venezuela, 1969, 1970; in Perez Sainz & Zarembka 1979: p. 11). Additionally, there were significant changes to the internal market of the country, as the state’s importance in the internal circulation process diminished. That is, the discrimination that existed against local capital during the Perez Jimenez dictatorship was replaced by a form of state intervention that fostered and promoted the industrialization process and capital as a whole (Perez Sainz & Zarembka 1979). Moreover, the incorporation of previously excluded groups in the industrial process and subsequent expansion of the internal market allowed for the emergence of a certain redistribution process that included among other things, wage increases, an emergency program to increase labor power absorption, and agrarian reform.

The development of Venezuela’s ISI process continued so that by 1970, as Perez Sainz & Zarembka (1979) explain, several industries had completed import substitution, including “food processing, tobacco, textiles, pharmaceuticals, tires, glass and cement; some possibilities remained in beverages, ceramics, iron and steel, metal

products and parts for transportation equipment; and substantial import-substitution possibilities remained in paper and pulp, chemicals (including artificial fibers), aluminum and equipment (p.12). Stemming from the country's industrialization process were other important developments such as the already mentioned wage increases, and the expansion of employment, particularly in the food, textiles, and clothing industries. Whereas local capital was dominant in the smaller competitive branches of leather, footwear, wood, furniture, printing and publishing, and metallic products, the larger-scale production was in the hands of foreign capital. That is, foreign capital's influence (especially that of the United States) continually increased, so much so that it became dominant in various large-scale industries like food, textiles, rubber, transportation equipment, food processing, and aluminum. By the 1970's foreign capital had come to dominate Venezuelan industrialization as it did in most other Latin American countries, thereby establishing new forms of exploitation and imperialism that will later be discussed.

Overall, it can be said that the uniqueness of Venezuela's ISI strategy was the rapid speed at which it developed from initial to later stages, and its relatively short duration in comparison to the other Latin American experiences. To its great advantage, the availability of capital from the oil export revenues meant that Venezuela did not suffer the constraints on raw materials and capital good imports faced by other Latin American countries. Thus the ISI process in Venezuela was able to proceed rapidly first through a precarious period from 1950-1957, and then through a more advanced second stage from 1958-1973, allowing the completion of import substitution in several industries. However, though many branches were able to complete import substitution, only the exporting of sophisticated foods and cement was successful (Perez Sainz & Zarembka 1979). This, combined with ever present oil revenues, meant that the accumulation process would continue to depend heavily on

the country's extraction and export of petroleum.

Among the difficulties that the social formations of the periphery experienced was their technological dependency on the industrialized core countries in the world-system that controlled the knowledge of the production processes (Perez Sainz & Zarembka 1979). The dependency and vulnerability of ISI production on imported inputs such as intermediate goods, technology, capital equipment, and raw materials was especially troubling for Latin American nations. Thus, for example, Venezuela's high level (48.8 percent) of imports in electrical and non-electrical machinery and transportation equipment (Perez Sainz & Zarembka 1979 p.16).

Another problem that existed with Latin America's ISI strategy was the tension that it created between the urban and rural populations. The new urban constituencies were able to receive concessions from the government in the form of increased rights and benefits, while excluding rural workers. For example, the urban areas were able to enjoy depressed food prices causing much resentment and anger among the rural populations. Additionally, the rural sector was taxed and squeezed for export earnings that were then transferred in the form of government expenditures into the cities. This undoubtedly favored the urban constituencies and signified a power shift from rural export interests to urban constituencies which allied themselves with the discontented working-class and its labor unions, thus also intensifying the friction between rural and urban. A consequence of this urban bias was increased migration of people to the cities from the countryside, resulting in increased levels of poverty and informality around cities in Latin America.

An additional shortcoming of ISI in Latin America was the failure of governments to make land reform and modernization of the agricultural sector a priority. Instead, emphasis was placed on the development of cities, while rural areas stagnated. Failure to properly deal with the land question and enact real agrarian

reform would contribute heavily to the social discontent and popular uprisings in the region, which will be examined in an upcoming section.

Many of the above mentioned contradictions and difficulties of the ISI process in Latin America emerged in the 1960's and intensified in the 1970's. For Latin America, the uncompetitiveness of its industries in the world market, inability of its nations to integrate regionally, lack of structural reforms to redistribute land and wealth, increasing inflationary pressures, and growing dominance of foreign capital, all contributed to the dismantling and abandonment of the ISI strategy and to the rise of political unrest and military dictatorships in the region. The oil shock of 1973 signaled a devastating blow to the import-dependent ISI strategy of Latin America countries, since the increased fuel costs greatly limited the capacity of these nations to import. This external shock led to hyperinflation and increased foreign debt for Latin American economies, as governments desperately printed and borrowed money to sustain their economies.

Globally, economic stagnation began taking grip as the postwar expansionary growth period came to a screeching halt in the early 1970's. These new set of events unleashed important political and social changes throughout the Third World. The economic deterioration of Third World nations had its greatest impact on the most vulnerable sectors of the population, sending millions more into poverty. The unequal societies of the Third World began to experience increasing levels of working-class and peasant unrest, as structural reforms to an unjust system remained just a false promise. As we will see in a later section, the demise of the developmentalist framework meant the emergence of popular and guerrilla movements throughout the world, and especially in Latin America, to combat the injustices produced by the ruling elites and their exploitative capitalist economic system. In response government repression became the norm throughout much of the Third World, as

military dictatorships came to power in several countries.

Before proceeding with the discussion of the crisis of the developmentalist program, we must first examine the establishment of a liberal bourgeois system of governance in Venezuela. Earlier we saw how the unity of Venezuelan civilians and the military created a powerful Patriotic Front that through mass popular mobilization was able to bring down the Perez Jimenez dictatorship in 1958. This upcoming discussion on *puntofijismo* will allow us to understand the importance of the analysis of Venezuela's historical socio-political dynamics that has been carried out up to now in this study. The combined absence of a landowning oligarchy, and strong working-class and peasant movements, as well as the overwhelming dominance of the oil industry and prosperity of the Venezuelan rentier state had effectively paved the way for the establishment and stability of a liberal bourgeois democracy that would rule Venezuela for the next four decades.

***Puntofijismo* and the Establishment of the Liberal Bourgeois State**

The most popularly accepted notion of post-WWII Venezuela has been its supposed 'exceptionalism' with respect to the rest of Latin America, where numerous military dictatorships reigned from the 1960s through the 1980s. Venezuela is thus credited with avoiding the extreme nationalism present throughout the continent that had nations on the "verge of choosing between military dictatorship and Cuban-style communism" (Ellner and Salas 2005: p.6). The exceptionalism thesis glorifies Venezuela as privileged and not only praises it for remaining, "free of the acute conflict and cleavages that threatened political stability elsewhere," but also for its "healthy and solid" democratic system and political culture (Ellner and Salas (2005): p.7). However, as Ellner and Salas (2005) demonstrate, this view fails to accurately interpret Venezuela's complex history since it ignores the political exclusion of the

left, widespread human rights violations, electoral manipulation, clientalism, and corruption that accompanied the country's pacted democracy after the end of the decade-long Perez Jimenez dictatorship.

Following the popular overthrow of the repressive military dictatorship of Perez Jimenez representatives from the center-right *Comite de Organizacion Politica Electoral Independiente* (COPEI - Social Christian Party of Venezuela), center-left *Accion-Democratica* (AD - Democratic Action Party), and small leftist *Union Republicana Democratica* (URD - Democratic Republican Union) united to sign the undemocratic *Pacto Punto Fijo* (Pact of Punto Fijo) in 1958. The overall goal of the arrangement was to create political stability that could advance the process of capital accumulation through the sharing of power and resources among the signatories of the pact, and the intentional exclusion of all challengers especially of radical leftist groups (Wilpert, 2007). The need to share power with other political parties was something that AD, which was almost sure to be victorious in the upcoming 1959 presidential elections, had painfully been taught to understand and accept. Just ten years earlier a military coup had put an end to AD's overwhelming dominance of all branches of government by deposing its democratically elected president, Romulo Gallegos.

Thus the 1959 election of Romulo Betancourt to the presidency is commonly referred to as the 'return to democracy' in Venezuela. The Betancourt government (1959-1964) was able to implement the policies and achieve the ideal typical form of democracy that was promoted by the United States for Latin America (Alexander 1964: p.319; in Ellner and Salas 2005). This 'father of Venezuelan democracy' who had been the country's president during the *treino* years of 1945-1948, now returned from exile to set up and lead the coalition-style government created by the pre-electoral agreements of the *Punto Fijo* pact (Ellner and Salas, 2005). The significance of this new exclusionary political system was that it essentially limited political

competition to the two dominant political parties, AD and COPEI, while also solidifying a liberal bourgeois form of governance, and ensuring the continuation of the process of capital accumulation. In effect, these two parties would end up sharing and alternating the Venezuelan presidency for the next forty years, in much the same way as the Liberal and Conservative parties in Colombia did from 1958 to 1974 with their two-party National Front accord.

Upon entering office, it quickly became apparent to the Betancourt administration that it had inherited an economy with severe problems caused by the spendthrift regime of Perez Jimenez, including a depleted treasury and an extremely high foreign debt. Despite this, Betancourt was determined to work diligently to fulfill many of his government's promises of modernization and to ensure the continued process of capital accumulation. Like the vast majority of nations around the world at the time Venezuela had been operating under the 'development project' that McMichael (1996) says dominated the globe from the time of its formation in the late 1940s until its demise in the early 1970s. McMichael (1996) characterizes it as a transnational project of national economic growth that through state-managed economic and social policies and an international system of alliances could integrate the entire world.

As was previously discussed, the success of Venezuela's own development strategy was heavily dependent on the oil sector. Betancourt's administration therefore, proceeded with a plan that was based on the concept of rentism whereby a strong interventionist Venezuelan state could use the national income from oil revenues to invest in various social and economic projects, and to support the industrialization and accumulation processes. Since its discovery in Venezuela in the early 20th century, oil had become the most important "product, export, and source of private and public wealth" (Wilpert 2007: p.10). Fortunately for Venezuela's liberal

bourgeois two-party system, oil prices remained relatively stable during the first two decades of *puntofijismo*, thus solidifying the country's oil-based economy and contributing to political stability. In fact, the boom years from 1960-1979 in Venezuela, after the fall of the Marcos Perez Jimenez dictatorship, propelled the country to the top spot among Latin American nations in terms of per-capita GDP (Karl, 1997). However, the source of this economic expansion was principally the global rise in oil prices and not part of a strategic development plan.

As demonstrated earlier, Venezuela was actively pursuing an ISI strategy that substituted previously imported finished goods with locally produced substitutes and promoted industrialization, as was the rest of Latin America during this era. The implementation of this ISI model throughout the continent was largely regarded as the source of the rapid economic growth experienced by Latin American nations. While economists and historians still debate which Venezuelan government deserves credit for the success of ISI in the country, it makes more sense to acknowledge the contribution of all regimes since the early 1940's to this gradual process. What is clear is that in Venezuela support for the ISI model and government intervention in the economy ensured a high level of state legitimacy and popularity of "pro-establishment political leaders" (Ellner and Salas 2005: p.6)

Among the successes typically attributed to the Betancourt government is the crafting of the new 1961 constitution that established the foundations of the new state and respect for modern political, economic, and social principles and rights (Frederick and Tarver, 2005). The administration tackled poverty by initiating a rural land reform program that through the Agrarian Reform Law of 1960 saw the redistributed of land to 150,000 peasant families throughout the countryside (Wilpert, 2007). Yet, most of the land that was distributed came from public land that the state had obtained following the end of the Gomez tyranny in 1935, and not from the expropriation of

large landholdings (Tarver and Frederick, 2005). The new regime also sought to expand decentralized public administration, create new state-run enterprises, and invest in public education, sanitation, and health care.

However, the establishment of this nascent liberal bourgeoisie democracy that the Betancourt presidency effectively gave birth to did not go unchallenged. Although the coalition government formed by Betancourt in 1959 had successfully united the main political parties of Venezuela, distributing cabinet and gubernatorial positions among the members of the alliance, it was not enough to quell the opposition. Several acute challenges put in doubt the survival of the Betancourt government. First of all, the *puntofijismo* coalition that had been established had purposely excluded the Communist Party of Venezuela (PCV), despite the fact that its members had been a leading force in the bringing down of the Perez Jimenez dictatorship. Not only had Communist party members helped to organize street demonstrations and worker strikes, they had also tirelessly broadcast propaganda against the dictatorship through their press and radio stations (Frederick and Traver, 2005). It is thus no wonder why the PCV felt betrayed by Betancourt and subsequently decided to lead the opposition against it. In fact, the early optimism of many on the left, both nationally and regionally, quickly dissipated as the AD-led government consolidated the bourgeoisie liberal state and isolated all left political forces.

In fact, the Betancourt government faced all kinds of problems. On the economic front, Venezuela experienced a downturn in its economy due to the lowering of oil prices that the increased production of oil by the Middle East had created. This in turn led to the Betancourt government adopting a series of austerity measures that particularly hurt the popular classes and created much discontent. These included a devaluation of the *bolivar* of 35.5 percent, decrease in public expenditures, 10 percent cut in the salaries of public employees, and the elimination of the Emergency Plan that

had provided the unemployed with assistance in finding jobs (Ellner, 1993). The growing unemployment rate in the country's major cities, and the government's inability or unwillingness to deal with the problem fueled social tensions even further. The majority of the unemployed were people from the rural areas that had migrated to the cities in search of construction jobs that had become available with the large public works projects of the Perez Jimenez regime. This rural migration and increased industrialization had transformed the working-class in Venezuela, which with the exception the oil industry, had been overwhelmingly artisan just three decades earlier (Ellner, 1993).

On the political front, things were not much better. There was worry and unrest among elements of the military that saw AD's rise to power as threatening because of the possibility of its "penetration of their institution and decision-making authority" (Ellner, 1993). Moreover, the rising discontent of the popular classes was channelled in the form of increasingly belligerent street protests and stepped up efforts by the labor movement to criticize the Betancourt administration. Organized labor had been able to renew its operations in 1959, after having been banned by the dictatorship seven years earlier. The labor confederation, CTV, was once again re-established with AD representing 52 percent of its delegates, 23 percent belonging to the Communist party (PCV), 15 percent to COPEI, and 10 percent to URD (Ellner, 1993).

During the Betancourt years few CTV unions criticized the government for its failure to offer viable solutions to deal with the country's high unemployment rate, and for its passing of a very unpopular series of austerity measures. The more radical elements of the labor federation, the PCV and URD, though supportive of the national unity policy that had allowed for immediate presidential elections, came out in defense of the struggle of the poor and unemployed urban poor against the Betancourt government, causing tensions to flare with the other factions that had close ties to the

nation's oligarchy. It will later be shown that this confrontation within the labor movement between constituencies of the Left and those representing the country's oligarchy would only intensify throughout the years creating further fragmentations and impeding the advancement of the struggle of workers in Venezuela.

Additionally, there was the inspiration of the Cuban Revolution on the country's popular movements, particularly inside the youth wings of the PCV, URD, and AD. In fact, shortly after the successful taking of state power in Cuba, the Cuban leader Fidel Castro, visited Venezuela and guaranteed support for its revolutionary process (not recognizing or anticipating its non-'revolutionary' nature). Yet, Betancourt's hostility towards Cuba and the growing unrest on the part of the Left in Venezuela, caused the URD to abandon the ruling AD coalition. Tension within the AD also led to the creation of other parties, such as the left-leaning *Movimiento Electoral del Pueblo* (MEP) and the self-proclaimed Marxist-Leninist Castroite *Movimiento de Izquierda Revolucionario* or MIR, a "breakaway from AD of its youth contingent" (Ellner, 1986: p.83). According to Ellner (1993) these continuing and intensifying conflicts throughout the nation and within the labor movement, "set the stage for the initiation of the armed struggle in 1962," as the Left escalated its protests in the form of guerrilla warfare (p.16). Thus, the establishment of the Western liberal democratic model in Venezuela would not only be questioned, but would be put in doubt by the forces of the Left.

Armed Struggle and Guerrilla Opposition

The first sign of an insurgent movement in the country surfaced on October 19, 1960, after police arrested the editors of the MIR's newspaper, *Izquierda*, for having put out an editorial promoting 'popular revolution' against the Betancourt government (Tarver and Frederick 2005). Various incidents of civil unrest ensued, including riots

and demonstrations by students and members of the parties of the Left. Eventually, however, these protests were pacified by government forces, forcing the opposition to regroup and formulate a new strategy of resistance. As a result, the membership of the PCV (Communist Party) and MIR united and set forth on a path to overthrow the Betancourt regime. Interestingly, many young activists during these chaotic years had joined the ranks of the PCV, but had failed to fully adopt the party's doctrinal positions (Ellner, 1986). It was precisely this youth wing of the PCV that was most adamant in pushing the party's senior membership to take up the strategy of guerrilla warfare (Ellner, 1986). Yet, although some elements of the alliance favored the strategy of protracted guerrilla warfare, the insurgency instead proceeded with a plan to achieve a rapid victory exclusively through urban insurgency tactics. Only later in 1962 did the revolutionaries alter their position and incorporated a rural guerrilla strategy into their struggle.

According to Douglas Bravo, a Communist Party member and leading guerrilla figure in Venezuela, a principal cause of the uprising was the government's decision to dissolve the Patriotic Front: "the most important organization for the unity and mobilization of the masses" (Pena, 1978: p.46). This civilian-military front that through organized and intense popular street actions had successfully rid Venezuela of the Perez Jimenez dictatorship was effectively destroyed with the signing of the *Punto Fijo* pact and the intentional exclusion and isolation of the PCV and other leftist parties from the political system. The fundamental motive behind these decisions, as Bravo himself points out, was the desire on the part of oil companies and the Betancourt administration to guarantee both the economic interests of the large monopoly corporations and the continuation of the larger accumulation process (Pena, 1978).

Thus, fearing the threat against the traditional parliamentary democratic system

posed by the growing magnitude and radicalism of the popular movement with its active and direct presence in the street, the ruling privileged sectors of Venezuelan society decided to act. By attacking the Left they sought to prevent the communist influence in the state's decision-making apparatuses and to ensure the continuation of the liberal bourgeois form of governance. This strategy of political repression and liquidation of the Left, done in the spirit of U.S. containment of communism, was also responsible for the purging of hundreds of thousands of leftists throughout Latin America through kidnapping, torture, and massacre.

The rise of guerrilla forces in Venezuela in the 1960's, and the creation of the leftist *Movimiento al Socialismo* (MAS) and *Partido Revolucionario Venezolano* (PRV) years later by former guerrilla leaders like Bravo, were a response to the continued corruption and poverty that the liberal bourgeois governments failed to deal with and in many ways helped to cause. Furthermore, the continued disproportionate access to the country's wealth, the lack of structural socioeconomic reforms challenging this form of wealth accumulation, and the increasing isolation of leftist actors in the country were all influences in the decision to take up arms (Pena, 1978). The insurgency sought to fight the inequalities that the intensified process of accumulation produced, whereby a small dominant group of Venezuelans and foreigners profited at the expense of the larger majority of the population. The goal was to take state power and advance towards the creation of a socialist and truly democratic government that would implement and respect policies that corresponded with the needs and interests of the popular masses.

The insurgency, therefore, concentrated its efforts to try to reactivate and strengthen the popular forces and parallel organs of power that had existed in the country when the Popular Front was still active. These had included student, women, civilian-military, and labor union committees and associations that through popular

initiative had flourished throughout the country. Bravo argues that these organs of popular power had been dissolved due to the failure of the popular movements to actively defend them and to push the government to promote popular participation. Moreover, Bravo regards as a mistake and premature the calling of elections in 1958 immediately following the overthrow of Perez Jimenez since it did not give the revolutionary movement the time it needed to strengthen itself and to effectively overcome the remaining right-wing forces (Pena, 1978).

The fragile democracy being constructed by the Betancourt government experienced its most serious challenges in late 1962 as urban insurgency attacks increased. These included the robbing of banks, kidnappings, killing of policemen, bombing of bus stations, setting on fire of oil pipelines, and attack on private property like the Coca-Cola plant in the capital city (Tarver and Frederick, 2005). Uprisings among leftist Venezuelan marines, soldiers, national guardsmen, and civilians also broke out in Carupano and Puerto Cabello. On the rural guerrilla front, the leftist parties of the PCV and MIR joined with elements of the left-of-center URD to form the main two guerrilla organizations, *Fuerzas Armadas de Liberacion Nacional* (FALN) and *Frente de Liberacion Nacional* (FLN) and to promote a socialist agenda that favored the working-class, peasantry, and popular masses in general.

Additionally, the Venezuelan revolutionary forces received military aid and weapons from Cuba, and even traveled to the nation to acquire training in insurgency tactics.

Rebel activity increased even more ahead of the 1963 presidential election with the insurgency engaging in various acts of sabotage against the government forces and guerrilla armies stepping up their attacks against military targets. In response, the Betancourt government drastically intensified its counter-insurgency efforts, ordering military operations, censoring the press, suspending constitutional guarantees, and arresting hundreds of civilians including MIR and PCV party leaders and even

members of Congress. The Venezuelan government was able to deal the revolutionary forces a serious blow on election day as 92 percent of Venezuelans went to the polls and voted in another AD candidate, Raul Leoni, to the presidency, thereby signifying both the survival of the coalition-style bourgeois liberal government and the over inability of the guerrilla opposition to win over the support of the population.

While this was a major setback for the insurgency it did not eliminate the rebel cause or effort. In fact, though its level of activity diminished, the insurgency remained well alive throughout the remainder of the 1960's and into the 1970's, causing some troubles for the next administrations. At one point in 1965, it was estimated that the FALN still had approximately 1,500 militants among its ranks. Eventually, however, a ceasefire was signed during the Caldera presidency (1969-1974) granting the *guerrilleros* a governmental amnesty, and thus allowing their slow reincorporation into the country's mainstream political system.

Overall, however, it can be said that the guerrilla forces had failed to accurately assess the historical conjuncture in Venezuela, in which conditions made armed insurrection extremely difficult. The thought of attempting to overthrow the democratically elected government of Betancourt was simply not something that resonated with majority of Venezuelans at the time. The country had just emerged from a decade of repressive dictatorial rule and was for the first time seeing the possibility of achieving peace; peace that is, with continued hunger, poverty, and injustice, but peace nonetheless. While the working-class had many reasons to be disappointed with the Betancourt administration, it overwhelmingly had decided to support the new regime and not join the insurgency (Hellinger, 1996). This contrasted with other Latin American nations, where around this same period guerrilla and insurgent movements received mass support and thus greatly threatened the ruling political establishments of their countries (i.e Cuba, Bolivia, Nicaragua, El Salvador).

However, many of the ideas and lessons of this guerrilla uprising would remain alive in the hearts and minds of Venezuelans, and as we will see, would reemerge in the country's contemporary revolutionary period.

Further Consolidation of the Venezuelan Liberal Bourgeois Democracy (1964-1988)

With the threat of the guerrilla movement diminished and the government's success in securing the acquiescence of the majority of Venezuelans, the further consolidation of the country's liberal bourgeois democracy was able to proceed. This process included the setting up of mechanisms and institutions such as the parliament and municipalities or legislative assemblies, and the implementation of a wide range of laws, decrees, and regulations that were said to ensure the constitutional protection of individual duties and rights that had been established by the 1961 constitution (Bravo and Melet 1991). The new constitution also expanded and redefined the government's role in national economic development and on behalf of the people of Venezuela, thereby continuing the tradition of a strong central state and executive branch.

Most importantly, however, was the predominance of the party regime that was created by this deepening of the liberal bourgeois model. According to Bravo this caused the spaces permitted for political and social debate to become out of reach to the common Venezuelan citizen, and to be accessible solely through political parties (Bravo and Melet 1991). Thus a growing process was initiated whereby political parties were granted the right to represent the Venezuelan people in parliament, legislative assemblies, unions, and student, peasant, and cultural organizations. Through this process Venezuelan citizens delegated their sovereignty to the country's political parties and these in turn to the central government. This sealed the

establishment of “political-ideological absolutism” and of a subtle totalitarianism disguised in the ideology of democracy, which meant that all of the organs of institutional power were “democratically centralized in the governing super-elite” (Bravo & Melet 1991: p.26).

Furthermore, universal suffrage became the “legitimizing element *par excellence*” of this hegemonic party regime (Bravo & Melet 1991: p.27). Political parties were thus transformed into reinforcing agents of the electoral system, and into the main tools of power. In this sense, not only does the act of voting appear as the all-encompassing symbol of “individual sovereignty and the equality of all before the Law,” but also as “the act of delegating that sovereignty into the hands of the all powerful party structures” (Bravo and Melet, 1991: p.27). As we will see, the adoption of this representative democratic system in Venezuela, whereby the dominant bourgeois political parties act as the sole representatives of the people, would remain in place for nearly four decades until the ushering in of a new participatory democratic model by the Bolivarian Revolution that ensured the broad participation of all Venezuelans in the direction of the country’s political and governance system.

Thus the accomplishments of the Betancourt government’s five year term were quite ambivalent. The unpopular economic austerity policies and isolation of the Left were obvious attacks against the poor and working-class majority, which resulted its further impoverishment. Moreover, the intentional dissolution of the mass coalition movement known as the Patriotic Front by the government prevented the deepening of the democratic spaces that had been conquered by the Venezuelan people in their struggle against the Perez Jimenez dictatorship (Bravo & Melet, 1991). Yet, still many credit the Betancourt government for helping to achieve the country’s first ever successful transfer of power from one constitutionally elected president to another, and thus institutionalizing democracy (Tarver and Frederick, 2005).

The successive presidencies of Raul Leoni (1964-1968) from AD and Rafael Caldera (1969-1974), founding member of COPEI and signatory of the *Punto Fijo* Pact, initiated a series of changes to the oil sector that granted the Venezuelan state more participation and decision-making in the regulation of the oil industry. They also advanced the efforts begun by the Betancourt administration to expand social development in the areas of education, sanitation, and housing, and to further develop the steel, hydroelectric, and mining industries. In these efforts both administrations were aided by the country's slow but gradual economic development that was occurring as a consequence of the deepening of the ISI process and of the adoption of interventionist Keynesian-type state policies.

As aforementioned the state successfully increased its intervention in the industrialization process during the second phase of ISI (1958-1973) through its use of licensing and duty exemptions on raw materials and capital goods (Perez Sainz & Zarembka 1979). The Venezuelan state also fostered accumulation in the industrial branch through its various state apparatuses, most prominently of which was the *Corporacion Venezolana de Fomento* (CVF). It greatly assisted the financing of industrial development with capital, technological assistance, and project elaboration and evaluation. Most of its financial intervention was made through the CVF, which granted long-term credit and medium-term loans to handicrafts and small industry, and to medium industry.

The state extended its activities to several branches through the *Corporacion Venezolana de Guayana* (CVG), including the basic metallics branches like iron, steel, and aluminum. State intervention in iron and steel had commenced in 1964 with the founding of the firm CVG-Siderurgica del Orinoco (SIDOR), whose production was intended for internal and external markets (mainly to Argentina, Colombia, and Mexico). Additionally, the state owned aluminum plant of *Aluminio del Caroni S.A.*

(ALCASA) was inaugurated in 1967 and began exporting in 1970 principally to Colombia, but also to Peru. Through the CVG the state also expanded its influence in other industries namely, cement, paper, and pulp, creating various new state-owned firms. Moreover, it was able to establish the sugar producing company *Centrales Azucareras*, which eventually led to the accomplishment of the country's self-sufficiency in sugar (Perez Sainz & Zarembka, 1979). Successful state projects were also carried out by the *Instituto Venezolano de Petroquímicas* (IVP), under the Ministry of Mining and Hydrocarbons, including the construction of the two important petrochemical complexes.

Among the goals of this interventionist policy of the state was the desire to limit the growing influence of foreign capital, which as was argued earlier, was creating a new form dependency of peripheral countries on those of the center through the rise of TNC's. The country's expanding industrialization process increased the attractiveness of Venezuelan to foreign capital. In fact, compared to the rest of Latin America, where the rate of profit in the industrial sector stood around 7 percent, Venezuela was doing exceptionally well with profits at 14 percent (Mayobre 1970: p.34; in Perez Sainz & Zarembka 1979). To counter the threat of growing foreign control over Venezuelan industry, the government increased nationalizations and pushed for greater state ownership of industries. Additionally, the Caldera government was able to raise the tax on the rent to the oil companies up to 60 percent. The implementation of these strong nationalist policies was made easier in 1974 with the incorporation of the Venezuelan economy to the Andean Pact, which allowed for increased trade with other South American countries and placed restrictions against foreign investment (Perez Sainz & Zarembka 1979).

Like most Latin American nations, Venezuela experienced significant industrialization and economic growth in the post WWII era until the early 1970's. In

fact, the combined relative peace, and economic and military dominance of the U.S. commonly referred to as the Pax Americana, allowed for “an historically unprecedented expansion of the world economy” (Makki 2004: p.160). However, the development that did take place worldwide was largely uneven, and as Makki (2004) points out “prosperity remained a remote dream” for most Third World nations (p.161). The worldwide economic decline of the early 1970’s thus placed the entire developmentalist framework into question, and as we will later see, led to its eventual demise.

In Venezuela, an oil-dominated state paternalism characterized much of the second half of the twentieth century in Venezuela. As will be shown, this problem would be most pronounced during the country’s oil boom from the mid 1970’s to the mid 1980’s. But first we turn our attention to the Venezuelan Left and how it responded to the new realities in the country following its overall cessation of armed struggle and weary acceptance of the electoral political system.

A Change of Tactic for the Venezuelan Left

While the Venezuelan elite was busy solidifying its liberal bourgeois democratic system in the 1960’s and 1970’s, the rest of Latin America was gripped by a wave of military dictatorships. Nicaragua, for example, continued to be ruled by the brutal Somoza dynasty that U.S. imperialism had helped to put into place and maintain, and that was known to brutally crush all of its opposition through imprisonment, censorship, assassination, and torture. Other Central American countries, including Honduras, El Salvador, Guatemala, and Panama were under the control of military regimes through most of that era as well. In Brazil, with U.S. imperialism’s military and intelligence assistance, a 1964 coup *d’etat* overthrew the democratically elected government João Goulart, installing a right-wing military

dictatorship that suspended the civil rights and liberties of Brazilians. Military regimes also came into power during this period throughout other Latin American nations, such as Argentina, Bolivia, Chile, Ecuador, Dominican Republic, Haiti, Paraguay, Peru, and Uruguay. But the prevalence of social unrest and military dictatorships was not limited to Latin America. In fact, the Asian and African continents were rocked by numerous wars and military juntas that rose to power.

Despite the continued consolidation of the Venezuelan oligarchy's political system, organizing efforts among the country's opposition forces still existed. In addition to increased public spending of petrodollars to avoid discontent, AD and COPEI governments and their party machines had further consolidated their power by continuing to find ways to exclude or repress Left opposition throughout the country. Yet, the Left would not remain passive in the face of these undemocratic attacks. In fact, after its re-legalization, the Communist party (PCV) worked fervently to organize a more progressive Left-leaning labor federation - the *Central Unitaria de Trabajadores de Venezuela* (CUTV), or Unitary Center of Venezuelan Workers. Several leftist labor unionists and a substantial portion of the CTV unions broke away from the major labor federation to help form the new federation. Despite this, most of the country's leftist parties (MAS, MIR, MEP) decided to stay within the dominant CTV labor federation and battle AD over its hegemony of labor, thus continuing the acute partisan rivalry that historically characterized Venezuela's labor movement (Hellinger, 2003).

Most importantly, this new development marked the Left's definitive abandonment of armed struggle and its replacement with a strategy of accumulating power in civil society through the labor movement, thereby supporting its view of labor as "one more arena in the struggle to capture control of the state" (Ellner, 1986, 1988; Garcia et al., 1982; in Hellinger 2003: p.111). The virtual end of subversive

activity in Venezuela created an important new setting that saw the crystallization of internal tensions within many of the country's political parties and agglomerations. The dominant political party, AD, suffered from previously mentioned divisions that led, among other things, to the emergence of the socialist political party, MIR. Moreover, in addition to the leftist tendency of the CTV abandoning the labor federation and creating the rival Communist-dominated CUTV, the Communist Party (PCV) witnessed generational and ideological differences that produced its eventual split in 1971, and led to the setting up of the *Movimiento al Socialismo* (MAS).

This new breakaway faction of the PCV that sought to “redefine the socialist ideal” by distancing itself from both orthodox Communism and Soviet influence would go on to become the largest political party of the Venezuela Left (Ellner, 1986: p.86) (see Table 1). Yet, its over-preoccupation with projecting itself as a socialist alternative caused it to lose sight of the more materially important work of socioeconomic reforms and struggle.

TABLE 1
Outcome of Elections Since 1973 (in percentages)

Candidate	Presidential Elections of 1973	Presidential Elections of 1978	Presidential Elections of 1983
AD'S candidate	48.7	43.3	56.8
Copei's candidate	36.7	46.6	34.9
MAS' candidate	4.2a	5.1	4.1a
MEP's candidate	-	1.1	-
PCV's candidate	-	0.5	-
MEP-PCV alliance	5.1	-	3.3
MIR's candidate	-	0.9	-

Political Party	Congressional Elections of 1973	Congressional Elections of 1978	Municipal Elections of 1979	Congressional Elections of 1983	Municipal Elections of 1984
AD	44.3	40.0	30.2	49.9	52.6
Copei	30.2	40.0	49.1	28.7	21.7
MAS	5.2	6.1	9.7	5.7	7.2

TABLE 1 (Continued)

MEP	5.0	2.0	2.1	2.2	2.7
MIR	1.0	2.3	2.3	1.6	1.4
PCV	1.2	1.1	1.2	1.8	2.1
Others	5.3	8.5	5.4	10.1	12.3

a. MIR supported MAS presidential candidate in 1973 and 1983.
Source: Ellner, 1993

Moreover, the challenges faced by the Venezuelan Left inside the country's labor movement were immense, both within the newly formed labor federation, CUTV, and the dominant CTV. This is largely a result of AD's historical dominance of the nation's labor movement, which was reinforced through labor laws and institutions that both enhanced union dependence on the state and political parties, and limited the autonomy of labor leaders (Hellinger, 2003). Clientelism and patronage thus abounded due to the overwhelming presence and influence of the state in every aspect of labor, including the granting of employment, regulating of dismissals, contract negotiation, and settling of labor disputes (Arrieta, 1982; in Hellinger 2003). It is no surprise then that the power of non-AD trade unionists within the CTV was extremely limited. AD held overwhelming control of the federation's executive committee and regularly practiced the granting of concessions to trade unionists from other parties in return for the unconditional defense of CTV policies (Ellner, 1993). Additionally, the CTV had been able to make an economic empire from its large share of oil revenues. In fact, it was able to not only buy off the support of workers, but to also acquire ownership of the Venezuelan Workers' Bank, as well as of tourist, finance, recreational, and other enterprises totaling over US\$1 billion (Lopez Maya, 1989 in Hellinger 2003: p. 113).

The difficulty of the Left's struggle within the labor movement to promote and fight for true worker democracy therefore becomes clear, in the face of such a wealthy

and powerful political machine that permeated all branches and institutions of government. The Left, however, was able to attack the façade that the CTV created of itself as a labor federation with ample democracy and electoral competition. The truth is that the CTV failed to eliminate corruption within its ranks, and did very little to promote internal democracy. Ironically, in its early years AD's 'labor thesis,' which historically prevailed in the CTV, had labeled the working class as, "a revolutionary force moving the country toward development and socialism" (Hellinger 2003: p.113). Despite this militant sounding rhetoric in favor of Venezuela's exploited classes, the reality is that these ideas were never put into practice by the CTV leadership. In fact, the CTV has historically, since 1958, been guided by a reformist attitude and maintained the belief that forceful action on the part of organized labor is not necessary in order to achieve the goals of the working-class (Ellner, 1993).

Unsurprisingly, strike activity among the unions of the CTV has for the most part been historically low (see Table 2). The CTV leadership has done everything possible to avoid strikes, and has instead preferred to rely on dialogue, persuasion, and other mechanisms that do not threaten the nation's economy (Ellner, 1993). These mild reformist tactics, however, have never been able to achieve significant structural improvements for the working-class in Venezuela. In other words, the intentional and unfortunate decision by CTV leaders to not employ a strategy based on class conflict has translated into a failure of organized labor in Venezuela to properly address the interests and needs of the working-class and to improve its working and living conditions.

By 1981 the CTV had completely abandoned many of its previously stated and unstated more radical goals, and adopted that of *congestion*, or shared control between workers and management, which it viewed as "a project realizable within the mold of classical capitalism" (Lestienne, 1981: p.25 in Hellinger 2003: p.113). It would also

fail to properly respond to the changing composition of the workforce in later years. Thus, despite the growing number of women in the labor force, women labor leaders remained scarce (Ellner, 1993). And as we will later see, despite the growth of Venezuela's informal economy, it would remain outside the confines of the labor movement. That is, the unwillingness and inability of organized labor to defend the all-important informal workforce would further hinder the advancement of organized labor in Venezuela. This all goes to show that the CTV was little more than an appendage of the traditional reformist party of AD and that it therefore never became a strong force for change. It also helps to explain the CTV's absence from Venezuela's most important labor struggles.

TABLE 2
Strike Activity in Venezuela (1958-1990)

Year	Petitions to go on Strike	Legal Strikes	Illegal Strikes	Workers Involved (Legal Strikes)	Workers Involved (Illegal Strikes)	Man Hours Lost (Legal Strikes)	Man Hours Lost (Illegal Strikes)
1958	78	15	7	-	-	-	-
1959	63	10	5	-	-	-	-
1960	91	8	28	-	-	34,332	293,412
1961	40	5	9	2,953	11,551	178,332	214,640
1962	40	8	11	3,492	4,762	340,380	40,153
1963	24	5	4	483	2,018	105,928	117,602
1964	45	7	20	1,049	3,544	85,440	18,436
1965	52	4	20	2,225	4,680	73,912	68,493
1966	28	1	11	194	3,180	40,200	23,488
1967	59	5	29	1,154	4,227	54,638	41,327
1968	78	4	9	3,054	4,473	35,038	10,757
1969	113	3	83	341	21,356	10,700	1,580,980

TABLE 2 (Continued)

1970	173	2	64	902	24,836	265,502	1,874,282
1971	187	5	228	806	39,307	314,676	3,850,074
1972	257	7	172	2,069	27,263	328,068	1,169,456
1973	274	4	250	525	46,033	902,000	1,157,358
1974	236	3	116	135	17,598	19,376	1,039,824
1975	207	3	110	164	25,916	62,928	804,336
1976	210	1	178	3,000	36,932	36,000	730,123
1977	183	0	214	0	63,923	0	687,976
1978	112	0	114	0	25,337	0	318,732
1979	182	2	145	237	23,031	3,304	394,822
1980	192	4	185	494	63,844	52,592	2,431,754
1981	199	3	126	270	29,292	160,640	2,074,347
1982	158	2	102	253	14,859	31,264	329,603
1983	274	0	200	0	59,749	0	2,886,273
1984	15	0	39	0	3,767	0	50,956
1985	82	6	11	873	12,076	40,888	54,920
1986	88	2	20	1,137	-	-	-
1987	84	1	38	-	-	-	-
1988	69	2	-	-	-	-	-
1989	95	6	-	-	-	-	-
1990	134	7	-	-	-	-	-

Source: Labor Ministry, *Memoria y Cuenta*, 1958-1990. Compiled by Leonardo Rodriguez. in Ellner (1993).

The alternative Communist-controlled CUTV, on the other hand, was able to attract members from a broad spectrum of leftist, progressive, and independent

political tendencies due to its classist foundations based on class struggle. However, while ideologically strong, it was never able to get the amount of backing enjoyed by the CTV. Membership statistics show the continued dominance of the CTV and marginal role of the country's three smaller labor federations: CTV (1million – 2.5 million); CUTV 80,000-320,000; Codesa 60,000-200,000; and CGT 300,000-180,000 (Ellner, 1993). So although the CUTV emerged as a potent force in its early years, its influence in the nation's political system slowly declined because of its historical exclusion from the public sector (which AD and COPEI largely controlled). Its loss of influence in future years would force a rethinking among the Left over whether it was more beneficial to split with the CTV or try working for change within it (Ellner, 1993). Fortunately for the CUTV, it would later effectively merge with the class-conscious National Workers' Union (UNT), founded by the Bolivarian Revolution in 2003 to rival the older CTV, and continue to work towards advancing the unity of the workers' movement in Venezuela.

In an explicit rejection of the larger leftist Venezuelan political parties, several smaller parties of the Left independently organized several sectors of the working-class. These smaller parties therefore protested not only AD and COPEI, but also the main leftist parties (MAS, MEP, and PCV) for their abandonment of commonly held long-term objectives like the right to strike, the forty-hour week, and job security, which had yet to be realized. In general, therefore, their struggle was against the traditional and dominant form of unionism known as *reivindicacionalismo*, which was oriented exclusively towards immediate material or 'bread and butter' gains. Their role in labor, instead, would be more responsive to the needs of workers and aggressively oriented towards fighting for their interests (Hellinger, 1996).

Among these militant small parties that emerged was the worker-led party of *Causa R*, which resembled Brazil's *Partido dos Trabalhadores* (PT), or Workers'

Party. The *Causa R* would gain national prominence through its efforts in organizing workers in one of Venezuela's most heavily industrialized and poor regions known as Guayana, home to one of the nation's largest steel making company *Siderurgica de Orinoco's* (Orinoco Steel-SIDOR). In fact, the *Matanceros* (a worker contingent of the *Causa R*) was able to win control of the very important and militant steel workers union in Guayana known as SUTISS, propelling it to the country's most important militant worker movement in the 1970s and 1980's (Ellner and Salas, 2005). The *Causa R*'s support and fight for the working-class is most telling by its coining of the slogan, "In SUTISS the political parties have always governed; now it's time for the workers" (Matancero, 1979: 16; in Ellner, 1986: p.99). The steel workers of SUTISS, who in 1969 elected a communist to head their union, are among the country's most militant groups and wield substantial power given the importance of the export of steel for Venezuela. Unlike other unions, SUTISS was able to make significant gains in its demands for the forty-hour work week, and occupational and safety and health provisions, thanks to its strategy of engaging in militant political struggle.

The new unionism represented by the *Causa R*, based on advancing the interest of workers and union democracy, would help to launch the party to the top spot of Venezuela's leftist parties by the early 1990's. Its radical stance in comparison to other parties and boasting of its leadership as truly working-class in origin distinguished it from other parties. This new unionism of the 1970's and 1980's directly rejected and challenged the traditional model of political parties. However, in the case of the *Causa R*, an overemphasis on union politics and concrete demands, relative failure to define itself ideologically and to engage in the country's broader arena of national politics, and its intense hostility towards other political parties caused it to suffer several defeats and lose electoral ground in subsequent years (Hellinger, 1996). One of such defeats was the 1981 takeover by the AD-controlled CTV of the

Causa R-led union (SUTISS) that represented workers in the steel company, SIDOR (Ellner and Salas, 2005). The *Causa R* would also be actively excluded from national and regional governmental structures, despite being the leading revolutionary workers' movement in the 1970s and 1980s (Ellner and Salas 2005).

Another example that demonstrates the Left's new strategy of accumulating power in civil society and its successful inroads in organized labor with its new style of unionism occurred within the country's all-important textile industry. That is, in addition to the *Causa R*'s movement in the steel industry, the textile workers movement also created new spaces of hope for the Venezuelan proletariat. In 1980, the country witnessed what is considered one of Latin America's most significant labor struggles when the textile workers union, UTIT (United Textile Workers Industry Union), went on strike to protest the abrogation of a previous contract with the employers' syndicate, ATV (Venezuelan Textile Association).

The ATV had discharged thousands of textile workers in the three previous years and was now actively engaged in helping the CTV to wrestle control of the UTIT away from a smaller rival leftist labor federation that led it (Hellinger, 1996). At the same time textile workers found themselves in the middle of a battle to improve the health and safety conditions in their factories. Worker discontent intensified and led to the launching of strike by the UTIT that would eventually result in an industry-wide labor struggle. UTIT's militant actions, such as the occupation of the main cathedral in Caracas helped to gain the support of archbishop and the repudiation of the CTV leadership that labeled the workers actions as armed subversion (Hellinger, 1996). In what appeared to be a signal of victory by the textile workers, the employers agreed to a wage increase and a new contract. However, demands made by more intransigent leader of the UTIT to nationalize the ATV's largest enterprise resulted in a series of complications for the union and led to its eventual defeat (Helliner, 1996).

Despite the loss, the textile union movement had shown the entire Venezuelan proletariat the potential available for advancement of its interests through worker-led mobilization and militant struggle.

At this point, it is important to also take into consideration the situation faced by two of Venezuela's other major social forces; the peasantry and oil workers. In terms of the Venezuelan peasantry, it remained relatively passive during this time as it had throughout most of Venezuela's history. Besides the already mentioned subordination of the land in Venezuela, we need to remember that AD had substantial influence in the peasant federation (FCV). In fact, among the FCV's main national leaders were AD trade unionists who organized widely throughout the countryside. To help explain the relative tranquility, therefore, one needs to also acknowledge the strong tie that existed between Venezuela's peasant movement and the rest of the organized labor (Ellner, 1993). Since early on, Venezuelan governments had been willing to accept the FCV's participation in the major labor federation (CTV), thus giving the peasantry a sense of empowerment, albeit a false one since its members actually had very little influence within the CTV (Ellner, 1993).

Venezuela's oil workers, on the other hand, had been at the forefront of the country's labor movement prior to the 1960's. In fact, they had constituted somewhat of a vanguard and served as an inspiration for the rest of the country's proletariat (Eller, 1993). In support of this argument Ellner (1993) notes, "their militant struggles in favor of union recognition, *estabilidad absoluta* (absolute job security clause), and the overthrow of the Perez Jimenez dictatorship" (p.225). Oil workers had militantly pushed for their social, political, and economic demands, especially through their 1936 and 1950 monumental strikes. Their willingness to engage in industrial strife and overall militant tradition, however, was abandoned in the 1960's as non-leftists leaders came to dominate the oil workers movement. Thus, for example, they were largely

unwilling in subsequent years to put up much of a fight for *estabilidad absoluta*, or absolute job security (Ellner, 1993).

Typically, it is assumed that oil workers are and have always been the privileged sector of Venezuela's working-class, or its so-called labor aristocracy (Ellner, 1993). While there is much truth to this argument, it is not completely accurate. It is true that oil workers have seen important gains and far-reaching improvements that have largely been beyond the reach of the rest of the working-class, but this applies specifically only to the period from 1960 to 1980. A clear example of their privileged status during these years is their success at pushing for the reduction of their work week, eventually achieving the forty-hour a week clause in their contract (Eller, 1993). Not even the most militant steel and textile worker movements were able to accomplish this feat after decades of struggle.

Throughout the 1960's and in the years after, oil workers enjoyed benefits that workers in no other industry did. Oil companies, for example, set up camps that provided oil workers with houses, and also granted workers who did not want to live in the camps special bonuses to pay for their housing. Additionally, oil workers enjoyed significantly reduced prices on food through the commissaries that were established for them. So the image of oil workers as constituting an elite segment of the working-class with better living conditions than the rest of workers was true at one point. The relative passivity of the oil workers movement and the close association of most of its leader with the traditional and dominant non-leftist parties of AD and COPEI further support this argument (Ellner, 1993).

Additionally, no other sector of the working-class besides oil workers has been able to succeed in getting *estabilidad numerica* (numerical stability) and *estabilidad absoluta* (absolute job security). As we will see, the nationalization of the oil industry in 1976 looked quite promising for the entire working-class because of the windfall in

government revenue. Yet, it was the oil workers in particular, that benefited most from the nationalization. The Perez government astutely decided to grant the oil workers the much sought-after *estabilidad absoluta* (absolute job security) in return for their support of the nationalization, thus using them as a counterbalance of sorts against the critics of the nationalization.

Yet, when the worldwide price of oil took a turn downward in 1982, the overall standard of living of oil workers greatly declined (Ellner, 1993). Oil workers, who had previously enjoyed company-managed health facilities, were now forced to use the inadequate Social Security health centers like the rest of the working-class. Soon enough, new workers who entered the industry were denied the houses in the oil camps and subsidized food of the commissaries. Oil workers from the state-owned oil firm PDVSA saw elimination of fringe benefits and great reductions in their purchasing power. Moreover, the majority of the growing white-collar segment of PDVSA's oil workers (43.7% in 1963 to 66.6% in 1989: see Table 3) were systematically converted to so-called confidential (thus upper-payroll) employees by management, thereby effectively eliminating them from the collective bargaining agreement and its benefits (Ellner, 1993).

The subsequent inequalities that arose in terms of benefits and working conditions among the oil workers (and total labor force in general) put the elite status of oil workers into question. Ellner (1993) argues that the labor aristocracy thesis thus becomes dubious in the modern democratic period, due to the drastic decrease in the standard of living of oil workers. What is clear is that since the 1960's the oil workers movement has exhibited the same unfortunate characteristic as most of Venezuela's labor movement - general passivity; thus impeding the advancement of the overall working-class movement. We now turn our attention to the boom years in

Venezuela's history, which drastically accelerated the country's accumulation process and created all kinds of changes.

TABLE 3
Makeup of Venezuelan Oil Work Force, 1963-1989

Year	White-collar Workers	Blue-collar Workers	Percentage of White-collar Workers	Foreign Workers	Total Work Force
1963	14,732	19,010	43.7%	2,155	33,742
1966	13,560	18,614	46.0 %	1,481	29,448
1969	12,178	12,343	49.7 %	1,183	24,521
1972	12,500	10,828	53.6%	856	23,328
1975	12,428	10,660	53.8%	504	23,088
Nationalization					
1976	13,307	10,517	55.9%	202	23,824
1977	13,874	11,228	55.3%	121	25,102
1978	14,382	11,738	55.1%	176	26,120
1979	17,063	13,430	56.0%	250	30,493
1980	18,671	14,753	55.9%	264	33,424
1981	20,643	15,963	56.4%	307	36,606
1982	22,782	16,407	58.1%	326	39,189
1983	23,648	15,947	59.7%	233	39,595
1984	23,655	16,450	59.0%	163	40,105
1985	23,558	14,846	61.3%	135	38,404
1986	24,320	14,604	62.5%	112	38,924

TABLE 3 (Continued)

1987	24,693	14,445	62.5%	116	39,138
1988	24,362	17,597	63.1%	129	41,959
1989	25,936	13,018	66.6%	89	38,954

Sources: Ministerio de Energia y Minas, *Petroleo y otros datos estadísticos* (1989); Labor Ministry, *Memoria y Cuenta* (various years). In Ellner (1993).

The Boom Years, Nationalization, and the State as the Center of Power

It has already been established that oil was the main axis of Venezuela's accumulation process ever since it first began to be exported from the country in the early 20th century. Yet, the boost that the accumulation process in Venezuela received in 1973 with the Middle East oil embargo and subsequent increase in the worldwide price of oil was like none other the country had experienced since its discovery of oil. The sudden windfall in oil profits created euphoria among Venezuelans and immediate prosperity for the government which saw its revenues skyrocket from 12,545 million bolivares in 1972 to 40,179 million bolivares just three year later in 1975 (Perez Sainz & Zarembka, 1979). With these new realities the already growing influence of the Venezuelan state multiplied, thereby transforming the state into the primary engine of accumulation.

Prior to the rise of Carlos Andres Perez to the presidency in 1974 the Venezuelan state already had a significant share in and overall regulation of the oil industry, even though foreign oil companies largely controlled the country's oil production. Thus since most of Venezuela's economic activity flowed in one way or another through the oil industry, the state was the center of power. The early 20th century dismantlement of the country's landed elite and the absence of an entrepreneurial class to replace it, combined with the lack of a strong working-class and peasant movement only solidified the state's position of power. The sudden oil

boom of 1973, therefore, had the effect of creating the possibility for the further strengthening of the state.

Wishing to gain further control of oil surplus and thus expanding the influence of the state, the Carlos Andres Perez government made the bold move to fully nationalize Venezuela's oil industry in 1976, thereby creating the state oil company, *Petroleos de Venezuela* (PDVSA). These historic set of events led Carlos Andres Perez to announce that Venezuela would be converted into a developed nation within a couple of years through his *La Gran Venezuela* project that would 'sow the oil' (Wilpet, 2007). To accomplish this he proposed price controls and income increases to fight poverty, and import substitution to diversify the Venezuelan economy (Wilpert, 2007). This initiated an extravagant government spending spree and expansion of the bureaucracy.

It should be pointed out that the nationalization of the oil industry in Venezuela was not unique, but as Douglas Bravo notes, quite common at the time among the oil producing nations of the world (Pena, 1978). Moreover, Bravo stresses the need to acknowledge the favorable international conjuncture that allowed the nationalization to take place. He notes the defeats of the United States in Asia, and argues that the correlation of forces had aligned themselves at the time in such a way that favored the socialist world over capitalism. Consequently, oil producing nations took advantage of this after the Arab-Israeli War to set their own prices for oil and ensure that they continued rising. Therefore, instead of relying on large transnational corporations for the management of their oil industries, these oil producing nations reached a common agreement to nationalize their oil sectors (Pena, 1978).

The expansion of Venezuela's state capitalist and developmentalist program that had commenced in the mid 1970's thus entailed the further intervention of the government in the country's accumulation process. Besides oil, the government

increased its investment in mining, petrochemicals, and hydroelectricity. Moreover, it initiated a drive to purchase several privately owned businesses while also establishing hundreds of new state-owned enterprises throughout the country. Equally important was the government's decision to nationalize steel, the country's second most import export industry, further increasing its revenues and spending ability.

The huge mass of money capital being generated by the oil industry was used in several ways. First, the government created a central hub for the management of this money known as the *Fondo de Inversiones Venezuela* (FIV) or Venezuelan Investment Fund. Among its purposes was the lending of money capital to various international institutions like the IMF, World Bank, and Inter-American Bank, and the establishment of the necessary foundations for potential export markets for Venezuela (Perez Sainz & Zarembka 1979). The reason these funds were kept outside of the Venezuelan economy was the government's belief that there was insufficient internal accumulation capacity for creating productive capital out of this money.

The other main areas of investment were the already mentioned allocation of revenues to the numerous large state-led projects, which were also managed by the FIV, and the financing of credit, agrarian, and urban housing and development institutions (Perez Sainz & Zarembka 1979). The government also stepped up its efforts to stimulate the export sector of the country by initiating an export promotion policy that sought to take advantage of Venezuela's recent incorporation to the regional trade and integration agreement, or Andean Pact. While some branches were hurt by this integration, such as sugar, alcoholic beverages, tobacco and textiles, others branches that had already been exporting prior to 1973 or that had the potential for it, like petrochemicals, iron, steel, and aluminum, benefited greatly (Perez Sainz & Zarembka 1979).

However, the oil blessing was not all positive for Venezuela. In fact, the oil

boom brought with it negative consequences, such as chronic inflation and an increase in the nation's debt due to the excessive government spending (Wilpert, 2003). More importantly is the need to examine how the nation's so-called prosperity and national development affected the poor and working-class. Logically, many may think that the situation of these sectors of the population was drastically improved due to the potential for investment in infrastructure, education, health care, and social projects that the huge influx of government oil revenues created. However, the government's partial use of its newly inherited oil wealth to help combat poverty and improve the lives of ordinary Venezuelans proved only a temporary band aid to treat the symptoms of societal ills and injustices instead of their root causes.

That is not to say that poverty reduction strategies did not exist. In fact, they were abundant throughout the boom years and did help to reduce poverty in Venezuela during this time. Some of these included free and universal health care and education, a raising of the minimum wage, and large public works projects (Wilpert, 2007). Unfortunately, there was an almost complete abandonment of any attempts at land reform during this time. Yet, the main problem with these government policies were that they were directly dependent on the high oil revenues of the time, and did not form part of a comprehensive structural reform package. The government's main preoccupation was to move Venezuela completely away from agriculture and transform it into a modern industrialized country. Furthermore, of the many social services assistance programs that existed most were tainted by clientelism and paternalism that many times obligated beneficiaries to become members of the one of the two ruling parties, AD or COPEI, before actually receiving benefits (Wilpert, 2007). This clientelistic and paternalistic behavior deepened throughout the boom year administrations of Carlos Andres Perez (1974-1979) and Luis Herrera Campins (1979-1984).

A principle factor in the lack of structural change to the country's inequalities and injustices during the oil boom had to do with the oil industry itself. Despite the so-called nationalization of the oil industry, the government still exhibited a significant lack of control over the state-run oil company, PDVSA. This can be explained by the fact that the oil industry's old management, which exhibited an "anti-statist and transnational corporatist culture," remained in power even after nationalization (Wilpert 2007: p 89). Thus while there was a transfer of ownership of the industry, there was not a change in management itself or in management culture and policies. The industry kept being run under the same principles and goals as before, which largely benefited capital over the interests of Venezuelans. The compensation and association agreements with the international oil interests thus made the nationalization of the massive petroleum industry both moderate and non-radical.

Moreover, the nationalized Venezuelan companies retained strong ties to the former owners who were thus able to continue benefiting from the oil industry. In fact, several multinational oil companies were able to retain their seats on the oil company's board. Consequently, Wilpert (2007) argues that the oil industry "never actually pursued Venezuelan interests," because its management only felt loyalty towards the oil company and not to Venezuela, therefore concentrating solely on "maximizing oil production and sales, but not profits, which would have to be turned over to a, from their perspective, wasteful state" (p.89). Thus, big capital was rewarded with generous subsidies, while the government showed excessive complacency towards the transnational corporations (Bravo and Melet, 1991). Additionally, the overdependence on oil was accompanied by widespread corruption, clientelism, and patronage on the part of the Venezuelan state and its many public institutions. As a result of all this, the country's oligarchy was able to further centralize its capital, and the dominant political parties, AD and COPEI, extend their

power.

The oil dependency thus shaped the social structure of the country, and as previously noted, helped to maintain both a weak working class and landowning elite (Wilpert, 2007). Moreover, the role of capital accumulation had become exclusively occupied by the Venezuelan state, producing a weak civic society and a paternalistic national political culture whereby citizens looked towards the state for the satisfaction of their every need. In other words, the abundance of petrodollars allowed the interventionist Venezuelan state to maintain both its large public sector and political system of buying political loyalty with oil revenues. Unsurprisingly, this greatly helped to contain class tensions and popular unrest, and to ensure an overall high level of political stability unseen in the rest of Latin America, up until the collapse of the oil sector in the mid 1980's. As we will see shortly, the economic troubles faced by Venezuela were only one part of a larger regional (and worldwide) economic meltdown that brought to an end the so-called Golden Age in Latin America.

The Oil Bust and its Threat to Venezuela's *Puntofijismo* Political System

Already prior to the upcoming presidential elections of Venezuela in 1978, it was commonly acknowledged that the country was suffering from an excessive rate of both public and private spending and expansion. Yet, the continued high price of oil allowed the excessive government spending to continue well into the Luis Herrera Campins era (1979-1984). Soon enough, however, the wave of optimism and prosperity for the Venezuelan state, oligarchy, and growing middle-class would come to a crashing halt with the drastic drop in oil prices in the early 1980's. Starting in 1981, OPEC members had begun cutting the price of oil due to the decision by Saudis to flood the market with inexpensive oil. The continued excessive supply of oil worldwide finally caused the thirteen OPEC members to virtually lose control over

world oil prices and break their production quotas, causing prices to plummet in 1982.

This oil bust of 1982 would have devastating implications for Venezuela, putting the entire *puntofijismo* system into question. According to Wilpert (2007), the unraveling of this liberal bourgeois system had begun earlier in 1979 when Venezuela commenced its 20 year economic decline. It was not until the global overproduction of oil and dramatic price drop that the system entered into crisis. Negative economic growth and stagnation led to a multiplying of Venezuela's debt. The country's overdependence on oil revenues had made the country particularly susceptible to the fluctuations in oil prices. Therefore, in the early 1980's oil revenues could no longer support the array of government subsidies, price controls, exchange-rate losses, and the operations of more than 400 public institutions.

An aggressive attempt to reverse the 1983 economic crisis was made by the government of Jaime Lusinchi (1984-89) that included several devaluations of the currency, increased import protection, a multi-tier exchange-rate system, and subsidies to both producers and consumers (Tarver a& Frederick, 2005). The effect of these reforms was a moderate recovery and growth between 1985 and 1988. Despite this, the drop in the price of oil by almost half 1986 only worsened the economic situation and indebtedness of Venezuela, so that by 1989 Venezuela's system based on the high rate of government spending of oil revenue finally collapsed. A decade later, in 1998, the price of oil would reach a historical low of \$3.19 per barrel, in 1973 prices (OPEC Annual Statistical Bulletin, 2001). As will be analyzed in a later section, the impact of the incredible loss of oil revenue for Venezuela that began in the early 1980's translated into a nearly two-decade long economic deterioration of Venezuela's economy and a drastic decline in the per capita income for most Venezuelans. Moreover, it would also lead to the imposition of a new phase of capital accumulation known as neo-liberalism, which we will see, enhanced poverty and further eroded the

standard of living of most Venezuelans.

All this goes to show that the view of Venezuela as having a healthy and vibrant political culture and active population, social peace, and a democratic system is not only very misleading, but untrue. Therefore, while Venezuela was able to avoid military rule from the 1960s through the 1980s unlike other Latin American nations, it did so by maintaining a repressive, corrupt, and elitist two-party regime that denied political participation to others and used petrodollars to buy political loyalty, thus reinforcing the long-standing paternalistic political culture and the servility of the acquiescent Venezuelan citizenry. Overall, it has been demonstrated that while ensuring a certain level of stability in Venezuela, the unsustainable and repressive liberal democratic system began its decline as oil profits diminished in the early 1980's.

An understanding of the economic collapse in Venezuela would be incomplete without also examining the broader spatial and temporal situation. That is, in order to understand the oil bust and decline of the political system in Venezuela, we must situate events in Venezuela with the larger global historic picture that witnessed the demise of the developmental framework. To say the least, the situation in Venezuela had been unique in the region. Most Latin American countries had suffered through the economic turmoil of the 1970's that resulted in the end of the so-called Golden Era. Venezuela, like most oil-producing countries, experienced significant growth throughout the 1970's thanks to the ever-increasing availability of petrodollars, while other Latin American nations and the world in general, were already engulfed in severe economic distress. Thus, although the end of the 'Golden Age' in Venezuela was delayed by some years in comparison to the rest of the region, it eventually came with a vengeance in the 1980's.

CHAPTER 4

NEO-LIBERALISM: VENEZUELA AND THE WASHINGTON CONSENSUS

Up to now we have explained the collapse of the development framework, and the nature of the economic stagnation and debt crisis that gripped Latin America. Our attention now turns to the implications of this economic catastrophe on the region, and especially to Venezuela, and the popular response to neo-liberalism that manifested itself in the form of *Chavismo* and the rise of the Bolivarian Revolution more generally.

While it can generally be regarded as an expression of the class conflict between the poor and working-class majority and the wealthy elite minority, the Bolivarian Revolution is also seeking to abolish other forms of social distinction and oppression (ie. racial, gender, sexual, ecological). Essentially, it is a movement against the negative effects of the capitalist system, including exploitation of all kinds, overconcentration of wealth and access to it, alienation, commodity fetishism, and ecological destruction. In this next section we will see the how the 1989 imposition of neo-liberalism and its logic of shifting accountability from the state towards the individual ensured the continued capitalist accumulation of wealth, but more importantly, resulted in devastating effects for the majority of Venezuelan citizens. An examination into the nature of neo-liberalism, the form it took in its imposition on Venezuela, its effects on society, and the creation of a counter-movement against it will now be carried out.

Neo-liberalism's Early Developments

The end of the post-1945 regulatory era that resulted from the crisis of the 1970's signaled a watershed for the capitalist world-system. Not only was the Fordist

mass production form of organization, “based on systems of specialized machines, operating within the organizational domains of vertically integrated, bureaucratically managed, giant corporations” eliminated, but so were, “the governmental policies and actions, social institutions, norms and habits of behavior” that maintained the Fordist regime (Arrighi 1994: p.2). The breakdown of this so-called Fordist-Keynesian “regime of accumulation” in which investments in fixed capital enabled increases in both productivity and mass consumption, indicated the end of yet another particular phase of capitalist development (Boyer 1990; Jessop 1990; Tickell and Peck 1992 in Arrighi 1994: p.2). Yet, despite serving as a decisive turning point in its history, by no means was the situation as “unprecedented as it may appear at first sight” (Arrighi 1994: p.1). In fact, as Arrighi (1994) goes on to explain,

Long periods of crisis, restructuring and reorganization, in short, of discontinuous change, have been far more typical of this history of the capitalist world-economy than those brief moments of generalized expansion along a definite developmental path like the one that occurred in the 1950s and 1960s. In the past, these long periods of discontinuous change ended in a reconstitution of the capitalist world-economy on new and enlarged foundations (p.1)

This collapse of the post-war economic model coincided with the increased geographical mobility of capital and changes in the spatial configuration of the processes of capital accumulation that recentralized capital in the higher income countries of the world (Arrighi, 1994). More importantly, the combination of low growth rates with high levels of inflation created a historically unique situation that was taken advantage of by a group of neo-liberal theorists (Anderson, 1999; in Houtart 2001). In other words, “Over the debris of the ‘development framework’, neo-liberal globalization emerged as the reigning orthodoxy” (Makki, 2004: p.162). Consequently, the Keynesian period’s emphasis on long-term social and economic

national development was effectively abandoned. Of importance here, therefore, is illuminating the theoretical roots of this political-economic school of thought and set of policy prescriptions known as neo-liberalism.

This neo-liberal model promoting higher economic freedom, would take some time to become dominant. In fact, at first OECD countries were inclined to use Keynesian policies to try to correct the problems associated with the global economic crisis (Anderson, 1999; in Houtart 2001). Later, however, neo-liberalism would become the reigning ideology throughout the majority of the industrialized capitalist countries of Western Europe and of the United States. While the first implementation of a neo-liberal program by an advanced capitalist country occurred in Great Britain in 1979, it was in Latin America where the first true testing of neo-liberalism took place. As we witnessed earlier, the economic crisis had particularly devastating effects on Latin American nations, which had amassed extremely high foreign debts as part of their ISI strategies. The decision by governments in Latin America to abandon the ISI model because of its perceived inability to remedy the region's worst recession since the 1930's led to the imposition of a pattern of neo-liberal development based on export production, market liberalization, free trade, and a reduced state role.

In Venezuela, the liberal democratic *puntofijismo* system, which had already commenced its unraveling, now faced ever greater difficulties. The response to the economic deterioration and growing political instability in Venezuela by then-President Carlos Andres Perez was similar to that of most other Latin American nations, where governments began imposing neo-liberal policies in a top-down fashion onto their populations. President Andres Perez decided to accept an International Monetary Fund (IMF) loan shortly following his election in February 1989, therefore marking the beginning of the imposition on Venezuela of the neo-liberal structural adjustment reforms advocated by the IMF.

The downsizing of the state and liberalization of the economy according to the tenets of neo-liberalism, therefore transformed the notion of governance from one that saw individuals as *objects* of policy to *practitioners* of policy (Hyatt 1997, p.218). In other words, neo-liberalism became a device that allowed for the shifting of accountability from the state to the individual. It encouraged citizens to become active participants in the management of their own welfare. The concept of poverty for example, was largely replaced by that of ‘social exclusion’ or ‘disempowerment.’ This reformulation of citizenship bears testimony to the values and goals of neo-liberalism: efficiency and the institutionalization of the primacy of the market in mediating needs and resources (Hyatt, 1997).

Latin America was chosen by the international development establishment as the ideal testing ground for these neo-liberal policies, commonly known as the Washington Consensus, due to the high number of countries in the region with large foreign debts (most of which were amassed in the 1970s and 1980s by corrupt governments and military regimes with the insistence of international banks) (Gott, 2005). Ironically, the capitalist developed nations of the world denounced the same tools and policies of protectionism and state interventionism that had helped to build up the economies of Europe and North America, actively discouraging and preventing Latin American countries from following their example (Chang, 2002). Venezuela in particular, had accumulated an enormous level of debt due to the foolhardy manner in which its “corrupt and incompetent” governments borrowed high interest money from abroad (Gott 2005: p.51). Thus Venezuela became an excellent target for the implementation of the Washington Consensus, whose purpose it was to fundamentally alter the internal economic structures and mechanisms of debtor countries in order for these in turn to be able to repay their debts, many of which were owed to American banks (Gott, 2005).

The Imposition of Neo-liberalism on Venezuela and Its Effects

It is now necessary to examine in detail the aforementioned policy reforms of 1989 in Venezuela. Ironically, President Andres Perez spearheaded the IMF-promoted structural reforms, despite also having been the one to preside over the interventionist state period and government expansion in his first term as president in the 1970's. The goals of these new policies were to reduce the role played by government in the economy, orient all of the country's economic activities toward the free market, and to attract foreign investment. According to Lander and Fierro (1996) the set of economic policies characteristic of neo-liberalism that were imposed on Venezuela included the removal of trade barriers, fiscal policy discipline, abolishment of price controls, the cutting of social services by reducing or ending subsidies of basic goods and services, the privatization of state industries and utilities, removal of employment rights and protection, and the deregulation of the state for the free operation of the market. They summarize the new policies as consisting of three aspects:

(1) adjustment as a mechanism for establishing short-term equilibria in the main macroeconomic indicators and repaying the external debt; (2) structural reform of the economy – the shift from state-directed and oil-dependant economy to market-economy based on private, nontraditional exports; and (3) the transformation of the “populist” political systems typical of Latin America to a “modern” system that would not interfere with the free operation of the market and would conform to the “objective” demands of the new international economic order (Lander and Fierro 1996: p.51)

Among the new reforms the most fundamental was the attempt to stimulate exports through the great devaluation of Venezuela's currency, the *bolívar*, from its highly overvalued rate to its market rate. Other similar adjustments included the selling off of state-owned enterprises, restructuring of the financial sector, and

restoration of positive real interest rates, all with the purpose of eliminated the country's budget deficits. Moreover, the desire to lower the debilitating high foreign debt repayments forced the Venezuelan government to pursue aggressive debt reduction schemes with its commercial creditors.

The effects of the policies were felt almost immediately and very intensely throughout the country, thus giving new meaning to the term 'shock treatment.' Among these the doubling of the price of gas was perhaps the single most outrage-producing and devastating one. Although there was supposed to be a controlled price increase of 30% on public transportation, most transportation federations ignored the controls and dramatically raised their fares, creating great dissatisfaction among Venezuelans who depend on public transportation (Tarver and Frederick 2005). Another significant result of the structural adjustments policies was the erosion of formal employment, which directly contributed to the deterioration of living conditions within metropolitan centers as real wages dropped and unemployment and informality increased (Villa and Rodriguez, 1996).

Since 1979 decreasing oil prices and revenues caused Venezuela to undergo significant economic decline and to experience a lowering of per capita GDP by 27% from 1979 to 1999 (Wilpert, 2007). This drastic economic deterioration also saw the erosion of the middle-class' standard of living that had been improving throughout the previous decades, and the increase in poverty from 17% in 1980 to 65% in 1996 (Wilpert 2007). In effect, during these two decades Venezuela had experienced both the largest decline in per capita income and the greatest rise in poverty in all of Latin America. Moreover, the rate of inflation that had historically remained in the single digits grew to 29% in 1988, in addition to the expansion of the country's trade deficit (Lander and Fierro 1996). The decline in social spending added to the already declining standard of living for Venezuelans. In the face of all these difficulties the

clientalistic *puntofijismo* system, which depended on the increasing influx of oil revenues to attain political loyalty and that was largely regarded as highly corrupt, entered into crisis, thereby finally opening up the space for outside political competition.

Another drastic and noticeable change that occurred as a result of the neo-liberal model was the new pattern of spatial growth that took place within Venezuela, and all other Latin American countries. The increasing level of job insecurity and misery faced by the poor and working-class as a result of labor flexibilization, contributed to the increased income inequality and deepening of social polarization. As a result the growth in irregular settlements was drastic throughout the outskirts of Venezuela. These low-income enclaves lacked essential services such as water and electrical systems, hospitals, schools, and police stations.

In Caracas, for example, the growth of these shantytowns was so dramatic that by 1991 approximately 42%, or 1.2 million out of a total population of 3 million, inhabited such areas (Gilbert 1996). On the other side of the equation, Latin American cities like Caracas witnessed the rapid construction of what Teresa Calderia (1996) labels fortified enclaves, or luxury high-rise buildings enclosed within fences and protected by security guards. While some have noted the close proximity between shantytowns and these elite settlements as a possible sign of decreased social polarization (Portes et al, 1997), the overall patterns insist a further residential segregation and thus polarization between classes as elites seek to hide and protect themselves from the perceived violence of the 'subalterns' of society.

While metropolitan centers throughout Latin America saw decreased levels of investment and population growth, rural areas and secondary cities began growing and benefiting from investors that attempted to exploit agriculture, mining, and tourism. In Mexico for example, the border city of Tijuana, agricultural city of Sinaloa, and

tourist center of Acapulco, all began expanding more rapidly than the major urban center (Portes et al., 1997). Moreover, while the new outward looking export model led to both deindustrialization and a decline in manufacturing, it also allowed for the rapid growth of export processing zones (EPZs) in both metropolitan centers and secondary cities. In some countries urban primacy was greatly reduced, as in the case of Kingston, Jamaica, which now faced competition from the site of a second EPZ, Montego Bay, and its fast growth in tourism (Portes et al., 1997). Port-au-Prince, Haiti on the other hand, maintained its reign in primacy, as it remained the sole host of an EPZ in the entire country and thus the center of goods assembly for export (Portes et al. 1997). While EPZs did offer a form of employment for some (mainly women), the exploitation of these workers and the lack of both backward and forward linkages translated into minimal overall development of countries.

One of the main effects of the economic restructuring and labor flexibilization of the neo-liberal policies was the increased polarization of the occupational structure, so that the relatively low availability of high-skilled jobs and technical training existed alongside an excess of precarious low-skilled and poor-paying jobs (Canales, 2007). The grim situation faced by the majority of the 'redundant' working-class population of Venezuela, in particular the social exclusion of large sectors of the population as a result of the distortions caused by the imposition of the neo-liberal model, contributed greatly to the increased outflow of migrants to selected global cities in the U.S. during the 1980's. Ultimately, this new pattern of outflow migration is a product of global capitalism, in which the North serves as a magnet for the South's redundant labor (Perez Sainz 2005). Migration from Latin America to the U.S. was so great during this time that the contribution of immigrants from Latin America to the total U.S. population nearly doubled from 3.9 million in 1980 to 7.7 million in 1990, and then more than doubled to 17.4 million in 2002 (Canales, 2007). This international

migration, therefore, entailed not only a territorial uprooting, but a globalizing of the labor force and the creation of transnational immigrant networks between receiving and sending nations.

The resultant ‘redundancy’ of a large portion of the working-class created by neo-liberalism led to the massive expansion of the informal economies of Latin American nations, that tried to absorb this labor force supply. In fact, according to the International Labor Organization of all the new jobs created in Latin American from 1990 to 1993 an amazing 83% were in the informal sector (Orlando, 2001). As table 4 shows, poverty rates in the informal economy are much higher than in the formal economy in Latin American countries.

In Venezuela the informal economy, which accounts for more than half of the active working Venezuela population, is a main contributor to the overall income of the country. In fact, the informal sector has increased its participation in Venezuela’s overall employment, from 32% of total employment in 1978 to 52% in 1999 (Orlando, 2001). This unorganized Venezuelan mass has had to depend on all sorts of informal and irregular employment - street selling of petty commodities, temporary service-sector activities, and sub-subsistence entrepreneurship – in order to survive.

TABLE 4
Poverty and Informality in Latin America during the 1990’s

	% Poor	
	Formal	Informal
Argentina	13	38
Bolivia	20	43
Chile	18	32
Costa Rica	4	30

TABLE 4 (Continued)

Ecuador	13	45
El Salvador	43	72
Honduras	47	82
Mexico	4	40
Panama	5	51
Paraguay	3	24
Uruguay	4	27
Venezuela	10	41
Average	15	43

Source: Orlando y Pollack (2000) in Orlando, 2001.

Note: the line of poverty used is of \$60 monthly per person according to the Purchasing Power Parity theory.

While we have seen neo-liberalism's implications for Latin America, it is necessary to also examine the reaction of those excluded from the benefits of neo-liberal policies and most affected by their negative consequences. We will now see how the limits of neo-liberalism would eventually cause it to enter into crisis in the late 1980's and how its contradictions would help give rise to a series of popular counter-movements throughout the globe, and Latin America in particular.

CHAPTER 5

CRISIS OF NEO-LIBERALISM: SITUATING CHAVISMO WITHIN THE LATIN AMERICAN EXPERIENCE OF RESISTANCE

The ‘creative destruction’ that neo-liberalism caused in Venezuela, and in countries globally, includes that of “institutional frameworks and powers, divisions of labor, social relations, welfare provisions, ways of life and thought, and attachments to the land and habits of the heart” (Harvey, 2005: p.3). Additionally, as has been shown, the neo-liberal project is responsible for the dramatic spread and intensification of poverty, inequality, and social polarization, along with a deterioration of the environment and access to health care and educational services. As Polanyi (2001) succinctly puts it, the self-regulating market promoted by neo-liberal ideology transforms both human beings and the natural environment into commodities, thereby leading to the destruction of society and the natural environment. Moreover, the individualistic market rationality promoted by neo-liberal ideology, and capitalism in general, has placed the greatest responsibility of poverty mitigation on the poor themselves, since as Leys points out, “governments have had it within their power to try to resist these changes, or to try to change their direction; but they rarely tried” (Leys, p.11). Unfortunately, all of the solutions that have been proposed to help the poor such as technological innovation, micro credit, and ‘green’ agriculture, are ineffectual and instead of challenging the pillars of capitalism, help to maintain them.

Boaventura de Sousa Santos (2006) argues that the political power of the transnational mobilization of social movements and of the masses of people excluded from the benefits of social citizenship becomes the only source capable of replacing neo-liberal institutions with democratic egalitarian ones. Here it is appropriate to use

Karl Polanyi's exposition of what he called capitalism's 'double movement' as a guide to helping explain the popular backlash against neo-liberalism. According to Polanyi (2001),

the unleashing of markets for labor, land, and money wreaks profound havoc and generates counter-tendencies and demands for intervention and social protection. Far from the counter-movement representing some kind of external intervention in an inexorably unfolding teleology, these opposing tendencies are contained *within* capitalism. By the same token, the conditions for global capital accumulation must be actively created and constantly reworked (Hart, year p. 304)

In Venezuela, neo-liberal reforms that impacted most severely on the poor and working class provoked popular outrage that would intensify over the course of the next decade and culminate in the crystallization of a powerful resistance movement. We now move on to see how one of the most spectacular contemporary manifestations of the double movement, Venezuelan's Bolivarian Revolution, sprang to life, developed through a series of historical events, and triumphed in taking power in 1998 at the same time that the neo-liberal model of development lost its last traces of legitimacy.

The Birth of the Bolivarian Revolution: *El Caracazo*

On the morning of February 27, 1989 thousands of Venezuelans took to the streets in protest of the unexpected economic reforms introduced by then-president Carlos Andres Perez, in what would later be called the *Caracazo* - the first massive action of the popular classes since 1935 when the killing of the military strongman, Juan Vincente Gomez, provoked intense unrest and conflict, especially between classes (Hellinger, 2003). This mass popular uprising that lasted five days and took the lives of several hundred people was therefore largely a result of the government's

imposition of the structural adjustment program, or *el paquete* (“the package”) on Venezuela (Coronil 1997; Gott 2006; Lebowitz 2006; Wilpert 2007). The *Caracazo* proved to be the spark that would ignite the fire of the resistance movement in Venezuela that came to be known as the *Revolucion Bolivariana*. Interestingly, despite articulating the interests of the non-privileged and marginalized classes, the country’s major labor federation, CTV, reacted to the *Caracazo* by denying that organized workers were involved, and being conspicuously absent from the street protests involving students and poor people that became prevalent throughout the entire country (Ellner, 1993).

This intense backlash and uprising against neo-liberalism’s hegemony and imposition, however, was not limited to Latin America but could be seen worldwide. In fact, around the globe, powerful transnational political and social mobilization began to spring up. Yet, clearly the leading and most forceful of these movements emerged in Venezuela, posing a real and serious challenge to the tenets of neo-liberalism and capitalism. Before delving into the complexities of this contemporary attempt at social transformation it is imperative to contextualize it by briefly reviewing the heavily influential focoist strategy of social change in Latin America that dominated in the 1960s and 1970s.

The Cold War era, which saw a long global ideological and geo-political struggle between the United States (liberal capitalist ideology) and Soviet Union (state socialist ideology), was a time of great political fervor in Latin America. An intense offensive by the United States and its allies was underway in order to contain what they regarded as the spread of communism throughout the world. In Latin American in particular, the 1960s and 1970s saw great social upheavals that intensified into revolutionary movements. The 1959 Cuban Revolution is generally projected as the beginning of this cycle of Latin American revolutions.

The Cuban revolutionaries that carried out the armed struggle for national liberation became known as the founders of the new practice of '*focoismo*' or 'revolution within a revolution', in which an intellectually capable military cadre without mass support can successfully lead and direct a revolutionary movement to quick military victory. This Castroist form of revolutionary struggle would be promoted throughout Latin America and would serve as an inspiration to social movements in the region fighting for national liberation. The basic tenets of 'foco theory' were first introduced by Che Guevara in his manual on guerrilla warfare. Guevara (1961) maintained that it was not necessary for revolutionary conditions to develop, but that instead they could be created through the establishment and development of a dedicated and armed vanguard, or guerrilla *foco*. His philosophy of social change, therefore, placed the emphasis on armed resistance and revolution and not on political parties. Moreover, Guevara (1961) believed that in the underdeveloped Latin American countries the appropriate site of battle would be the rural areas and not the cities.

The focoist strategy would subsequently be elaborated by the French intellectual and ex-revolutionary Régis Debray in his 1967 book Revolution in the Revolution. The basic principles laid out by Debray (1967) were that, just as in Cuba, the conditions for revolution were already ripe throughout the rest of Latin America. According to him, all that was needed was a committed revolutionary armed force to begin the armed insurrection. He did not think it necessary to first organize on a party basis, but that instead the revolutionary *foco* could serve as the embryo of the vanguard party that would later be developed. He used the successful takeover by Cuban revolutionaries without a party as an example to support this thesis, which subordinated political tasks of revolution to military action. Debray's believed that his thesis on *focoismo* was applicable throughout the region and hoped that the rules and

principles of the Cuban experience would be equally applied to other Latin American revolutions.

The focoist strategy represented a clear break from the sterile and unilinear stagist vision of revolutionary change proposed by orthodox Marxism. The stagist theory maintained that revolutionary forces must hold off until capitalist production achieves a high level of development and economic conditions mature enough to permit revolution. Moreover, stagist strategy argues that before socialism can be achieved there needs to be a large and organized proletariat, and both a high level of industrialization and concentration of capital. This implies that social change is a gradual process, whereby rigid preconditions for socialism slowly develop as the working-class gains a firmer hold in the social and political spheres and acquires a higher level of class-consciousness. This call for postponement of revolutionary action by stagist theory stands in stark contrast to the focoist strategy that calls for immediate revolutionary armed insurrection. Rather than wait for the necessary conditions to arise, specifically the existence of a conscious and organized working-class, 'foco theory' expressed the idea that rural peasants could be elicited by the guerrilla *foco* for support and thus together launch a sudden armed revolution for radical social change.

In sum, the 1959 installation of the new revolutionary power in Cuba would become the symbol of the march towards national liberation and socialism. In Nicaragua, another group of armed revolutionaries would found the guerrilla organization, *Frente Sandinista de Liberacion Nacional* (FSLN) or National Sandinista Liberation Front in 1961. These revolutionaries appealed to Nicaragua's large peasant population in order to attract people to its ranks and carry out intense guerrilla warfare against the Somoza dictatorship. In this sense the FSLN followed some of the focoist strategies, although it also actively organized urban workers and

made alliances with diverse sectors of the country. Like in Cuba, after taking state power the FSLN developed *poder popular* (popular power), implemented an aggressive land redistribution program for the dispossessed that broke the overconcentration of land ownership, nationalized a number of key industries, and created a democratic popular army and militia.

In contrast to the Cuban and Nicaraguan revolutions, the ‘Chilean path to socialism’ program of the 1970’s initiated by the Allende government did not originate by way of an armed popular insurgency. While this brief socialist attempt had its roots in Chile’s historically politicized and socially conscious working-class, it was also greatly inspired by the revolutionary events of Cuba, which helped to develop a stronger political culture among Chilean students and intellectuals throughout the 1960’s. The Chilean case, like the contemporary Venezuelan one, represents a peaceful attempt at socialist transformation through the traditional representative democratic electoral system. According to Lowy (1986) it is not possible to begin the transition towards socialism without having as a starting point, “an armed popular rebellion that breaks with the oligarchic/capitalist state’s police-military system” (Lowy, p. 266; in Fagen et al. 1986). What this meant for Chile was that since the structural transformation program occurred, “within the framework of the bourgeois state itself, with its repressive structures intact,” the obstacles faced by the working-class movement were too overbearing and thus lead to an eventual “defeat of the workers” (Lowy, p. 266; in Fagen et al. 1986).

While the struggles of the 1960s and 1970s in Latin America achieved important social and political changes, the poor and working-class majorities continued suffering the consequences of an unjust and exploitative political-economic capitalist system and simultaneously, persisted in their struggle for a better society. The current emergence of new progressive and left movements and governments

throughout Latin America signals both the end of the cycle of the social struggles that were initiated in the decade of the 60's and the maturation of a new cycle of struggles (Zibeche, 2008: www.aporrea.org/ideologia/a62930.html). That is, these new popular-national struggles that combine political forces of the left and popular movements are the result of a longer process of development that began in the revolutionary period of the 1960's. Incredibly, these movements survived in the face of the dictatorships of the 1970's, and were able to finally flourish following the neo-liberal decade of the 90's (Zibeche, 2008: www.aporrea.org/ideologia/a62930.html). The Bolivarian Revolution in Venezuela represents the culmination of just one of these long struggles in the region. Our goal is to examine the specific nature and development of Venezuela's contemporary socialist attempt and see how it compares relative to the other experiences of the region.

The Growth of a Resistance Movement: The Bolivarian Revolution's Long Road to Victory

While the Venezuelan people's discontent for the government had already been growing for some years it was the 1989 *Caracazo* and its brutal suppression by the military that signaled the tipping point for Venezuelans. The mobilized sectors of civil society along with the discontented progressive elements within the military began to coalesce into a strong resistance movement (Wilpert, 2007). While the *Caracazo* had been civilian-led, the progressive elements of the military also coordinated an uprising of their own soon thereafter in the attempted coup d'etat led by Hugo Chavez. The stimulus for this unsuccessful military-civilian revolt had been the *Caracazo* and the anger at the unnecessary overuse of force to quell the rioting. Instead of attempting to overthrow the government immediately following the *Caracazo*, Chavez and his military conspirators decided to hold off and use the

momentum of the uprising to strengthen the organizing and recruitment of members for its cause (Wilpert, 2007).

Perhaps the most important aspect of this new resistance movement was the coming together of civilian and military forces, which had been loosely in contact with each other since the economic and political turmoil started in the 1980's (Gott, 2006). The subversive elements of the military were largely welcomed by the growing number of discontented civilian organizations throughout Venezuela, and vice-versa. The common thread that united these two dissatisfied groups was the lack of any significant positive developments to the corrupt and incompetent political system. The importance of this civilian-military unity was something that Chavez and his *Movimiento Revolucionario Bolivariano* (Bolivarian Revolutionary Movement - MBR) had understood since its beginnings as a serious subversive political organization within the army in 1982. Venezuelan history had proven the usefulness of the participation of citizens in coup d'états, particularly in, "1944 (against Medina Angarita), in 1958 (against Perez Jimenez), and in 1962 (against Romulo Betancourt)" (Gott 2006: p.76). Thus Chavez now actively worked to recruit civilian political groups, especially those related to the old guerrilla leadership of the 1960s, in order to incorporate citizen participation into his political-military cell.

One of the important politically active groups that Chavez felt he needed to reach out to was Douglas Bravo's *Partido Revolucionario Venezolano* (PRV), one of two splinter organizations that emerged out of the Venezuelan guerrilla movements of the 1960s (the other being the *Movimiento al Socialismo* – MAS). Douglas Bravo, the ex- guerrilla leader in Falcon in the 1960s and ex-Communist Party member, was now a well-known and respected leftist in Venezuela. His legal political organization, PRV, had among his supporters, Adan Chavez, the elder brother of Hugo Chavez who lived and taught at the Universidad de los Andes in Merida (Gott 2006). This

connection helped to set up a meeting between Bravo and Hugo Chavez in which both agreed on the need to build, “a civilian-military movement, with the long-term aim of preparing a revolutionary insurgency” (Gott 2006: p. 58). However, the year before the attempted coup, Bravo and Chavez broke off relations. Bravo, who favored militant civil action and protest on the streets, accused Chavez of detaching himself from the support that he had gained from civil society by emphasizing the superiority and importance of military action over civilian participation in the upcoming uprising.

Another group of revolutionary civilians that Chavez felt he must coordinate with was *La Causa R*. This leftist radical workers’ organization was led at the time by another former *guerrillero* of the 1960s, Alfredo Maneiro, whom had founded the organization in the 1970’s. The hope of Chavez was to train and arm the supporters of the organization and thus create citizen militias, capable of performing acts of civil disobedience and providing backup to the military (Gott, 2006). A sense of distrust on the part of both sides caused these plans to never develop. On the one hand there was Chavez who distrusted people on the left whom he suspected might be opportunistic and simply supporting a military alliance for the sole hope of acquiring a position of power. On the other side you had a distrustful citizenry which had already been betrayed in the 1958 civilian-military uprising that had disappointedly only resulted in the creation of a ‘pacted democracy’ and not in a more participatory form of governance.

At the same time that Chavez’s own military political organization, MBR, was actively planning its eventual rebellion, other politicized elements within the military also coordinated their own conspiracies. Among these were groups led by Admiral Hernan Gruber from the navy, and Lieutenant William Izarra, a “revolutionary officer with Trotskyist leanings” from the air force (Gott 2006: p.59). The organizing and planning continued over the next couple of years so that by February 4, 1992 Chavez’s

group of revolutionaries were ready to carry out their plan. The goal of reaching Caracas, arresting the president, taking control of important military posts, capturing the high military command, and eventually overtaking the Miraflores presidential palace, however, did not succeed as planned.

The military rebellion had been betrayed a day earlier, allowing the military to make preparations for the assault. The almost immediate counterattack by the military and failure of the conspirators to seize the presidential palace, television and radio stations led to the eventual surrender of Chavez and his forces. In addition to the difficulties faced by the military conspirators, there was also an unexpected and insufficient level of civilian support during the actual operation. Weapons and vehicles had been made available to civilian groups, but the lack of control of the media made it impossible to reach out for popular support during the attack. This is not to say that civilians did not play a critical role in the rebellion. On the contrary, civilians contributed greatly to the uprising, in one case even helping to seize the city of Valencia (Gott, 2005). In his concessionary speech on television, Chavez admitted defeat “for the moment,” but assured Venezuelans that, “new possibilities will arise again and the country will be able to move definitively towards a better future” (Gott 2005: p.67).

It was therefore clear from the *Caracazo* and 1992 failed coup d’etat that the struggle in Venezuela was far from over, and would continue despite the disappointing setbacks. Two of the most significant outcomes of these rebellions were the further mobilization of social movements within the country, and the rise of the young soldier, Hugo Chavez, as a key leader in the resistance movement. In addition to his acceptance of responsibility for the courageous rebellion of 1992, his explicit rejection of neo-liberalism and promise to work for the creation of real democracy in Venezuela earned Chavez great respect and admiration throughout Venezuela. Wilpert (2007)

notes that the popular support that Chavez had gained from Venezuela's poor and the left could be linked directly to the *Caracazo*, economic deterioration of the past two decades years, and quarter-century political exclusion of the left. Moreover, Chavez enthusiastically encouraged Venezuelans to break free from their fear and passiveness, and to instead organize and mobilize themselves, because as he himself wrote from prison, "the sovereign people must transform itself into the object and the subject of power. This option is not negotiable for revolutionaries" (Lebowitz 2006: p. 89). The call for change could not have been louder, nor the appeal to the 'popular imagination' greater (Gott, 2005).

Just nine months after the failed February 1992 coup d'etat a second attempt was made to remove President Perez and take power. This time the rebellion was orchestrated by Admiral Hernan Gruber and General Francisco Visconti, the latter of which was a conspirator in the previous rebellion. The new group of conspirators thus included a top officer from the navy and a general from the air force, civilians from *La Causa R*, and members of Chavez's Bolivarian Revolutionary Movement who were directed from Chavez's prison cell. The high level of discontent within the military proved a useful tool in garnering support for the operation. Among the grievances that most troubled military officials was the promotion of low-ranking officers to senior ranks "at the whim of civilian politicians," completely disregarding standard procedures (Gott, 2006: p. 72). The political plans of the group following its expected successful coup were to set up a civilian-military Council of State, led by a civilian president (Gott, 2006). However, similar mistakes to the previous attempted coup were repeated. The failure to establish communication with conspiring officers in other parts of the country and with civilians to request popular support, led to a quick surrender on the part of Admiral Gruber.

These series of events also contributed to a relatively drastic change in

Venezuela's political landscape. Possibly the most significant change of all occurred during the presidential elections of 1993, when for the first time ever outside political parties attained the majority of votes (Wilpert, 2007). Though an original signer of the Puto Fijo Pact and founder of COPEI, Rafael Caldera's victory signified change to the political system since he was not formally a member of either AD or COPEI, but an independent candidate with the group he helped form- *Convergencia*. While in the end the Caldera government proved incapable of, or unwilling, to initiate economic and political reforms favorable to all Venezuelans, the end of the forty year AD-COPEI political hegemony represented at least a glimmer of hope for change in the country.

There were clear signs that new forces within Venezuela's political sphere were growing and becoming important players. The 22% of the vote that the leftist party *La Causa R* received was just short of that attained by the AD and COPEI candidates, 23.6% and 22.7% respectively. Moreover, this meant that the majority of votes (52%) were received by the political left-leaning outsiders, *Convergencia* and *La Causa R*, in comparison to the 45% of AD and COPEI; the first time this had occurred in Venezuelan history since the start of the country's 'pacted democracy' nearly four decades earlier.

In 1994, following two years of imprisonment, Chavez and his conspirators as well as all others involved in the 1992 attempted coup were released from prison and granted amnesty by the recently elected President Rafael Caldera, whom felt he had a political debt to Chavez. The reason for this is that Caldera had nearly legitimized Chavez's attempted coup in a speech given in 1993 in which he attacked and blamed the neo-liberal program of the Perez administration for the turmoil in the country (Gott 2006). While imprisoned, Chavez dedicated a great deal of his time to reading a wide array of historical, economic, theoretical, and political literature. Moreover, he met

with many figures from the Venezuelan left including former *guerrilleros*, trade unionists, and politicians, who would go visit him in jail. The time he spent in prison, therefore, helped him to organize his ideas and future plans. Upon being released from prison he responded to a reporter's question about what his next move was by saying, "I am going to get into power" (Gott 2005: p. 134). Afterwards, all of his actions seemed to be directed strictly for the purpose of achieving this goal. He began touring Venezuela, and visiting and meeting with communities throughout the country, voicing the need to change the existing corrupt political system and thus signaling his intention to take power through electoral politics instead of by force.

One of Chavez's main concerns became the need to forge closer political relationships with civilians and solidify a strong and broad movement of supporters that could then crystallize into a powerful alliance of political groups. Therefore, Chavez sought the support of the political organization, Movement Towards Socialism (MAS), that while small, was quite intellectually significant. Even though its leader at the time, former Communist Party member Teodoro Petkoff, played a key role in the Caldera administration as the planning minister and was vehemently opposed to an alliance with Chavez, the rank-and-file of MAS disobeyed and decided to throw its backing behind Chavez anyway (Gott, 2005). More importantly, however, was the need to convince the union-based *La Causa R*, whose importance had grown tremendously with its impressive second place finish in the recent presidential elections, to also become an ally of Chavez. After intense meetings and conversations among the members of the party, it was decided in February of 1997 that a split would occur. Ultimately, a small group of members remained with the name *La Causa R*, while a much larger organization was born out of the split, calling itself *Patria Para Todos* (PPT), or Fatherland for Everyone. Chavez's ability to gain the support of this very influential political organization, the PPT, was a huge motivating success that

would prove to be a critical factor in the upcoming 1998 presidential elections.

With less than two years before the 1998 presidential election, the outlook for Chavez's Bolivarian Revolutionary Movement taking power seemed positive. His determination to bring about a drastic change to the policies of the previous administrations and to the entire traditional elitist political system that had ruled Venezuela for centuries had given him mass popular support throughout the country. His growing political organization was renamed the *Movimiento Quinta Republica* (MVR) or Fifth Republic Movement, to signify a break with the past, especially with that of the Fourth Republic that had existed since its founding in 1830 by Simon Bolivar's general, Jose Antonio Paez (Gott 2005). The appeal of this 'national and popular' movement was particularly strong among Venezuela's poor and working-class majority population, which were on the frontlines of the push towards social and political change.

The Taking of State Power in 1999 and Beginning of a New Revolutionary Era in Venezuela

The second administrations of President Carlos Andres Perez (1989-1993) and Rafael Caldera (1994-1999) had both proven incapable of curbing the increasing levels of social inequality and popular discontent in Venezuela. By embracing neo-liberal economic policies these governments only contributed to their demise and to the subsequent strengthening of a resistance movement that would end up taking power. Both AD and COPEI had largely been discredited as corrupt accomplices of neo-liberalism. One of the only positive outcomes of the all-encompassing penetration of neo-liberalism on Venezuelan society was the outrage and commitment to struggle for change that it aroused in the Venezuelan people. While the *Caracazo* signified the demise of *puntofijismo*, the system's death eventually came with the election of Hugo Chavez to the presidency. On December 6, 1998 Chavez and his

MVR (Movement for the Fifth Republic) received 56.2% of the votes in the presidential election.

This decisive victory for Chavez and his movement was largely due to his ability to reach out for and successfully receive the support of the largest and most influential leftist political parties in the country, including the Communist Party of Venezuela (PCV) or *Partido Comunista de Venezuela*, Fatherland for All (PPT), and Movement Towards Socialism (MAS). In the run-up to the 1998 presidential elections, social movements around Venezuela had been aggressively organizing and reaching out to communities, realizing that the neo-liberal policies of the past two administrations were largely to blame for the country's worsening social ills and inequalities. Venezuela, the entire continent, and the world anxiously awaited the beginning of this new era, in much the same way as they had done several times before with the commencement of other similar attempts at social transformations in Latin America. As we will see, the beginning of Venezuela's socialist experiment is just one of many growing and diverse struggles for alternative social and political-economic visions throughout the world.

CHAPTER 6

TWENTY-FIRST CENTURY SOCIALISM IN VENEZUELA: THE BOLIVARIAN REVOLUTION – DEVELOPMENT ALTERNATIVE OR ALTERNATIVE TO DEVELOPMENT?

The fall of the Soviet Union in Eastern Europe combined with the general disorganization of the Left and worldwide triumph of capitalism in its hegemonic neo-liberal form has been regarded by many as the complete discrediting and end of socialism. However, what it really signals is the need for the Left to organize and rethink the meaning of socialism, by critically analyzing its historic and multifaceted experiences globally. This will necessarily entail a rejection of Soviet-style state bureaucratic socialism and the creation of an alternative democratic socialist vision. Despite achieving important pro- working-class transformations, imperialist intervention and internal contradictions doomed the Soviet socialist experiments to failure. The prevalence of repressive state apparatuses and the implementation of undemocratically centralized decision-making in the Soviet bloc greatly contributed to the eventual demise of these socialist projects.

For these reasons, the recent revival of socialism in the Third World (particularly in Latin America) must tread cautiously and take seriously both the successes and limitations of previous socialist experiments throughout the world in order to create a new democratic socialist model. As the most serious and comprehensive historically-based socio-political movement against capitalism, socialism stands at the forefront in the struggle for revolutionary change. It is thus no wonder why as Claudio Katz (2007) notes, “the Latin American left is once again discussing the paths to socialism” (p.25). This is occurring within the present historical conjuncture that is witnessing the rise of strong popular movements across

the globe, the crisis of neo-liberalism, and the declining offensive capacity of U.S. imperialism (Katz, 2007). Through the strategic combination of electoral participation and direct mass popular action, a number of left-leaning leaders have risen to heads of state throughout Latin America, and have initiated several bold and progressive processes that directly confront the hegemonic neo-liberal ideology and practice and that have created the possibilities for alternative social, political, and economic visions. In fact, as Naomi Klein recently commented in an October 1, 2008 speech at the University of Chicago (the site of the construction of the economic research center known as the Milton Friedman Institute), Latin America constitutes the “most left-wing place on the planet at the moment,” and it is “interestingly enough the first place where the Chicago School ideology made that leap from the textbook into the real world” (Democracy Now, October 6, 2008: www.democracynow.org/2008/10/6/naomi_klein).

While anti-neoliberal and anti-imperialist proposals have emerged from social movements worldwide, explicit anti-capitalist approaches still remain few and far between. To many, the power, flexibility, and adaptable nature of capital and capitalism makes the search for non-capitalist alternatives futile (Quijano, 2007). Moreover, the relative weakness of the industrial working-classes around the globe suggests to many the impossibility of organizing strong opposition movements to the capitalist system. It will be demonstrated, however, that through the construction of alliances between movements with similar leftist programs of social transformation, that include among its ranks the working-class and the exploited and oppressed majorities, alternatives to the dominant economic system do have the capacity to create new, equitable, and sustainable societies. Currently, the replacement of capitalism with socialism constitutes a central preoccupation in the Latin American region.

Nowhere is this more evident than in Venezuela, where since taking state power the forces of the Bolivarian Revolution have been carrying out a multitude of new projects as part of its transition towards a ‘21st century socialism’. This section seeks to adjudicate the successes and limitations of Venezuela’s Bolivarian Revolution, and its attempt to both articulate a clear counter-narrative and implement an alternative political-economic model and form of social organization. It will accomplish these tasks by focusing on and analyzing the specific societal structural changes and socio-political transformations that the Bolivarian Revolution has achieved in Venezuela through its construction of the new form of socialism known as *Socialismo del Siglo XXI*, or ‘21st century socialism’. The ultimate goal is to evaluate this new socialist model that is being built, and to determine whether the transformations that have occurred during the Bolivarian process constitute a development alternative or an alternative to development. In other words, does the Bolivarian Revolution represent an anti-capitalist alternative production model, and if it does, is it capable of sustaining and reproducing itself within the confines of the capitalist system while simultaneously combating it and attempting to displace it with a socialist system?

I conclude by placing the transformative processes underway in Venezuela within their larger context, to understand how cooperation and solidarity between the Bolivarian Revolution and other Latin American social movements can strengthen and advance the overall alternative socialist project of the region. In order to understand the nature and complexity of the Bolivarian Revolution we first begin with an examination of the political and ideological nature of *Chavismo*, and of the Bolivarian Revolution in general.

Populism & Hugo Chavez's Ideological Influences

The Bolivarian Revolution's socialist, nationalist, and anti-imperialist orientation is best characterized as a united broadly based popular movement that includes the working-class and poor majority. Most importantly, its broadly based support is grounded in the particular configurations of Venezuela's material and cultural conditions, and in its specific history. In order to comprehend the nature of this Bolivarian process in Venezuela, however, it is necessary to examine its leader's ideological influences. Having been born into impoverished conditions and being of mixed ancestry (Amerindian, Afro-Venezuelan, and Spanish), Hugo Chavez developed left-wing nationalist sentiments early on. He is regarded as an organic intellectual and avid reader who frequently quotes Latin American poets and authors (Gott, 2007). Moreover, Chavez has been described by those close to him as a person with deep humanistic perspectives, who is concerned with helping the world's most marginalized people (Gott, 2007). He has consistently argued for the need to create an active citizenry capable of working alongside the state in order to develop the potentialities of human beings (Gott, 2007).

Among Chavez's main ideological influences are the nationalistic ideas from Venezuelan revolutionary leaders like Simon Bolivar, Ezequiel Zamora, and Simon Rodriguez. In fact, Chavez has often mentioned that Simon Rodriguez is one of his most important ideological influences, and that Rodriguez was actually an early socialist or "utopian socialist in the tradition of Robert Owen and Charles Fourier" (Wilpert, 2007: p.239). A close personal friend and first teacher of Simon Bolivar, Rodriguez expressed a radical nationalist philosophy that now lies at the heart of *Chavismo* and its attempt to revive nationalist discourse in the age of neo-liberal globalization (Gott, 2006). The political ideology known as *Chavismo* is also fundamentally and explicitly guided by Gramscian notions of hegemony and of

establishing a broad system of alliances that unite diverse social forces.

The ideas of the Marxist theorist, Antonio Gramsci, therefore, are central to understanding *Chavismo*. Chavez himself has said that making sense of Venezuela's current socio-political reality requires analyzing Gramscian theories. He has emphasized Gramsci's concept of 'historical blocs' in which "a particular class manages to acquire hegemony that is expressed in structures and super-structures" (Wilpert 2007, www.venezuelanalysis.com/news/2426). According to Chavez, the super-structure consists of both the institutions of the state and of civil society, the latter of which is made up of economic and private institutions that are used by the dominant class to disseminate its ideology (Wilpert 2007, www.venezuelanalysis.com/news/2426). Among the ideas spread by the dominant class through the mass media are respect for bourgeois democracy, free-markets, and capitalism, all of which help to manipulate and control the masses. Therefore, the Venezuelan situation is characterized as a struggle between the institutions of the state previously controlled by civil society, and the old civil society that consists of "the Catholic Church hierarchy, the mass media, and the education system as the principal institutions" (Wilpert 2007, www.venezuelanalysis.com/news/2426). The necessity of the Bolivarian Revolution becomes the dismantling of bourgeois civil society through the 'liberation' of the state, including the judiciary, legislature, and state-owned enterprises (Wilpert 2007, www.venezuelanalysis.com/news/2426).

In addition to the Gramscian influence, *Chavismo* also exhibits certain notions of populism (a significant force in Latin America's political history). Since the 20th century one finds many examples of populist leaders, or 'men of the people', that have come to power in the region, including Getulio Vargas in Brazil (1930-1945), Lazaro Cardenas in Mexico (1934-1940), Juan Peron in Argentina (1946-1955; 1973), and Juan Velasco Alvarado in Peru (1968-1975). The timing of these populist

governments coincides with the Golden Era in Latin America from the 1930s to 1960s, in which strong state ISI policies helped to produce economic growth and a relative raising of the region's standard of living. While not exhibiting a clear and consistent political ideology, most of the populist attempts appealed to the broad popular masses, carried out large-scale industrialization programs, and governed through strong nationalist and redistributive policies that produced advancements in education, health care, infrastructure, social security, and land reform. It is clear that these populist and many times military influences would help to shape *Chavismo's* own vision of sovereignty, nationalism, and social justice.

During its rule, the Vargas government ran a centralized and interventionist state in Brazil that sought to stimulate and expand domestic industry by employing a nationalist discourse and program of social welfare, in addition to suppressing the political left as part of its fascist tendency. In Mexico, Cardenas implemented a nationalist set of economic policies that saw the expropriation of the oil industry from foreign companies and nationalization of the country's petroleum reserves. Cardenas also expropriated millions of idle and unused land from haciendas and handed it out to poor peasants throughout the country. Moreover, the industrial working-class saw a significant advancement of its labor movement, with increased protection of unionization rights and steady wage increases.

Perhaps the most prominent of the populist leaders during this time was Juan Peron, an Argentine military colonel and politician. With massive popular support, Peron was able to enact a far-reaching packet of reforms in Argentina that sought to attain social justice and economic independence. His strong nationalist appeal permitted him to nationalize several key industries in the country, including the Central Bank, railways, and public utilities and transport. His support came principally from the large working-class population that was encouraged by the

government to engage in labor strife and that with the government's support and labor reforms made significant inroads in terms of increasing wages, employment, and industrial growth.

Another populist military influence on *Chavismo* is that of General Juan Velasco Alvarado in Peru. Velasco took control of Peru in a successful military coup in 1968, and quickly implemented a progressive nationalization drive that included mining, transportation, communications, electrical power, and other sectors (Sustar 2007, www.isreview.org/issues/54/venezuela.shtml). He was also responsible for carrying out an aggressive agrarian reform project that distributed land to millions of poor peasants from the expropriated land of latifundia landholdings. In a similar fashion to the social missions in Venezuela today, Velasco created state-initiated social programs and organizations for the advancement of the rights of peasants and workers and for improvements in their standards of living. The ideology and practice of Velasco and other populist leaders in the region serve as historical lessons for *Chavismo* and have contributed to the resurgence and formulation of this new populist movement.

To see more specifically how populism relates to *Chavismo* it is useful to examine the ideas of Ernesto Laclau. In his book, On Populist Reason, Laclau (2005) argues that populism is “ascribed not to delimitable phenomenon but to a social logic whose effects cut across many phenomenon” (p.xi). Populism, therefore, is quite simply a way of ‘constructing the political.’ Laclau (2005) thus understands populism not as a type of movement, with a certain social base or particular ideology, but a political logic (p.117). This political logic is related to the institution of the social, which emerges out of the articulation and coalescing of a plurality of unfulfilled social demands that in turn construct internal frontiers that separate the ‘people’ from power. This can clearly be seen in Venezuela with the Bolivarian Revolution where Chavez

has been able to collapse the wide-range of social demands into a single camp, thereby creating frontiers between *el pueblo* ('the people') and *la oligarquía* (the oligarchy). Laclau (2005) claims that, "whenever we have this combination of structural moments, we have populism of one sort or another," regardless of the political movement's ideological or social contents (p. 118).

To help us understand this, Laclau selects the category of 'social demand' as his minimal unit of analysis. He explains the emergence of an equivalential chain of unsatisfied demands (in Venezuela, problems with poverty, housing, health care, and state corruption and inaction) as commencing with *requests* that if left unsatisfied, turn into *demands*. When the accumulation of unfulfilled demands is combined with "an increasing inability of the institutional system to absorb them in a *differential* way (each in isolation from the others), an equivalential relation is established between them" (Laclau 2005: p.73). Therefore, two preconditions of populism arise. The first is the formation of an antagonistic frontier that places the 'people' in one camp and political power or authority in the other (in Venezuela, the popular forces versus the *puntofijismo* political system). The second is the equivalential articulation of a set of heterogeneous popular demands that allows the formation of the 'people' as a potential historical actor (hence the 1989 *Caracazo*).

Furthermore, Laclau explains that the construction of the 'people' is finalized with the crystallization of a chain of equivalences that eventually moves beyond feelings of solidarity to that of the crystallization of a certain discursive identity – popular identity as such. Thus the disparate and heterogeneous social demands, "are brought to some form of unity through equivalential political articulations" by their opposition to the status quo (Laclau 2005: p.229). This development of a populist movement, however, also entails the use of floating and empty signifiers through political articulation, be it right-wing or left-wing. The empty signifier on the other

hand, can be seen through concepts or names (for example ‘freedom’, ‘Peron’, ‘Chavista’) that lose their own specificity when they stand in for the whole chain of other demands in opposition to power. Chavez, for example, frequently makes use of the terms ‘*el imperio*’ (‘the empire’) and ‘*escualidos*’ (the squalid ones) to categorize any and all opposition forces, be they members of the U.S. government, national elite, Venezuelan political parties, and even of his own governing coalition.

Laclau’s (2005) most useful insights are those that point out globalized capitalism’s role in creating an increasing heterogeneity of social demands and antagonisms. He observes how globalized capitalism has created a dislocation of social relations in the world, “so categories that synthesized past social experience are becoming increasingly obsolete,” therefore making, “it necessary to reconceptualize the autonomy of social demands, the logic of their articulation, and the nature of the collective entities resulting from them” (Laclau 2005: p.250). Here lies the real task ahead. According to Laclau’s analysis the Bolivarian Revolution therefore does exhibit the political logic of populism in many ways (as do almost every single political movement globally). If we examine Venezuela, or a number of other countries worldwide, we witness new complex socio-political landscapes that might require us to move away from traditional notions of ‘working-class’ and ‘class struggle,’ and towards something along the lines of a collective will of a heterogeneous movement of social actors. The fight against capitalism in Latin America is being led by a diverse range of social forces, including working-class, poor, unemployed, informal workers, women, and indigenous groups.

It is important, therefore, to differentiate between the notion of ‘working-class’ in late industrial societies like the U.S. or Western Europe, and those that served as the basis for Marx’s analyses. This applies equally to countries like Venezuela, where both society and the workers in them, are drastically different from those that Marx

observed. In Venezuela only a small “working-class” in the sense that Marx was talking about actually exists. Therefore, the Bolivarian revolutionary movement must not try solely appealing to and grounding itself in a working-class that does not really exist, but instead should appeal directly to and ground itself on the overwhelming poor and excluded majority.

The truth is that the working-class is not the only social force capable of serving as the revolutionary vanguard in a transition to socialism. In Venezuela, while there is no vast organized class of wage-earning industrial workers, there certainly is a combined majority working-class, informal, and poor population that shares similar injustices and interests, and that is capable of mobilizing as a mass popular force, as has already been demonstrated. In fact, the subjects of this revolutionary process are quite diverse, yet also share similar experiences of capitalist exploitation and domination. In Venezuela, therefore, there is no traditional industrial working-class vanguard but instead a mass movement that emerged from the convergence of all oppressed sectors of the population (unemployed, working-class, poor, and informal workers) with a common struggle to create a socialist society. Let us now examine in detail the development of the new form socialism in Venezuela simply referred to as “21st century socialism”, and assess its achievements and limitations, as well as potential strategies to deepen the social transformations that it has initiated.

‘21st Century Socialism’ in Venezuela

The construction of the long road towards socialism in Venezuela was made possible by the popular 1989 *Caracazo* uprising, which itself came to fruition from the interaction and amalgamation of various historical events in Venezuela, Latin America, and globally. Yet the transition towards socialism in Venezuela would not formally get underway until after the passing of the new 1999 constitution, which was

approved by nearly three-fourths of the population. In fact, several more years would pass before the first explicitly socialist projects would be implemented in Venezuela.

The initial reforms made during the early Chavez years would serve as the preconditions for the deepening of the socialist transition in following years. The new constitution was the first clear example of the progressive nature of the social transformation in Venezuela and of the attempt to dismantle the old elite's power. The rewriting of Venezuela's constitution was made possible by the strong mandate that Chavez won in the presidential election of 1998. Among the major reforms accomplished by the new constitution were, "the changing of the country's name, adding two branches of government, introducing popular referenda, strengthening the presidency in some aspects, and introducing local public planning councils" (Wilpert 2007: p.30).

Other important articles of the 1999 constitution included: progressive principles to advance gender equality and protect women's rights, such as giving women homemakers social security benefits for the work performed at home; committing the state to ensuring the protection of the environment; and recognition of the indigenous people's right to exist for the first time in Venezuela's history (Wilpert, 2007). The new provisions prohibit all forms of discrimination, whether intentional or not, based on race, sex, creed, or social standing, and require the reexamination and revision of public policies that are deemed to violate these new laws. The implementation of these constitutional reforms to Venezuela's entire political system has demonstrated that the constitution is not merely a formality on paper as some have suggested. Most importantly, the new constitution has increased broad citizen participation and helped to advance social transformations in Venezuela. It has provided the initial blueprints for envisioning and working towards creating a more participatory and just society in which class, gender, racial, ethnic, and other forms of

privileges cease to exist.

The socialist transition in Venezuela is described by Wilpert (2007) as a “dialectic of counter-revolution and radicalization,” in which each effort by the old governing class to discredit Chavez caused a further rejection of Chavez by the middle class and increased support for efforts to remove him from power (p.19). Simultaneously every effort to overthrow Chavez led him and his movement to further radicalize, thus “further stiffening his opposition and feeding a growing vicious cycle of counter-revolution and radicalization” (Wilpert 2007: p.19). The old political elite intensified its opposition to Chavez as it witnessed its state power and influence slowly eliminated. With the victory of a majority of Chavez supporters to the National Assembly in July 2000 the national political arena that was formerly dominated by AD/COPEI political members had been completely replaced with the dominance of pro-Bolivarian Revolution adherents (Wilpert, 2007). However, the social and economic policies of the Chavez administration were quite moderate to this point with no programs of expropriation or redistribution of wealth having been initiated yet (Wilpert, 2007).

Progressively more radical reforms were begun with the 49-law decrees authorized by the National Assembly that saw the implementation of an agrarian reform program targeting land over 5,000 hectares, and the Hydrocarbons Law that increased the royalties on oil exploration by foreign companies (Wilpert, 2007). The 1999 constitution had formalized state control of the oil industry and had mandated that a majority of oil revenues be used to finance health care, education, and other social programs. The 1999 constitution and the new policy of increasing royalties on foreign companies effectively formalized state ownership of the country’s oil company, PDVSA, although a complete nationalization of the oil industry was still far from complete.

Overall the new series of laws by the government combined with a global economic slowdown after the 9/11 terrorist attacks, paved the way for old elite's April 2002 coup attempt against Chavez. The mobilization on the part of Chavez's working-class, poor, and military supporters succeeded in reinstating him at the head of the Venezuelan government within 48 hours of being removed, thereby signaling a devastating defeat for the opposition (Wilpert, 2007). The next major attempt to remove Chavez was the oil industry shutdown (Dec 2002 –March 2003) that while commonly referred to as a general strike, was actually a “combination of management lockout, administrative and professional employee strike, and general sabotage of the oil industry” (Wilpert 2007: p.25). The cause of this managerial lockout had been the unwillingness of PDVSA administrators to accept the governments proposed reforms of the oil industry, which included the raising of taxes on oil companies, transparency in its international dealings, and the appointment of pro-Chavez officials to the PDVSA's board of directors (Wilpert, 2007). The positive effect of the oil industry shutdown was that it gave Chavez the power to fire 18,000 striking managers, engineers, administrative employees, and other professionals of PDVSA, and therefore, to initiate a series of reforms of the oil industry aimed at increasing state control of PDVSA, improving its strength in OPEC, and making it more accountable to Venezuelans and their well-being.

Following the final unsuccessful attempt by the opposition to oust Chavez through a failed recall referendum in August 2004, the Bolivarian Revolution took a more aggressive turn. A series of new social programs known as *misiones*, or missions, were commenced to deal with the most pressing problems faced by the country's poor majority, including programs in the areas of education, community health care, literacy training, and subsidized food markets that granted access to health care, education, and cheaper food to millions. It was only in 2005 that for the first

time the announcement was made that Venezuela would move toward '21st century socialism' - a new socialism that seeks to transform the mode of capital. In his most precise explanation of what 'XXI century socialism' is Chavez stated that it entails, "the transformation of the economic model, increasing cooperativism, collective property, the submission of private property to the social interest and to the general interest," and that the new communal system of production and consumption needs to be created, "from the popular bases, with the participation of the communities, through the community organizations, the cooperatives, self-management" (Wilpert, 2007: p.239).

Chavez made it clear that the kind of socialism that was being constructed in Venezuela was organically homegrown and tailored to the particular historical social realities of the country, and not simply a pre-determined socialist recipe mechanically imported and transplanted onto Venezuela. This coincides with Mariategui's view of how socialism should be applied in Latin America: "We certainly do not wish socialism in America to be a copy and imitation. It must be a heroic creation. We must give life to an Indo-American socialism reflecting our own reality and in our own language" (Becker 2006: p.469 in Mariategui 1928). In other words, socialism does not simply fall from the sky, but must be built (Lebowitz 2006). What has become clear through Chavez's words and actions is that the socialist program in Venezuela will have Marxist, Bolivarian, indigenous socialist, and Christian revolutionary influences (Ridell 2007: www.socialistvoice.ca/?p=149)

The radicalization of the Bolivarian Revolution would proceed with Chavez's reelection in Dec 2006. This event would mark the start of the more radical era of the Bolivarian Revolution's socialist transition, and thus the initiation of various new socialist projects. The new transformations of Venezuelan society have included the nationalization of various key sectors of the economy, democratization of the media,

land reform (both urban and rural), initiation of an ‘ecological socialism’ process, creation of ‘popular defense units’, formation of a new labor federation (UNT), consolidation of the social base through the construction of the United Socialist Party of Venezuela (PSUV), initiation of an institutionalizing process for the 20,000 self-governing and participatory ‘communal councils’, and the establishment of a social economy based on co- and self-management (Wilpert, 2007). Following a brief examination of the projects mentioned previously, the latter two will be analyzed in depth in two final sections that deal with participatory democracy and alternative production systems, and with the human development that they help to foster. As we will see, these series of new projects constitute the backbone of Venezuela’s socialist transition, which seeks to further dismantle the old ruling class’ power, create new forms of social organization, and establish an alternative political and production system. We turn to an analysis of these new projects in order to illuminate the transformative nature of the socialist transition process in Venezuela.

Nationalizations

While many of the emerging alternative proposals have failed to mention nationalized economies (Quijano 2007), the Bolivarian Revolution has actually made this one of its top priorities. In fact, one of the central issues of the Chavez government’s socialist program has been the nationalization of several key sectors of the economy. Yet, despite making threats that he would nationalize certain industries early on, the process did not get underway until after his re-election. For the first eight years of his presidency, Chavez did little to threaten the private sector. In fact, it was not until January 2007 that Chavez first unexpectedly announced his decision to initiate a nationalization process in Venezuela. In addition to judicial and progressive tax reforms, the nationalization drive has helped to serve the purpose of further

limiting the power of the country's elite and increasing that of the Venezuelan state and people. Since 2007 certain key industries have been nationalized in the country, including telecommunications, energy, oil production, cement, steel, and some private banks.

Nationalization, however, has not been as radical as the mainstream media and opposition claim. In fact, the exaggerated claims of threats to private property are unfounded, since the Venezuelan government has actually engaged in negotiations with and provided adequate compensation to the "nationalized" companies instead of actually expropriating them. Compensating these companies at market rates has actually favored the private owners, who have largely been satisfied with the business transactions. Moreover, many times the so-called nationalizations have in reality simply entailed the Venezuelan state's taking of a larger share in the industries, as is the case with oil. The nationalization of Venezuela's oil production, or more appropriately re-nationalization, consisted of increasing the shares of Venezuela's own PDVSA from a minority participation of 30% to a majority participation of 60% in the joint-venture projects with other transnational oil companies (Wilpert, 2007). Though fairly moderate, the nationalization process of the Bolivarian Revolution has greatly benefited the Venezuelan state and people with increased revenue for social projects, and served as a very symbolic triumph for the country as a whole.

More recently, however, the nationalization drive in Venezuela has both sped up and radicalized. In fact, the government has been forced to respond to the demands made by workers in the industrial heartland of Guayana for increased participation and ownership of their workplaces by announcing the nationalization of six iron briquette, ceramics and steel companies (Fuentes, 2009). Moreover, in May 2009 a processing plant of the U.S. pasta company Cargill was taken over by the Venezuela government after it was found to be violating the regulations on price controls, which were

established to guarantee cheap food for poor Venezuelans. The same occurred in the case of Venezuela's rice-producing factory, Polar, which was temporarily taken over by the military for evading the price controls. It is now up to the Venezuelan government to meet the growing worker demand for control of production that has resulted from the increased level of class consciousness among the working-class, which the state itself helped to develop.

Media Democratization

Other important decisions made by the Venezuelan government have also produced significant changes in the country. One such action was the May 2007 non-renewal of RCTV's broadcast license. As one of the country's most popular television channels, RCTV had frequently violated broadcast regulations, actively participated in the oil industry shut-down and coup attempt, and promoted all types of violence against the government. Therefore, contrary to the charges of suppression of freedom of expression on the part of the mainstream media and opposition, the decision had much more to do with the much needed democratizing and diversifying of the country's media landscape.

To help accomplish this task the Venezuelan government has also helped to create community media outlets, including hundreds of radio stations and numerous television stations, all of which are community-run. This has effectively given communities ownership of their news and information, thus helping them to engage in and transmit those issues that most affect and pertain to them. Thus, despite accusations of government restriction of freedoms, the attempt is to combat the private broadcast media's usual distortion of news and information and strong manipulation of public opinion, thereby trying to eliminate the root cause of the 'manufacturing of consent' (Chomsky 1992) that helps to maintain the subservience of the masses and

dominance on the part of elites. However, up to now most of the main mass media remains under private ownership and pro-U.S. elites. The challenge now for Venezuelans is to further advance grassroots local media and rid themselves of private corporate media, a pre-condition of establishing participatory democracy.

Land Reform (Rural and Urban)

In terms of land reform, the Bolivarian Revolution can celebrate the redistribution of over 3 million hectares of land to over 200,000 families since the introduction of the 2001 Land Reform Act (Wilpert, 2007). The major motives of the land reform are to achieve great equity and increase agricultural production by giving land to small family farms, and to completely do away with *latifundios* that have traditionally been the primary reason for the overconcentration of land. As part of the reform, the government has encouraged and helped peasants to takeover unused and idle land, in order for them to then setup self-sustaining cooperatives. While this is a significant sign of progress, it still does not correct the extreme disparity that allows 5% of large landowners to maintain possession of 75% of Venezuela's private agricultural land, while a dismal 6% of the land is held by small landowners (Censo Agricola 1998 in Wilpert, 2007). Again the reform attempt is modest since it has largely entailed the redistribution of state-owned land and not that which is privately held. Additionally, the government first gives large landowners the option of putting their land into production before deciding to expropriate it. And in the case that the land is "expropriated" the landowners are always generously compensated for their land, which is purchased by the state at market value (Wilpert, 2007).

More far-reaching has been the urban land reform program of the revolution, which had since 2005 given 126,000 families, or 600,000 people, titles to their homes (Wilpert, 2005: www.venezuelanalysis.com/analysis/1355). The need for urban land

reform is obvious in Venezuela where the great majority of citizens (87%) live in the cities, and of that, 60% live in unsafe *barrios* or urban slums (Wilpert, 2007). The granting of land titles to the inhabitants of the *barrios*, and thus effective turning over of legal ownership to them could end up affecting nearly ten million Venezuelans, or 40% of the population (Wilpert, 2007). To facilitate the process thousands of land committees have been created in *barrios* across Venezuela in order to represent and defend the interests of the communities. If successful, this urban reform program has the potential to significantly alter property relations in the country, through the replacement of private property with self-governed communal property in the *barrios*, as demanded by many communities. However, like agrarian reform, the urban land reform process has been slowed down by business opposition and bureaucratic wrangling and thus faces many obstacles.

‘Ecological Socialism’

One critical priority for the forces of the Bolivarian Revolution, and for the entire Latin American 21st century socialist project, is attending to the ecological crisis of our times. Although the emphasis on ecological protection has not been a very explicit endeavor or even goal of the Bolivarian Revolution, a more critical examination of some of its projects reveal that in fact there has been substantial progress made in the ecological arena. While many of the projects of the revolution have stated goals that barely mention ecological issues, they have actually indirectly and directly benefited the natural environment of Venezuela. For example, as part of the land reform process the social mission *Proyecto Vuelta al Campo* (Return to the Countryside Project) has made it possible for any Venezuelan citizen between the ages of 18 and 25 years of age or who is the head of a family household to apply for a parcel of land, as long as they willing to work the land (Wilpert, 2007). The recipients

of the land are then provided with economic and technical assistance, and are granted land titles after they have productively cultivated the land for three consecutive years (Wilpert, 2007).

What makes this ecologically innovative is the fact that the majority of the new owners have united and formed rural cooperatives for their self-subsistence, with the surplus agricultural product being sold in local markets. Moreover, the growing of the crops has largely been done using organic methods, thus avoiding the damaging effects of pesticides and fertilizers. Naturally, this more sustainable form of growing food crops places much less stress on the environment than that of traditional big agriculture, and contributes to the goal of food sovereignty. But in the case of Venezuela where the overwhelming majority of its citizens live in the urban centers this program is even more ecologically favorable since it explicitly encourages urban dwellers to migrate to the countryside, thereby providing some relief to the extremely environmentally-stressed cities.

But it is in the area of sustainable human development that the major achievements have been made with regard to the ecological question. This might surprise many who share the mentality of mainstream environmentalism and its overemphasis on mechanical strategies, particularly technological fixes, to deal with ecological problems. Yet revolutionary action as it pertains to ecology can only be made possible when people are allowed to develop their human capabilities and social consciousness. In his writings on the global environmental crisis under capitalism, John Bellamy Foster (2008) points out that Venezuela has “not only advanced revolutionary new social relations with the growth of Bolivarian circles, community councils, and increased worker control of factories, but has introduced some crucial initiatives...[] in the production and exchange of goods (p.9). He refers to the emphasis on communal exchange and on community-level planning that meets the

needs of human beings as examples of important preconditions for advancing ecological transformations. Foster (2008) therefore argues that addressing “the most pressing individual and collective requirements of the society related in particular to physiological needs,” raises the question of the relationship between humans and nature – “the absolute precondition of the creation of a sustainable society” (p.10).

The development of human potentials, therefore, is a fundamental aspect of any attempt at ‘ecological socialism’, which I envision as the practice of human beings interacting with the natural environment in a sustainable manner with minimal carbon footprint for the simple satisfaction of their physiological needs. In forthcoming discussions on self-governance and self-management it will be demonstrated that the development of new human social relations is an essential component of the Bolivarian Revolution and its transition towards socialism. In terms of ecology, human development allows the construction of more sustainable relations between humans and nature, thereby ensuring the survival and reproduction of humans and the homeostasis of the natural environment.

Despite these transformations, the Venezuelan government must do more to advance environmental protections and sustainability by putting into place explicit mechanisms and policies that help to deepen the level of ecological consciousness of its citizens. Environmental education campaigns are needed throughout every single neighborhood in the country to correct the degradation of the environment caused by decades of neglect. Serious ecological problems involving insufficient mass public transit, garbage disposal, contamination of water, and many others pose real threats to the advancement of a model of ecological socialism in Venezuela. Fredys Teran, a recent candidate of the PCV (*Partio Comunista de Venezuela*) for the mayorship of Merida’s state capital, stresses the need to displace the “absurd mentality” of “each person in their home, disposing of solid waste by throwing it in the street without

worrying if it pollutes or if it causes a problem for their own neighbor,” rightfully arguing that working to solve the country’s ecological deterioration is “everybody’s problem” (Sugget 2008: www.venezuelanalysis.com/analysis/3971).

Thus far, the Venezuela government can be credited with making preliminary efforts to raise awareness among citizens of ecological problems by the creation of the *Mision Arbol* (Tree Mission) in June 2006. The stated objectives of the program are to increase interest in the forests of the country, promote ecological equilibrium, and restore environmentally degraded spaces (Ministerio de Comunicacion e Informacion 2007). Moreover, it has put into practice a reforestation plan that will contribute to the recuperation and maintenance of the forests throughout the national territory. However, it does not include a much needed environmental education component that strives to raise the ecological consciousness of Venezuelans, and that helps them to see that the most revolutionary aspects of a socialist transition are its ecological transformations that protect the natural environment.

Thus as the epicenter of the current leftist political wave in Latin America, Venezuela must push to make more radical ecological transformations that not only make agriculture practices “greener,” but that also fundamentally alters the way in which we view and thus interact with nature. As we will see, this will require breaking with the inherently ecologically destructive ‘logic of capital’. Moreover, it necessitates replacement of the extractivist model, in which natural resources are over-exploited for the purpose of economic growth. While in Venezuela preliminary attempts at achieving this have already been put into place, the dependency on the over-exploitation of natural resources, particularly petroleum, threatens to impede this necessary transformation. .

‘Popular’ Citizen Militias

As we saw earlier, attempts at socialist transitions need to deal with the very real possibility of reactionary internal and foreign aggressions. Since taking office Chavez has seen an intense and well-organized counterrevolutionary attack against his government from elements of both the Venezuelan oligarchy and U.S. government. In order to deal with this continuing threat, Chavez has worked to improve the strength of the 100,000 member armed forces by purchasing military equipment from Russia, such as assault rifles and helicopters. He has also created mechanisms that promote civilian-military unity and that allow civilians to engage directly in military tasks. Thus more than 90,000 military reservists have been mobilized by the Venezuelan government, and are now serving on the reserve list of the Army, National Guard, and Navy (Wilpert, 2007). But besides the national army, an interesting new force has been developed.

Beginning in early 2005, Chavez announced the creation of the *barrio*-based ‘popular defense units’ of various sizes to serve as parallel forces in the fight against possible armed intervention. These new popular militias would be organized according to neighborhood and workplace, and would be headed by Chavez as their commander-in-chief (Wilpert, 2007). Chavez himself has said, "popular defense units must be created in the barrio, in the factory, in units of different magnitude -- 10 persons, 100 persons, 500 persons" per unit" (India Daily at www.indiadaily.com/editorial/1550.asp). Although it was first estimated that they would try to recruit approximately one million Venezuelans into these new units, this figure was later increased to two million (Wilpert, 2007). While the new citizen militias are welcomed by the majority of Chavez supporters in order to curb possible destabilization attempts by the oligarchy or the U.S. government, the opposition simply regards them as eerily reminiscent of the Cuban Defense Committees of the

revolution and a further example of the militarization of Venezuelan society.

Something which has yet to be achieved and that needs urgent attention is the task of institutionalizing these democratic forms of civilian participation in military affairs in order to ensure their long-term success and avoid centralization.

A New Labor Federation – *Union Nacional de Trabajadores de Venezuela* (UNT)

The traditional conservative union federation of CTV that has been mentioned throughout this study finally witnessed a significant challenge to its dominance of organized labor following the split of progressive members from its ranks in 2003 and their subsequent setting up of the new labor federation, *Union Nacional de Trabajadores de Venezuela* (UNT). As we saw earlier, the pro-capital CTV has historically been tied to the main two political parties in Venezuela, AD and COPEI, and has largely sided with them on most labor, political, and economic issues, thereby preventing the advancement of an independent and strong working-class movement in the country. However, the decision by the leadership of CTV to actively support right-wing forces and participate in the attempted 2002 coup against Chavez and later the management oil industry shutdown, fueled discontent within the more progressive tendencies of the federation and led to the overall discrediting of the CTV.

During its founding, many unions decided to disaffiliate with the CTV and join the UNT, thereby allowing the UNT to become the largest labor federation in Venezuela. The pro-revolution UNT currently represents the majority of the country's unionized working-class, with nearly 3 million of the country's 11 million workers affiliated to it (Janicke, www.venezuelanalysis.com/news/3362). In its first couple of years, the UNT has proved to operate under a new form of unionism that is much more democratic than the political party-run business unionism model of the CTV. This new form of social movement unionism with its explicit class oriented

approach, places few restrictions on workers and their ability to strike in the face of labor injustice by their employers. A clear example of this was the decision by steel workers of the SIDOR firm to go on strike several times this year in protest of unwarranted firings of workers by management. After directly confronting Chavez and demanding his support for their actions, the steelworkers achieved an incredible victory that witnessed the firing of the pro-business Labor Minister, expropriation of the Argentinean-owned steel plant, and granting of their demand for trade union co-management (Petras, www.venezuelanalysis.com/analysis/3841).

However, there is much to worry about the new federation. Despite promising internal elections to decide the national leadership of the UNT, the process has faced indefinite delays. This is not necessarily negative, since the main reason for the delays have been the ongoing open and democratic debates between the different tendencies of the federation. The debates have centered on how to balance union autonomy and cooperation with the government, and how to balance workers' interests with those of communities and with national issues. The problem has been the rifts that have been created among the different tendencies, with some even making moves to form a new labor federation. These issues are putting major stumbling blocks in the unity of the federation and in the struggle to structurally advance the conditions of the country's working-class. We will have to wait to see what results will come from the UNT's national congress and much anticipated upcoming internal elections of 2009.

The United Socialist Party of Venezuela: The social base of the Bolivarian Revolution

One of the major changes in Venezuela that has received much attention lately has been the organization and consolidation of the social base of the Bolivarian Revolution, which has united the overwhelming majority of the country's leftist and

progressive political parties into one large party - *Partido Socialista Unido de Venezuela* (PSUV). From the very first announcement of PSUV's creation opposition forces began screaming accusations of authoritarianism in Venezuela. Yet, the irrationality of the members of the opposition did not allow them to comprehend the reality of the situation, which was not to turn Venezuela into a restrictive one-party state but to unite all of the 20-plus supporting political parties of the Bolivarian Revolution, known collectively as the Patriotic Alliance, into a single powerful and united pro-revolutionary party. It was decided that Chavez's previous MVR (*Movimiento V Republica*) party, which served as an umbrella organization for the country's left political parties, served mainly as an electoral machine and therefore needed to be replaced.

Thus the motive behind the creation of the PSUV was to "democratize the Bolivarian Revolution" and to "make its decision-making processes more efficient and transparent" (Wilpert 2007: p 220). Through internal party debates and elections, the nominations of candidates and policy goals of the party would be democratically decided. Ciccariello-Maher (2007) describes the timeline of PSUV's formation as follows:

the first stage, already underway, involves the selection of 11,000 "promoters," or activists chosen for their exemplary ethical values, whose task it will be to travel the country activating, in the second stage (beginning March 24th), "socialist battalions." It will be these "promoters" and "battalions" who will carry out a census and registry of the new party in preparation for elections during the third stage (after June 24th). This election will give rise to a fourth stage, in which a constituent party assembly will formulate the PSUV's program (between August and November), which will then finally be voted upon by the new party's membership in a nationwide referendum (www.venezuelanalysis.com/analysis/2305).

As in the case of the newly created labor federation (UNT) the main obstacles

to the consolidation of the PSUV have been the internal ideological and power struggle between different tendencies. After successfully registering 5.7 million people to its ranks, including the more than 14,000 members of the grassroots ‘battalions’, the internal elections for PSUV’s provisional national executive were held in the beginning of 2008 (Janicke, www.links.org.au/node/310). The traditional or moderate left wing of the party came out victorious in this founding congress of PSUV, defeating both the more radical left and right tendencies. However, not all of the parties of the Patriotic Union decided to dissolve and join PSUV as encouraged by Chavez. In fact, three main parties of the coalition, PPT (*Patria Para Todos*), PCV (*Partido Comunista de Venezuela*), and Podemos, which together accounted for around 15% of vote in the 2006 presidential elections (Wilpert, 2007), refused to dissolve, with PPT and PCV now functioning as pro-Chavez parties externally from PSUV and Podemos abandoning its pro-*Chavista* position altogether.

Instead of respecting their decision for autonomy and trying to work together to advance the Bolivarian socialist program, Chavez has publicly labeled those that did not want to join the PSUV as “cowards” and “counterrevolutionaries” (Wilpert 2007: p.220). As a result of the tensions with PSUV, some of these dissenting political parties decided to run their separate candidates in the most recent municipal-state elections of November 2008. It is likely that this negatively impacted PSUV candidates and helped to tip the scales in favor of the opposition in some of the more tight races. In the end, opposition party candidates were victorious in the governorships races of two of the country’s most populous states, Zulia and Miranda, including the extremely important mayor’s office of greater Caracas. According to George Ciccariello-Maher (2008: <http://mrzine.monthlyreview.org/cm261108.html>) this opposition victory, especially of metropolitan Caracas, may have severe implications for the revolutionary forces since the newly elected far-right mayor of the

discredited old regime, Antonio Ledezma, might attempt to roll back important reforms that have been made in recent years and try to instigate warfare between the metropolitan police and revolutionary popular militias.

Moreover, George Ciccariello-Maher (2008: <http://mrzine.monthlyreview.org/cm261108.html>) is correct in arguing that the *Chavista* defeats in metropolitan Caracas and the neighboring state of Miranda will have significant repercussions for the future of the Bolivarian Revolution, given that the two *Chavista* candidates that lost, Aristóbulo Isturiz and Diosdado Cabello respectively, were regarded as the two most probable successors to Chavez himself. In metropolitan Caracas the defeat of Isturiz, former union leader and education minister, and one of the Bolivarian Revolution's most respected figures, is a surprising and devastating blow to *Chavismo*. On the other hand, the defeat of Chavez's right-hand man, Cabello, in the state of Miranda might in fact turn out to be a blessing to the Bolivarian Revolution in the long term. The reason for this is that Cabello represents the worst elements within *Chavismo*, the so-called endogenous right, which has high political aspirations and seeks to moderate the more revolutionary tendencies within the Bolivarian movement. Therefore, the defeat of Cabello might actually be beneficial in that it will serve as a roadblock to the growing right-wing faction within PSUV that so threatens the advancement of the social transformations of the Revolution.

Despite these modest victories and the exaggerated claims by the opposition-controlled media in Venezuela and its U.S. counterparts that the Venezuelan opposition substantially gained ground and power, the reality is that PSUV achieved an overwhelming defeat over opposition political parties in the regional elections. In fact, PSUV candidates won the overall majority of governorships (17 of 23) and mayorships in the country (Wilpert 2008: www.venezuelanalysis.com/news/3979),

thus signaling a triumph for *Chavismo* and the continued progression of 21st century socialism in Venezuela. The task for PSUV now becomes multiplying its efforts to both meet the needs of the Venezuelan people and to strengthen the democratic communal councils that may one day replace the bureaucratic local and national government institutions.

Instead of increasingly isolating and verbally attacking the independent pro-*Chavista* parties, Chavez and his allies should work to find common ground with them in order to strengthen PSUV and the Bolivarian Revolution in general. It is important to keep in mind that respect and promotion of political pluralism is essential for this and other attempts at social transformation. As Lowy (1986; in Fagen et al. 1986) points out, “the free organization of all political parties that respect revolutionary legality is not a concession to the bourgeoisie but rather the condition for the existence of a real political life, a real confrontation of points of view and the possibility of real decisions by workers on matters essential to the country’s economic, social, and political life” (p.271). In Venezuela, it is true that the independent pro-Chavez parties (Podemos, PCV, and PPT) have had their disagreements with PSUV and have launched political electoral and ideological challenges against it. Yet, most importantly, they have all respected revolutionary legality. This contrasts with the opposition parties and forces that have been found guilty on numerous occasions of conspiring to and carrying out undemocratic and illegal violations against the Bolivarian Revolution, and that therefore deserve to be reprimanded by the country’s revolutionary forces.

Another related task for the members of PSUV is finding ways to moderate Chavez’s rhetoric and unfounded attacks against these political allies, in order to maintain the unity of the socialist alliance and prevent the strengthening of opposition forces. Equally important, is the need of the Venezuelan people and of the left-wing

of the pro-Chavez ranks to put pressure on Chavez in order to distance him from the pseudo-socialist right-wing elements within PSUV, which have increasingly gained ground within the party. The discussion leads to larger issues related to the construction of a revolutionary party. As the revolutionary party of the Bolivarian Revolution, PSUV plays a critical role in Venezuela's ongoing transition towards 21st century socialism. The success of PSUV in garnering the support of the masses and in advancing societal transformations is crucial for the long-term survival of the Bolivarian Revolution.

The first task of constructing a revolutionary party from the bottom-up has already been accomplished through the selection of the 14,000 politically-conscious members of the grassroots 'battalions' and their nationwide organizing efforts guided by socialist values. The task ahead for PSUV is to tap into its potential for developing real socialist consciousness amongst not only its membership, but all Venezuelans. In his famous pamphlet, What is to Be Done? (1902), Lenin stresses the Party as the most important organization of the revolution. Lenin was concerned with the issue of whether capitalist conditions lead workers to spontaneously become socialist, or if this requires the guidance of a Vanguard of socially conscious intellectuals (Hammond 1987; in Larson & Nissen 1987). Ultimately, Lenin believed that the combination of both the conditions of capitalism and the Party Vanguard would instill socialist values in workers.

Yet, unlike his conception of the party as being restricted to a small group of so-called professional revolutionaries, the construction of PSUV in Venezuela is being accomplished in a much more grassroots and democratic fashion, despite some aforementioned contradictions (i.e. excessive powers of party directorate (led by Chavez himself) in choosing PSUV candidates for municipal/state elections). Moreover, members of the PSUV have stated that their goal is to teach socialist ideals

to Venezuelans through the creation of political cadres that can mobilize people and advance the socialist transition (Janicke 2008: www.links.org.au/node/310). This appeal of PSUV to the Venezuelan masses is indispensable for its own development and carrying out of the Bolivarian Revolution's transformative policies. However, PSUV's leadership must proceed with caution in order to avoid monopolizing the political life of Venezuela through administrative methods. As Lowy (1986; in Fagen et. al 1986) warns, the one-party system "predominant, so far, in the states of [socialist] transition – is the direct source of bureaucratization and a decisive obstacle to effective democracy (p.271). The goal, therefore, is to have a grassroots and popular revolutionary party like PSUV that incorporates all revolutionary viewpoints and gives its members direct decision-making powers, while at the same time deepening political pluralism by guaranteeing an open and democratic political arena that respects the Bolivarian socialist transition.

Interestingly, one of the principal obstacles to creating this participatory and grassroots party is found internally within PSUV. The historical prevalence of patronage and personalistic politics in Venezuela is one that continues to persist today. While important steps have been taken to cultivate mass participation within PSUV, Chavez and his small circle of advisors continue to have an overwhelming influence in the party's decision-making and thus also on the Bolivarian project. The combined charisma of President Chavez and intense admiration and support for him, have created a sort of personality cult around him. He is increasingly seen as more indispensable to the success of the Bolivarian Revolution and to the struggle against the opposition.

This idolization and overdependency on Chavez is clearly demonstrated in his own rhetoric, campaign slogans, and on popular graffiti which include sayings like "With Chavez everything, without Chavez nothing," and "With Chavez we all govern"

(Wilpert, 2007: p.201). While it true that Chavez deserves great credit for advancing the desires of the Bolivarian movement, the danger of overdependence on him is that it makes the entire Bolivarian program highly vulnerable due to its excessive emphasis on this one individual. If the Bolivarian Revolution is to break with the country's historic personalistic and patronage politics it must find ways to move beyond the individual by developing current and new leaders, and facilitating their participation in the crafting and implementation of the direction of the movement. In other words, collective ownership of the Bolivarian Revolution must not only be a slogan but a concrete reality in order to allow Venezuelans to own their movement and to choose their next leader from among their ranks once Chavez's term ends. Recent announcements (November 2008) of re-election plans by Chavez himself have the possibility of greatly impeding this much needed change and of continuing the cycle of personalism in Venezuela politics.

Bolivarian Revolution's Successes & Limitations

Since the taking of state power significant improvements have occurred in Venezuela as part of the revolution. Besides increased participatory democratic processes and other aforementioned social transformations, statistical information also shows impressive advances in Venezuela. For one, annual economic growth has remained steady at 18.3% in 2004, 10.3% in 2005, and 10.3% in 2006 (Hahnel 2007: www.monthlyreview.org/mrzine/hahnel301107.html). Additionally, the unemployment rate has dropped from 18.4 % in June 2003 to 8.3% in June 2007, or more than half (Weisbrot, 2008). Contrary to popular belief, while increasing prices of oil have greatly contributed to these successes most of the growth has actually occurred in the non-oil sectors of the economy. This impressive economic growth has been made possible due to Chavez's implementation of aggressive expansionary fiscal

and monetary policies in the face of neo-liberal critics that instead recommend a minimal role for government and fiscal austerity.

Another significant success has been the reduction of poverty from 55.6% of households and 60.9% of the population in the pre-Chavez era in 1997, to 30.6% of households and 36.3% of the population by the end of 2006 (Hahnel 2007: www.monthlyreview.org/mrzine/hahnel301107.html). Furthermore, from 1998-2006 social spending per capita in Venezuela has increased by 314 percent (Weisbrot, 2008). Before Chavez came to power, there was only one primary healthcare physician per every 14,000 Venezuelans, compared to one for every 1,300 Venezuelans by 2007, with many working in previously ignored poor rural areas and urban *barrios* (Hahnel 2007: www.monthlyreview.org/mrzine/hahnel301107.html). Additionally, the working-class and poor now count on 16,000 new stores that sell staples at a 30% reduced rate (Hahnel 2007: www.monthlyreview.org/mrzine/hahnel301107.html).

TABLE 5
Venezuela: Central Government Social Spending (1998-2006), in percent of GDP/a

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Public Spending	23.7	24.5	29.6	31.6	29.4	31.0	28.4	28.5	31.0
Total Social Spending	8.2	9.4	11.0	12.1	11.2	12.1	11.8	11.6	13.6
Education	3.4	4.1	4.5	4.8	4.8	4.6	4.8	4.1	5.1
Health	1.4	1.5	1.4	1.5	1.7	1.5	1.6	1.6	1.8
Housing	1.0	0.8	1.7	1.0	0.8	1.1	0.6	1.3	1.6
Social Security	1.4	2.0	2.2	3.4	2.8	3.4	3.1	3.0	3.6
Social Development & Participation	0.8	0.9	0.8	0.9	0.8	1.1	1.2	0.9	1.0
Culture & Social Communication	0.2	0.1	0.2	0.2	0.1	0.3	0.3	0.3	0.3

TABLE 5 (Continued)

Science & Technology	0.1	0.1	0.2	0.3	0.1	0.1	0.3	0.3	0.2
Social Spending (% of Public Spending)	34.7	38.5	37.3	38.4	38.2	39.0	41.4	40.6	44.0

Source: Sistema de Indicadores Sociales de Venezuela (SISOV) and Banco Central de Venezuela (BCV); in Weisbrot, 2008

Notes:

/a Does not include social spending by PDVSA, the state oil company, which in 2006 contributed \$13.3 billion (or 7.3 percent of GDP) to social projects.

In terms of the major limitations of the Bolivarian Revolution a few clearly stand out. One has been its surprising lack of advancement in terms of the rights of both the LBGT and Afro-Venezuelan community, two historically oppressed populations. While the 1999 *Ley Organica de Trabajo* (Labor Organic Law) did prohibit discrimination based on sexual orientation, strong opposition from the Catholic Church and other groups succeeded in removing anti-discrimination provisions from the final 1999 constitution. Included in the constitutional reform package of the December 2007 national referendum was a constitutional article that would have made discrimination based on sexual orientation illegal. However, the defeat of the 2007 referendum means that the LBGT community and its allies must intensify their struggle for equality and exert more pressure on Chavez, a known sympathizer of LBGT rights, to get constitutional legislation passed.

With regard to the rights of Afro-Venezuelans, despite Chavez's recognition of his partly afro descent and proud acknowledgement of his roots, he has not aggressively pursued policies to institutionalize the protection of the rights of Afro-Venezuelans. The historically racist subjugation and disrespect of Afro-Venezuelans is evident even in the attacks against Chavez made by the predominately lighter

skinned members of the opposition who frequently refer to Chavez and his darker colleagues as ‘monkeys’. Despite this and many other examples of the continued racism in Venezuela, the 1999 constitution merely stated that the ethnic cultures of Venezuela needed to be treated as equal. It was not until the December 2007 referendum on 69 constitutional reforms that the struggle of Afro-Venezuelans was finally put on the national stage with Article 100 that would formally have recognized and guaranteed the protection of Afro-Venezuelan culture and heritage. Yet, again with the defeat of the referendum the plight of Afro-Venezuelans suffered a major setback.

We will have to wait and see if Chavez decides to pursue the implementation of this reform (which his executive authority allows him to) despite the failure to pass the reform proposal of 2007. Not only would this be beneficial for the Bolivarian Revolution, but it would give the Afro-Venezuelan community a victory that it has long sought and deserves. Representatives from Venezuela’s Afro-descendants have been active members of the revolution, and even hold positions within the government. They are hopeful that the Chavez government will pass legislation that will mandate the recognition of Afro-Venezuelan rights, just as it did with the indigenous communities, and that will provide educational reforms to make Afro-indigenous history part of the school curriculum. Ending racial injustice and ensuring that the Afro-Venezuelan population enjoys a high degree of participation in the decision-making of their communities and country will be a necessary component of Venezuela’s 21st century socialist project.

Another key area of disappointment thus far with the Bolivarian Revolution has been its inability and unwillingness to more aggressively pursue the elimination of the exploitative and unjust class structures of Venezuela society. That is, despite nationalizations and very progressive social missions that have increased popular

participation, well-being, and consciousness, Venezuela's wealthy oligarchy backed by Washington and supported by the privately owned right-wing media, continues to enjoy its economic privileges. At the same time, the working-class and poor majority that make up the vertebrae of the Bolivarian Revolution, have gained more decision-making power in their workplaces and communities, but remain relatively exploited and subservient to the national elite capitalist class. This has to do with the Venezuelan government's tepid response to the need of converting private property into publicly and collectively owned property in order to break the overconcentration of wealth.

Yet, there is one clear and promising sign of the breaking down of class distinction and privilege in Venezuela. According to a recent research paper by Mark Weisbrot (2008), co-director of the Center for Economic and Policy Research (CEPR), income inequality in Venezuela as measured by the Gini coefficient has dropped significantly during the Chavez years, contradicting opposition claims that inequality has worsened. In fact, figures provided by National Statistics Institute's (INE) Household Survey (*Encuesta de Hogares por Muestreo*) show that the Gini coefficient for Venezuela (see Table 6 below) has declined from 48.7 in 1998 to 42 in 2007 (Weisbrot 2008). While this decrease of 6.7 might appear minimal, it actually demonstrates a substantial closing of the gap in terms of income distribution within Venezuela over the past ten years of revolution. Therefore, while the road towards achieving a classless society is both long and arduous, the reduction of income inequality in Venezuela during the past decade is a significant step forward in achieving this socialist goal.

TABLE 6
Venezuela: Gini coefficient, various sources and years (%)

	INE/1	CEPAL/2	WDI/3
1981			55.82
1987			53.45
1989			44.08
1990		47.10	
1993			41.68
1996			48.79
1997	48.74		
1998	48.65		
1999	46.93		
2000	47.72		
2001	45.73		
2002	49.38		
2003	48.11		
2004	45.59		
2005	47.48		
2006	44.63		
2007	42.00		

Source: 1/ Venezuelan National Statistics Institute (*Instituto Nacional de Estadística*);
2/ United Nations Economic Commission for Latin America and the Caribbean;
3/ World Bank's World Development Indicators;
in Weisbrot, 2008.

The other major obstacle still facing the Bolivarian Revolution is its continued overdependency on oil. Despite taking commendable steps in diversifying its

economy and creating innovative and alternative economic enterprises, Venezuela has been unable to move beyond its excessive dependency on oil revenues. The reasons for this are no mystery considering that the Chavez government has never declared itself to be against the extractivist model, and has actually called for the increased extraction of petroleum for the generation of more wealth. On top of this the government has increased control over the oil industry and has been greatly favored by higher oil prices in recent years that have built up its coffers and allowed it to ‘sow the oil’.

As a result, non-oil economic activity has been undermined, even though it continues to play a significant role in the economic growth of the country. As with the overdependency on Chavez, that of oil production poses a serious threat to the long-term success of the Bolivarian Revolution. Oil revenue is the main source of financing for the social projects and missions that have so aided working-class and poor Venezuelans. In fact, in 2006 alone the state oil company, PDVSA, contributed \$13.3 billion or 7.3% of GDP to the social projects and missions of the Bolivarian Revolution, as part of its Social Fund for community projects (Weisbrot, 2008). Therefore, recent and future drops in the price of oil could create huge problems for the movement as it finds itself increasingly strapped for cash to pay for its various social programs. Only by moving beyond the extractivist model that over-exploits the natural environment and its resources and towards an ecologically sustainable non-oil economy that advances food security can Venezuelans ensure the successful long-term development of their socialist transition.

The Bolivarian Revolution’s Embrace of Participatory Democracy and the Explosion of Communal Power

The liberal or representative democracy that has existed in Venezuela and that

is hegemonic around the world has recently begun to be challenged by a wide array of social actors and movements in the global South that seek social emancipation through alternative models of participatory democracy (De Sousa Santos 2007). This confrontation between alternative conceptions of democracy is perhaps most pronounced in Venezuela, where the explosion of communal power has helped to push the country away from the limiting western liberal democracy and towards a dynamic and deeper form of participatory democracy. Ciccariello-Maher (2007) argues that in trying to understand this process it useful to view it “through the Leninist concept of “dual power” – that is, the construction of an autonomous, alternative power capable of challenging the existing state structure” (p.42). The clearest example of the building of this new ‘dual power’ has been the creation of the communal councils in all neighborhoods throughout Venezuela as part of the new alternative ‘social economy’ based on solidarity and community that seeks to move the country beyond capitalism and towards socialism. The organization and empowerment of these communal councils have begun to dismantle the traditional and repressive old state apparatus and to create a new form of socio-political organization, thereby also helping to deepen participatory democracy.

Special emphasis, therefore, needs to be placed on the construction of these communal councils, which are central to the socialist program of the Bolivarian Revolution. Wilpert (2007) argues that these examples of self-governance possibly represent “the most far-reaching transformation of Venezuelan political life on a day-to-day level” (p. 56). While Local Public Planning councils (CLPP, *Consejos Locales de Planificacion Publica*) had already been operating prior to 2006, it was not until April of that year that the new communal council law was passed (Wilpert 2007). The CLPPs that were first introduced via article 182 of the 1999 constitution would be modeled on the participatory local budgeting process founded in Porto Alegre, Brazil,

and would resemble similar schemes found in Kerala, India. Among their goals was to “gather and evaluate proposals for community projects, to work on the municipal development plan, to develop a map of the community’s needs, to elaborate the municipality’s investment budget, and to coordinate with other municipalities and with state authorities, among others” (Wilpert, 2007: p. 56-57). After running into several problems with the implementation of the CLPPs, and wishing to create citizen assemblies on a smaller community –scale to supplement the CLPPs, the Chavez government announced its decision to create communal councils in 2005.

When the new communal council law was finally passed in April 2006, communities across the country rapidly began setting up their communal councils. The second article of the 2006 law states that communal councils are “instances of participation, articulation, and integration between various community organizations, social groups, and citizens... [] to permit the organized people directly to manage public policy and projects oriented toward responding to the needs and aspirations of communities in the construction of a society of equity and social justice” (Ciccariello-Maher 2007: p.45). These new forms of participatory budgeting and local economic development, known in Venezuela as nuclei of endogenous development, are meant to serve as complements to the educational missions. By the end of the first year the government had given existent communal councils grants for 653 community improvement projects (Wilpert, 2007). In order to further their growth and transformative capabilities the newly created community councils were designed to integrate the various committees that had developed through the Chavez years. Therefore, communal councils now work side-by-side with a wide array of other committees (ie. health, land reform, housing) in the neighborhoods.

In order to facilitate their management and ensure the participation of every family in political decision-making it was decided to set up communal councils in

such a way as to have each comprised of only 200 to 400 families in urban areas and 20 to 50 families in rural areas. Moreover, they make decisions in their meetings by way of a general assembly that is elected by the participating families. Most importantly, is the fact that these decisions that are made by the communal councils are binding, meaning that mayors must abide by the decisions made by the majority of the communal councils (Wilpert, 2007). Additionally, at least 20% of all the members of the community must be present at the meetings in order for the decisions made by the general assembly to be valid (Wilpert, 2007).

The empowerment of citizens through these communal councils has been significant. For the first time in their history communities in Venezuela have the power to manage their own affairs and budgets according to their own priorities, and not those of outsiders. By the end of 2007, nearly 20,000 communal councils had been registered throughout all of Venezuela, and federal grants provided for thousands of community-led initiatives (Wilpert 2007). Moreover, the government increased the funding for communal councils from \$5 billion in 2007, or 30% of total funds for local and regional governments, to 50% in 2008 (Wilpert 2007). Thousands of communal banks have also been established alongside communal councils throughout the country in order to finance the various development projects of the communities.

With these funds, the communal councils have been to execute much needed productive projects to help improve the socio-economic status of their communities. For example, this money has been used as micro-credit for the thousands of cooperatives that have recently been created and that directly benefit the communities in terms of investment and employment. It has also allowed for the implementation of various community initiatives, including health clinics, street paving, recreational fields, and sewage and water systems. It is estimated that by the end of 2008 another 3,000 communal banks across Venezuela will receive nearly half a million dollars in

funding from the government's Microfinance Development Fund (Albert, 2008: www.venezuelanalysis.com/analysis/3670).

This devolving of power to local organs is helping to further eliminate the repressive old state structures and creating new forms of social organization based on communalism. The increased ability of the popular classes to determine local public policy has initiated a process of reconstitution of state-society relations. Yet, there still remains the threat posed by some local officials throughout the country that have resisted the efforts to institutionalize participatory budgeting. Many of these elected officials are concerned that these new efforts will eliminate their traditional powers and privileges. Their worries are legitimate since one of the principal purposes of creating these alternative democratic institutions is to eventually replace the bureaucratized levels of government.

The goal now, however, must be on promoting and further institutionalizing these communal councils in order to give them decision-making power at the national level while also ensuring their autonomy from the state. In other words, their potential for transforming the entire Venezuelan state and polity makes their institutionalization a must. Although state-society relations have begun a process of transformation that gives Venezuelans greater participation in local public policy decision-making, the ability of the popular classes to determine national public policy remains minimal. The extension of this participation to all levels of public policy is seen as a necessary condition by Fagen et al. (1986) to all socialist transitions. According to Jesus Rojas, one of the designers of the councils and an official from the Ministry of Popular Participation and Social Development, among the future reforms that are needed is the establishment of associations of communal councils, so that each communal council is able to send a spokesperson to a high-level body in order to coordinate large-scale projects for all of the member councils (Wilpert 2007). This would effectively create

a direct democracy-based council system that would operate parallel to the traditional representative democratic structures, a goal that Chavez himself has said constitutes one of the Bolivarian Revolution's next major processes for its socialist transition (Wilpert, 2007).

The Bolivarian Revolution as Alternative to Development or Development Alternative?

As we just saw, new forms of social organization are being created and implemented in Venezuela as a result of the progressive and transformative reforms of the Bolivarian Revolution. The other remaining critical issue that needs analyzing is whether the Venezuelan case constitutes a 'development alternative', in which economic growth is not rejected but complemented by various other alternative tools, or an 'alternative to development' that rejects the concept of economic growth and the entire paradigm altogether (De Sousa Santos 2006). Anibal Quijano (2006) argues that the necessity of an 'alternative production system' to construct a non-exploitative society is not a relatively new idea. Several historical proposals and experiments throughout the world have attempted to replace the exploitative capitalist system. While some aspects of capitalism have definitely changed throughout time due to globalization, its overall fundamental features remain the same.

For this reason, Quijano (2006) argues that in the search for alternative production systems it is still necessary to take capitalism as reference point. Despite the trend of many groups to fashion their programs as "alternatives to the prevailing economic system" few, if any, actually constitute 'alternative production systems' or 'modes of production' (Quijano 2006: p.424). The socialist transition of the Bolivarian Revolution presents an interesting experiment in the envisioning and construction of alternative economic systems. As we will see, despite incorporating a

series of transformative social, economic, and political reforms the Bolivarian Revolution still represents a development alternative since it continues to operate under the global capitalist framework based on the accumulation of capital and economic growth. At the same time, however, the combination of certain elements do constitute an ‘alternative to development’ within the Bolivarian Revolution that reject the concept of economic growth altogether and replace the logic of capital with a functioning rationality based on the satisfaction of human needs and the development of human potentialities (Fagen et al. 1986).

From the beginning, the Chavez government has stated the need to lose its over-dependency on oil by diversifying its economy and developing its industrial and agricultural sectors. Chavez’s original national development plan, which resembled the theory of ‘neoliberalism’ of Osvaldo Sunkel (Wilpert, 2008), maintained that these goals were to be achieved through a combination of private and state initiatives and investments, and by seeking to ‘democratize capital’ while continuing to stimulate private capital through the creation of more favorable conditions for investment (Lebowitz 2006). The plan also included the promotion of micro-enterprises and cooperatives, and the democratization of land ownership. This clearly did not fall within an alternative anti-capitalist economic framework, but instead an attempt to try to make capitalism more ‘humane’ by reducing the most egregious injustices of the system. However, Chavez’s own radicalization and that of the Bolivarian Revolution caused the movement towards a more anti-capitalist program.

The question therefore is, what are the components of this new economic model that *do* fundamentally transform the basic underlying structures of the capitalist economy? To help answer this question we must turn our attention to one of the most important components of the economic plan - the creation of the alternative ‘social economy’ based on solidarity and community, whose purpose it is to help Venezuela

lose its dependency on oil and move beyond capitalism (Wilpert, 2007). This “alternative and complementary road” (Lebowitz 2006: p.91) to the private sector is designed to provide support for the family, cooperative, and self-managed micro-enterprises, worker-state co-managed large enterprises, and democratized rural and urban land ownership (Wilpert, 2007). The ultimate goal of the social economy, therefore, is to move towards public/collective ownership of the means of production as well as the achievement of mass participation and control over the social, political, and economic institutions. The participatory nature of this economic model clearly diverges from the neo-liberal model of free markets, privatization, and diminished government interference, as well as from broader capitalist values.

The problem is that the social economy occupies only a secondary role behind private and state activities, despite aggressive government efforts to further develop it. Wilpert (2007) argues that the sheer size and power of the capitalist economy and of the oil industry has made it extremely difficult for the social economy to gain a more important role in the economy of Venezuela. Among the goals of organizing the cooperative and self- and co- management sectors is the attempt to incorporate the mass of workers from the informal sector into the social economy. The government has facilitated this task by strongly promoting the creation and maintenance of cooperatives in the country and providing greater revenues in the form of education, loans, microfinance, and technical support. It has also enabled willing workers to take over unproductive, bankrupt, and idle factories and organize into self-managed enterprises like cooperatives.

There are many interrelated programs to the new social economy, all of which are based on the idea of endogenous development that demands that all “resources, in terms of skills and materials, come from within the country or community that is being developed (Wilpert, 2008: p.80). That is, this new form of developing communities

takes into account their specific historical and material conditions, and existing capacities and necessities. It can most clearly be seen in the Nuclei of Endogenous Sustainable Development (Nudes), which are communities (a total of 149 by March 2005) that have been selected by the government to receive educational services and financial support for projects related to agriculture, tourism, industrial production, infrastructure, and services (Wilpert, 2007). Among these, the most well-known and successful is the Nucleus Fabricio Ojeda, where hundreds of workers in the community decided to unite their cooperatives in the area of an abandoned factory and create a joint-cooperative project to meet the needs of the entire neighborhood (Albert, 2008). Included within the larger social economy's program is the already mentioned redistribution of urban and rural land to poor and working-class Venezuelans, as well as the provision of micro-credit for their creation of their own small enterprises.

Later, in order to assist the Nudes, the government established the *Mision Veulvan Caras* (MVC- Mission About Face), later changed to *Mision Che Guevara*, which functions to provide skills and training to unemployed Venezuelans. The goal here is twofold: to reduce unemployment and the ills associated with it, and to promote the creation of new cooperatives. According to some estimates from the Minister of Popular Economy, the number of Venezuelans to have made use of the MVC program and to have found employment through it, will have exceeded the one million mark by 2006 (Wilpert, 2007). This initiative alone has helped to ease the burden of those employed in the informal economy (45-50% of the population) and unemployed Venezuelans. The long-term goal of this program is to set up local economic production networks in which cooperatives are connected with one another based on similar functions (Wilpert, 2007).

Another integral program of the social economy has been the development of economic entities, known as Social Production Enterprises (EPS), which are intended

to transcend the individual self-interest and greed characteristic of both production and consumption processes. The goal of the EPS is to ensure that the social concerns of communities are met through participative planning and communally-based production of goods and services that eliminate hierarchies and privileges in the workplace (Albert, 2008). Among the requirements that must be fulfilled by EPS are a 'one person, one vote' system of decision-making, equal remuneration for workers regardless of the work performed, and the investment of a portion of their profits to the local community. By the middle of 2006, there already existed 500 registered EPS and another 7,000 in the process of development (Wilpert, 2007)

Essentially, the model of self-management does challenge a fundamental premise of capitalism - the sacredness of private property. By stressing and implementing the concept of public/communal property and cooperativism the social economy has begun a process of overcoming the private ownership of the means of production, thereby helping to eliminate a main source of capitalism's social injustice (Wilpert, 2007). The changing nature of property relations from private to public hands, though minimal thus far, is a significant step forward for advancing the socialist transition in Venezuela. While the social economy does represent the government's most radical effort to distance itself from capitalism and towards a model of self-management, it does not constitute an anti-capitalist approach by itself.

Yet, if the economic program of the Bolivarian Revolution was not a challenge to capitalism then why did the national and foreign capitalists react so aggressively against the Venezuelan government? Lebowitz (2006) argues that the reason is that "as a package, these new laws – oriented toward meeting human needs and integrated through this specific ideology- *were* an attack on capital as such" (p.95). In other words, the economic strategies constituted not just separate and isolated changes but are a part of a larger comprehensive package of reforms, which the national oligarchy

and its foreign allies saw as a major threat to the dominance of finance capital and to “the previous trajectory towards of the privatization of the oil industry” (Lebowitz 2006: p.95). Thus all of the aforementioned projects (nationalization, land reform, rural self-sustaining cooperatives, self-managed enterprises in a social economy, and self-governed communal property and councils) together are what form the Bolivarian Revolution’s ‘alternative to development’ program and what constitute its challenge to capitalism.

Of particular importance has been the combination of two fundamental concepts of social transformation: self-governance and self-management. The 20,000 self-governing communal councils and the 100,000+ self-managed cooperatives (with nearly 1 million members) are the two pillars of the socialist nature of the revolution in Venezuela. These two ideas based on the principles of sovereignty, cooperation, and justice are regarded as direct challenges to the neo-liberal model of development and to the logic of capital, which promotes the endless accumulation of capital at the expense of human and ecological destruction. The reason for this is that the fundamental goal of self-management and self-governance is not economic growth, but the complete human development of people (both individual and collective) – the quintessential element of constructing an alternative mode of production and socialist society. Therefore, communal councils and self-managed enterprises help to produce the new rich human beings described by Che Guevara in his 1965 book *man and Socialism in Cuba* that are selflessly dedicated to the betterment of society and that replace capitalism’s alienated and solitary women and men. This follows Lebowitz’s argument that, “socialism is not the goal, but rather, the goal is the full development of human potential (2006; 116-117).

This transformation gets to the heart of the Venezuela socialist transition. The Bolivarian Revolution’s creation of mechanisms to satisfy the needs of human being

over those of capital is what constitutes its radical nature and divergence from capitalism. Moreover, the establishment of communal property (both urban and rural) through land reform is a direct challenge to capitalism's idolization of private property. Additionally, the communal councils and self-managed enterprises orient production and distribution towards satisfying the needs of the majority of Venezuelans, and not those of capital. Moreover, they break down unjust divisions of labor characteristic of capitalism and replace them with more egalitarian and just modes of decision-making and remuneration. These elements combined constitute an alternative to capitalism because the needs of capital are subjugated to the needs of human beings.

In other words, the rejection of the capitalist system takes place when the explicit goals of a society shift from the growth of capital towards human development and the growth of human capacities. This perspective can be seen in Venezuela's constitution with, "Article 299's emphasis upon 'ensuring overall human development', in the declaration of Article 20 that 'everyone has the right to the free development of his or her own personality' and in the focus of Article 102 upon 'developing the creative potential of every human being and the full exercise of his or her personality in a democratic society' (Lebowitz 2005: mrzine.monthlyreview.org/lebowitz280705.html). It is also true that the satisfaction of people's basic needs in terms of health care, housing, food, and education, will in large part be used by Venezuelans to judge the Bolivarian Revolution (Lebowitz 2006). This explains the implementation of the unique endogenous development approach on the part of the Venezuelan government that takes into account the specific conditions of the country in order to be able to meet the needs of Venezuelans. Among the main strategies of the program are providing education in cooperation and self-management in order to prepare its citizens for new productive relations

(Lebowitz 2006). The goal is to emphasize collective property, reject wage-labor, and “attack the division between those who think and those who do” (Lebowitz 2006; p.100).

In sum, there have been both reformist and potentially transformative policies with the Bolivarian Revolution. The first set of redistributive policies have been social democratic and Keynesian in nature, and include things such as land reform, progressive taxation, and an abundance of social programs (Wilpert 2007). They have focused on increasing state intervention in the capitalist economy, but do not “fundamentally alter the capitalist dynamic of private capital accumulation and of market competition” (Wilpert, 2007: p. 101). These constitute the Bolivarian Revolution’s ‘development alternative’.

On the other hand, there have been far fewer reforms of the potentially transformative kind capable of changing “the capitalist dynamic of competitive private capital accumulation into a dynamic that is instead based on human needs and cooperation” (Wilpert 2007: p.101). These have included worker cooperatives, self-sustaining agricultural cooperatives, and worker self-managed enterprises. The difficulty now lies in putting into place mechanisms that will allow these more democratic, yet less financially profitable and competitive institutions to be economically viable in the long-run. Only by finding ways to link these enterprises to each other “within a cooperative framework of solidarity and mutuality” can the capitalist market dynamic be replaced (Wilpert, 2007: p.101). This will require the replacement of privately owned capitalist businesses with co- and self-managed enterprises through expropriation. Naturally, this transition that includes the transformation of property relations and ownership over the means of production will not be smooth, but will entail intense class conflict.

CHAPTER 7

CONCLUSION

The main difficulty in carrying out this research has been the fact that it is not simply an armchair study of the remote past but an immediate inquiry and intervention to a contemporary social revolution. Thus the focus of this analysis has been on the historical process of the Bolivarian Revolution as it is being made. While it is ignorantly and unfortunately dismissed by many as just simply being an example of traditional Latin American populism, *caudillismo*, or state-directed development, I have attempted to uncover the complex nature of the Bolivarian Revolution in order to acquire a more nuanced understanding of this exciting social process.

The first and possibly most important task of this research has been the attempt to take into account the multiple historical influences that shaped and allowed the Bolivarian Revolution to take place. This challenge required examining interrelated and historical global, national, and local events, ideologies, structures, and relations and trying to make sense of how these influenced one another and contributed to the development of the Venezuelan counter-movement. The main purpose of this section was to examine the historical formation of a particular social configuration in Venezuela in order to better understand the country's political dynamics and possibilities available for social change.

To accomplish this objective I provided the historical context of Venezuela from the colonial period to 1935. I found that Quijano's (2000) notion of the 'coloniality of power' would persist throughout Venezuela's history, thus greatly shaping the country's overall socio-political landscape even to this day. The deliberate setting up of a Eurocentrist and racist hierarchical system of social stratification and division of labor based on skin color, allowed white *criollos* to

achieve and maintained elite status and restrict the social mobility of so-called darker inferiors.

Most importantly, the historical analysis confirmed what Anderson (1986) had argued was the existence of a weak working-class and fragmented landowning elite in Venezuela. The overwhelming influence of the oil industry in the country meant the obstruction of both the industrialization process and the development of a strong industrial working-class. It also signified the failed consolidation of a powerful landowning elite and of a united peasant movement, due to the greatly decreased influence of land and agriculture. Thus the relatively fragmented nature of these important social groups, traditionally strong in most other Latin American countries, enabled the imposition of a liberal bourgeois form of governance that ruled Venezuela for nearly four decades. Besides helping to shape the country's social structure, the dependency on oil also meant that the Venezuelan state assumed the principal role in the accumulation of capital, thus producing a weak civic society and a paternalistic national political culture whereby citizens looked towards the state for the satisfaction of their needs. These historical factors, therefore, explain the social and political stability and overall lack of social unrest that made Venezuela such a special case in Latin America.

My analysis of the socio-political trajectory of Venezuela from the political opening caused by the end of the Gomez dictatorship in 1935 until the *Caracazo* uprising in 1989 details the *puntofijismo* liberal bourgeois governing structure that was established and that endured for nearly four decades. I argue that the aforementioned weakness of civic society, clientelism associated with the state and oil revenues, along with the systematic exclusion of leftist political parties and organizations were the main factors in the survival of this bourgeois political system. Though there was a brief attempt by a guerrilla movement in Venezuela to take state power, it is my

opinion that the guerrilla forces failed to accurately assess the historical conjuncture in the country. It was impossible to expect Venezuelans to support the guerrilla cause at a time when the country had recently rid itself of a decade long Perez Jimenez dictatorship and had democratically elected the Betancourt government.

Another significant topic that I examined was the development paradigm, which principally took the form of a strong state ISI political economic strategy in Latin America from the 1930's to the 1960's and that resulted in the region's 'Golden Age'. The uniqueness of Venezuela's ISI strategy, rapid speed at which it developed from initial to later stages, and relative short duration in comparison to other Latin American ISI experiences are all issues that were described in detail in this section. As Perez Sainz & Zarembka (1979) noted, despite some industrial branches being able to complete import substitution the overall ISI process of Venezuela was stifled because of the continuing dependence on the extraction and export of petroleum and on the influx of oil revenues.

With the debt crisis of Latin America and overall collapse of the developmentalist framework, the capitalist world-system commenced a new phase of accumulation known as neo-liberalism. In this chapter I pointed out the importance of not treating this situation as an unprecedented occurrence of the capitalist world-system, since as Arrighi (1994) explains, the capitalist world economy requires continuous reorganization and reconstitution following long periods of crisis and discontinuous change. My analysis of neo-liberalism focused on the main ideological tenets of this political-economic school of thought and set of policy prescriptions, and on its particular manifestation in Venezuela. I provided an overview of the specific neo-liberal policies, commonly referred to as the Washington Consensus, that were imposed on Venezuela, along with their effects on Venezuelan society. My findings demonstrated that the benefits of the Washington Consensus were largely concentrated

among the upper echelons of socio-economic ladder, and more importantly, that it in fact contributed to the rising insecurity among the working-class and poor, increased ecological damage, and expansion of the informal economy.

After describing the crisis of neo-liberalism I proceeded to situate *Chavismo* within the Latin American experience of resistance. I argued that the political opening and birth of the mass popular Bolivarian movement in Venezuela was made possible due to the combined implementation of IMF-approved economic policies, discrediting of the two traditional political parties AD and COPEI, and increased agony and unrest on the part of the poor and working-class. Yet before looking closely at the complexities of this contemporary attempt at social transformation I reviewed the influential ‘focoist’ strategy of social change in Latin America that dominated in the cycle of struggles from the 1960s to the 1980s with its call for armed insurrectionary taking of state power and revolution. Though these struggles achieved significant social and political changes in the region, the exploitative capitalist system survived, thereby guaranteeing the continued suffering of the poor and working-class majorities.

In trying to understand the origins and nature of *Chavismo* I examined the ideological influences of Gramscian notions of hegemony, and of Latin American nationalism and populism. As it turns out, Gramsci’s idea of creating a broad system of alliances that unites diverse social forces in order to combat and dismantle the institutionalized hegemony by the dominant class is a very useful concept to capture the socio-political realities and struggles of Venezuela. A review of Leclau’s (2005) interpretation of populism is also helpful in understanding the nationalist and populist tendencies of *Chavismo*. What I discovered is that as a consequence of not fulfilling the set of heterogeneous popular demands of the population an antagonistic frontier, the ‘people’, was established in opposition to traditional *puntofijismo* political authority.

After taking all of these ideological influences into account I determined that the most appropriate characterization of *Chavismo*, and of the Bolivarian Revolution in general, is that of a united and broadly based popular movement that largely consists of the working-class and poor majorities, and that exhibits socialist, nationalist, and anti-imperialist ideals. I have argued that although the subjects of this revolutionary process can be said to be very diverse, they do share similar experiences of capitalist exploitation and domination. Thus instead of the traditional industrial working-class vanguard what exists in Venezuela is a mass movement that is the result of the convergence of all oppressed sectors of the population. Thus we see the unemployed, working-class, poor, and those in the informal economy converged into a mass popular force with a common struggle to create a socialist society.

The final section of this study concentrated on examining the specific social transformations that have been accomplished as part of the Bolivarian Revolution. What I have discovered and subsequently attempted to demonstrate is that the transition towards socialism in Venezuela is enabling the creation of new paths toward alternative forms of social organization and political-economic decision-making and management that need to be carefully examined worldwide by others seeking a more just and sustainable society. The Bolivarian Revolution has brought to light the failures of the capitalist model of development and the need for real and profound change to the current world order. Although the Bolivarian Revolution has achieved significant social and political-economic transformations that challenge capitalist values, there still has yet to be a fundamental overcoming of the capitalist system. The socialist political project has been leading Venezuela towards something completely different than neo-liberalism, but it faces many obstacles including the institutionalization of popular control over social, political, and economic decision-making. As Wilpert argues, “Venezuela is recuperating the utopian energies, which

became exhausted with the failures of state socialism, of social democracy, and of neo-liberal capitalism, merely by trying a different and as yet relatively unexplored path” (p.217).

In determining whether the Bolivarian Revolution constitutes a ‘development alternative’ or ‘alternative to development’, I concluded by arguing that it in fact represents a ‘development alternative’ since it operates under the global capitalist framework based on the accumulation of capital and economic growth. That is, the Bolivarian Revolution consists of one set of redistributive policies, which have been social democratic and Keynesian in nature, and that include things such as land reform, progressive taxation, and an abundance of social programs (Wilpert 2007). These reformist policies have tended to focus on increasing state intervention in the capitalist economy, and not on fundamentally altering the capitalist structures of accumulation.

Yet at the same time I maintained that the combination of certain elements does constitute an ‘alternative to development’, since together they reject the concept of economic growth altogether and replace the logic of capital with a functioning rationality based on the satisfaction of human needs and the development of human potentialities (Fagen et al. 1986). Within this combination of transformative policies is the establishment of communal property (both urban and rural) through land reform – a clear and direct challenge to capitalism’s sanctity of private property. There is also the creation of self-governed communal councils and self-managed enterprises oriented towards satisfying the needs of the majority of Venezuelans, and not those of capital. The main point to be made about these two pillars of the Bolivarian Revolution is that they break down unjust divisions of labor characteristic of capitalism and replace them with more egalitarian and just modes of decision-making and remuneration.

What all this goes to show is that much more emphasis is being placed on the

meeting the needs of human beings than on those of capital, as should be the case. However, the main challenge facing the Bolivarian Revolution now is putting into place the necessary mechanisms that will allow these more democratic and participatory forms of social organization and production to be institutionalized. Failure to institutionalize the transformations that have been made thus far leaves open the possibility of reversing these reforms with a change in government administration. Moreover, while there are several guiding principles for 21st century socialism (sovereignty, equality, cooperation, human development, justice) there is not a predetermined recipe of what this new system must or must not contain. Instead Venezuelans are advancing with the construction of a homegrown form of socialism that in time through trial and error will become clearer in its structure. In other words, it is a learning process that as Chavez has noted will require “shuffling, searching, creating, and inventing” (Sugget 2007: <http://www.venezuelanalysis.com/news/4515>).

This means that Venezuelans have a significant amount of liberty in proposing and deciding what kinds of institutions they would like to see built in their country. Trying to envision what the institutionalization process of the revolution will look like is a difficult task. Yet, the ideals of the Bolivarian Revolution and the transformations that have already been achieved provide us at least with a starting point. To be clear, the problem lies principally in the fact that the social policies of the revolution are generally not guaranteed by law, even though they are guaranteed by the constitution (Wilpert, 2007). For example, the educational missions, urban land reform, and subsidized food program for the poor (*Mission Mercal*) have all been passed simply by presidential decree and are thus not guaranteed by laws (Wilpert, 2007). This lack of legal guarantees makes the reforms extremely vulnerable to the whims of whoever has state power.

It is my opinion that if the goal of the Bolivarian Revolution is to create a

socialist society, then naturally capitalism's main structures and institutions must be replaced with those that promote and defend the ideals of the revolution. Therefore, I propose working towards the abolishment of production organized through private ownership of the means of production, and its replacement with communal/public ownership. Secondly, I support Wilpert's (2007) position of the need to replace the regulation of the exchange and distribution of products and labor by the competitive market. That is rather than let the market determine wages, production, and allocation, and pit producers and consumers against each other something new must be built to replace markets. Lastly, the supplanting of the liberal representative democratic model of governance by a participatory one needs to be institutionalized so that decision-making, from the local to national level, lies in the hands of the Venezuelan people and not in those of a select few who generally end up making decisions behind closed doors that do not favor the people they are supposed to represent.

The institutionalization of these reforms for the socialist movement in Venezuela will require the construction of new political and economic institutions and/or the solidification of certain current institutions. In terms of the social reforms that have been carried out, those that exist simply because of presidential decree must be instituted through the creation of new laws that can be directly accepted by Venezuelans through the electoral process. There is also an urgent need to institutionalize the political advances that have been made with regard to participatory democracy, in particular the communal councils. The transformative and revolutionary potential of these councils is evident thus far by the fact that for the first time ever the popular classes are determining local public policy and reconstituting state-society relations. Chavez has even called on Venezuelans to work to strengthen their communal councils because as he argues, they "cannot be appendices of the mayor's offices, the governorships, the ministry, or President Chávez," since they are

the property of the people (Sugget 2007:
<http://www.venezuelanalysis.com/news/4515>).

However, in order to advance this form of socio-political organization and eliminate the traditional bureaucratized and repressive state structures it is not enough to concentrate solely on the local level of governance. Up to now the institutionalization of local participatory budgeting has begun to challenge the power of local officials, many of whom are worried about losing their long held privileges. The mission now, however, must be on pushing to institutionalize these communal councils at the national level as well in order to give them national decision-making power. One possible way of accomplishing this is to do as Jesus Rojas, one of the designers of the councils and an official from the Ministry of Popular Participation and Social Development, suggests. Rojas argues that what is needed is the establishment of associations of communal councils, in which each communal council is able to send a spokesperson to a higher-level body that in turn would coordinate large-scale projects for all of the member councils (Wilpert 2007). This would effectively create a direct democracy-based council system that would operate parallel to the traditional representative democratic structures, a goal that Chavez himself has said constitutes one of the Bolivarian Revolution's next major processes for its socialist transition (Wilpert, 2007).

Most recently, it was announced by Chavez on the June 11, 2009 broadcast of his presidential talk show '*Alo Presidente*' dealing with the need for socialist theory and conscious-building, that the revolution is at a point in which communes must be constructed in order to "give birth to socialism" (Sugget 2007:
<http://www.venezuelanalysis.com/news/4515>). Although he acknowledged the advances already made through the development and strengthening of communal councils, Chavez reiterated the importance of communities taking the initiative to help

build these new communes. He emphasized the role of communal councils as “nuclei of future communes” and of the necessity for these new communes to acquire complete ownership over the means of production (Sugget 2007: <http://www.venezuelanalysis.com/news/4515>). Although Chavez himself admits that there is yet to be one commune in existence in all of Venezuela, the current emphasis on building and institutionalizing these structures is significant. The next step must be on reforming the 2006 Law of Community Councils by engaging Venezuelan communities in open and public nation-wide debate, a process which has already begun. The task now is on improving the current communal council structure by developing strategies to create and institutionalize communes all over Venezuela in a manner that links these structures to one another through a national network.

The construction of this Leninist concept of ‘dual power’ would therefore serve to begin the radical transformation of existing state structures (Ciccariello-Maher, 2007). The main goal of this ‘dual power’ model is to build forces capable of attacking those elements of the existing state which oppose the social transformations. In addition to the institutionalization of the communal councils at the local and national level, what is also of utmost importance is the replacement of the police and army by citizens’ militia. This challenge to the state’s monopoly of violence entails establishing security and defense committees at the local level through communal councils and a centralized popular armed organization at the national level. These popular defense forces will not only challenge the state military apparatus, but will serve as the main line of defense for the social transformations of the revolution. Chavez himself has called on Venezuelans to create popular citizens’ militia, and his Defense Minister has encouraged the expansion of the reservist force (currently at about 880,000) to a strong autonomous popular army of 15 million reservists, or more than half of the population (Ciccariello-Maher, 2007) Although various armed self-

defense organizations outside of the state structure do already exist in Venezuela (i.e. Revolutionary Tupamaro Movement, and Bolivarian Liberation Front), especially among the poor, the government and citizens must continue working together to help consolidate and institutionalize popular armed organizations like citizens' militia and the reservist army.

In the case of the social economy with its worker cooperatives, self-sustaining agricultural cooperatives, and worker self-managed, institutionalization will include finding ways to link these enterprises to each other and the continued replacement of privately owned capitalist businesses with co- and self-managed enterprises by way of expropriation. This last point signifies the socialization of the means of production, whereby workers themselves own and control every single aspect of their workplace and are accountable to the communities for which they produce. It is also very important to mention that the internal dynamics within the new self-managed economic institutions must be completely democratic so that there is equal remuneration for work and so that every worker has equal decision-making power regardless of the job that she/he performs.

Another important component of the institutionalization in the economic sphere is the replacement of markets with participatory planning suggested by Wilpert (2007). This monumental task mainly entails the creation of both worker councils and federations and consumer councils and federations that out of mutual respect and cooperation determine what is to be produced, at what cost, and for whom. By jointly crafting a production plan producers and consumers will appropriately determine supply and demand in terms of the needs of communities. The first step in making this a reality has already taken place in Venezuela through the linking up of communal councils and worker-run and co-managed enterprises. That is, these economic enterprises are already required to produce goods for the communities in which they

operate and to invest a certain percentage in the development of these communities. This endogenous model of development whereby communal councils and worker managed and co-managed enterprises jointly decide upon the production and consumption needs of their own communities needs to be institutionalized and guaranteed through the passing of new laws.

While there have already been important nationalizations, these have mainly been limited to increasing the government's share in the revenue that is generated from these industries. The challenges ahead for the Bolivarian Revolution, therefore, include the further transformation of property relations so that private ownership over the means of production is replaced with public/collective ownership. This will require more radical policies of forced expropriation of private enterprises in order to wrestle away the economic power of the oligarchy and generate more equality among Venezuelans. By ridding itself of the capitalist division of labor and private ownership of the means of production the working-class can gain direct control over production and over other aspects of their lives. Thus the push must be made to intensify the reforms that can advance Venezuela towards an 'alternative to development' in which the full development of human beings becomes the main preoccupation and fundamental goal instead of economic growth.

In light of all this, I argue that the Bolivarian Revolution must attempt to deepen its anti-capitalist transformations and further dismantle the oligarchy's political and economic power if it is to continue its path towards a new socialist society. Naturally this radicalization will lead to intensified confrontation between the poor and working-class majority and the small capitalist class, since social transformation requires conflict. Chavez's own words are very telling with respect to this issue. He has assured Venezuela's oligarchy on numerous occasions that the Bolivarian Revolution has "no plan to eliminate the oligarchy" (Wilpert 2007:

www.venezuelanalysis.com/news/2426). Even more distressing is Chavez's belief and assurance to the bourgeoisie that it can live peacefully with the revolution in Venezuela as the past eight years have demonstrated. Chavez does, however, warn the bourgeoisie that it must not engage in attacks against the Venezuelan government or people if it does not want to face a counterattack by the revolutionary forces of the movement.

What this all means is that although the oligarchy has been removed from key state structures of power, it has been allowed to continue enjoying its privileges and exploitation through its accumulation of capital. Its vast amounts of private property and concentration of capital have been minimally affected by Chavez's reforms, thus perpetuating class, gender, and racial antagonisms. This also poses a serious threat to Venezuela and its revolution, since it maintains wealth inequality and leaves a main force of possible aggression with its financial power intact. It also leaves open the possibility of the wealthy oligarchy fleeing the country with the assets that it accumulated from the exploitation of the working-class and poor; a process that has already begun.

The truth is that the transition to socialism in Venezuela is an extremely long and complex process that constantly needs to be reexamined and reformulated in order to displace its shortcomings (over-concentration of power in the executive, delayed institutionalization of popular participation at the national level, continued overdependence on oil industry, and lack of environmental protection policies) and develop more fully its accomplishments (dismantling of the elite's wealth and power, providing increased access to social services for the marginalized populations, breaking down of ethnic, gender, and racial discrimination, creation of mechanisms to increase political participation, and institutionalizing more democratic and popular-communal forms of production and social organization). Most importantly of all,

strategies that raise the level of popular consciousness within countries attempting social transformations, like Venezuela, must be created and supported in order to advance towards creating a new and more democratic society.

The raising of people's social, political, and ecological consciousness must also be combined with a strategy of 'internationalism' that establishes international links and partnerships, as well as deepens regional integration to counter imperial aggression. Thus I argue that of utmost importance for the Bolivarian Revolution (and all popular attempts at social transformation) is the continued effort to implement a strategy of internationalism that deepens the integration, cooperation, and solidarity among sympathetic nations and promotes popular consciousness in the populations of Latin America. Venezuela has, for example, established strong links with Cuba, thereby allowing Cuba to receive much needed oil at a discounted price. In return Cuba has provided Venezuela with thousands of Cuban teachers, sports instructors, and doctors that have gone into Venezuela's traditionally ignored slums and rural areas. The Cuban doctors have allowed Venezuela to strengthen its *Mission Barrio Adentro*, which provides free medical care to poor neighborhoods throughout Venezuela, by giving poor Venezuelans access to medical assistance for the first time in their lives. Venezuela has also deepened its ties with China and Russia, signing a number of joint-energy and military accords and increasing trade with these two nations. These new alignments mark an important advance in trying to break the dependency on the U.S. in the region and its treatment of Latin America as its backyard.

The purpose of this strategy of internationalism is to make Venezuela and Latin America in general, more independent and sovereign in the face of North American imperialism. Although it is true that this thesis has focused almost exclusively on the Bolivarian Revolution, it is important to note that it is by far not the

only example of the search for alternative social options and political economic visions in the world today. In fact, the neo-liberal development project, with its 'self-regulated market Utopia', as described by Polanyi (2001), is witnessing the emergence of various alternative initiatives, such as small rural local production units, organization of worker-led cooperatives, progressive macro-economic policies, and regional political-economic blocs built on solidarity and cooperation (De Sousa Santos, 2006). While the social justice movement is occurring on a global scale, the greatest challenge to the neo-liberal development project is coming from one of the world's most exploited and struggling regions - Latin America. The hegemony of global capital and neo-liberal ideology has met its match, as the region's social and political movements progressively voice their opposition and gain strength, "be it through the ballot box or direct mass action" (Renique, p.1).

The contemporary wave of struggles that began in the southeastern corner of Mexico in 1994 with the Zapatista uprising, gained momentum with the 1998 electoral victory of Chavez in Venezuela and takeoff of the Bolivarian Revolution, and is currently proceeding full steam ahead with diverse mass social organization and movements throughout the region. An essential element of these popular movements is the vision of creating a new society where technological advances are used to help solve social problems and not to destroy the environment and the human species. It is important to note, as Bravo & Melet (1991) do, that this new society will require that we change the mental schemas of comfort that have been imposed on us, so that instead of working tirelessly to satisfy our extravagant habits of consumption we begin living with more austerity, modesty, without luxuries, and more happily.

Fortunately, there has been a very promising springing up of a wide and diverse array of initiatives throughout the Latin American region to integrate the diverse yet interrelated social projects. The social and economic integration of the

people of Latin America has been consolidating through initiatives like teleSUR, UNASUR, MERCOSUR, ALBA, and *Banco del Sur*. To challenge the U.S.-dominated media in Latin America, Venezuela launched teleSUR, a progressive new network that established links between Latin American nations and provides its people with alternative media. There are also currently talks in Latin America of establishing an alternative ‘non-aligned’ worldwide media network to challenge the “international communicational order” and to “balance information and democratize the presence of the countries of the South in worldwide communication,” modeled after the Caracas-based teleSUR (Sugget 2008: www.venezuelaanalysis.com/news/3617)

The regional trade agreement known as MERCOSUR and composed of four member countries (Argentina, Brazil, Paraguay, Uruguay) and five associate nations (Venezuela, Bolivia, Chile, Colombia, Ecuador, Peru) addresses the important need for establishing common markets among the Latin American nations and of providing preferential treatment and mutual arrangements between members. The Venezuelan-created initiative, called ALBA, is intended to counter the neo-liberal trading bloc that is promoted by the Free Trade Area of the Americas FTAA. Thus far, ALBA’s membership consists of Venezuela, Cuba, Bolivia, Nicaragua, and Dominica. One major benefit of ALBA has been the reduction or elimination of tariffs between member countries, and the creation of a variety innovative trade deals.

Of particular worry for those who control the global capitalist system are the challenges that have begun against their main two instruments of power: the IMF and World Bank. In order to combat the hegemony of the IMF and World Bank, Latin American nations recently inaugurated the *Banco del Sur*, or Bank of the South. On December 9, 2007 the governments of Argentina, Bolivia, Brasil, Ecuador, Paraguay, Uruguay y Venezuela signed the founding of the *Banco de Sur*. The idea is avoid borrowing money from the IMF and World Bank, and instead to set up a monetary

fund with funding from each member country so that lending can be achieved for social programs and infrastructure in Latin America. Yet the divergent opinions of the participating governments have delayed the putting into motion of this institution that promotes and reinforces the integration of Latin American nations. The hope is to diminish the influence of the IMF and World Bank by completely replacing these entities with the *Banco de Sur*, possibly creating a Southern Monetary Fund, and establishing a single Latin American currency.

The most recent and potentially far-reaching plan of this ongoing integration process of Latin American nations is the newly created *Unión de Naciones Suramericanas* (UNASUR) or Union of South American Nations, an intergovernmental union modeled after the European Union. Officially established in May 2008, UNASUR will be comprised of 12 member nations, have as its central bank the *Banco del Sur*, and integrate Mercosur and the Andean community trading bloc, *Comunidad Andina* (CAN) or Andean Community of Nations. Globally of course, is the amalgamation of social movements that meets yearly as part of the World Social Forum, in which members of the movements share their experiences and ideas from around the world and seek to strengthen their organizing capabilities in an atmosphere of mutual respect, solidarity, and democracy all under the sentiment of ‘another world is possible’. Among these is the dynamic and growing international social movement of peasant organizations known as *Via Campesina*, which represents over 150 million small producers from five continents and has become the leading force in the fight against the poverty- and hunger- producing capitalist economic and political policies and for food sovereignty and security. These regional and transnational movements and integration schemes are essential for the survival and strengthening of the popular movements throughout Latin American and the world. The Bolivarian Revolution, therefore, must continue working to forge connections and

alliances across multiple arenas of struggle, both nationally and internationally.

With imperial wars raging across the Middle-East, ecological destruction threatening the survival of the planet and human species, food shortages around the world, and increasing levels of insecurity and suffering among the world's working-class and poor majorities, there is a need to combat the perverse logic of endless accumulation of capital that proceeds at enormous cost to humanity's future. While some predict that the current global financial crisis will bring an end to the dominant fundamentalist doctrine of so-called free-markets, there remains the need for social movements to aggressively force the opening of the space for alternative visions. Capitalism's ability to continually reinvent and reproduce itself when faced with crisis is always a constant threat to the creation of an alternative world. What is certain is that Latin America's left will most likely provide the most serious challenge to the tenets of neo-liberalism and capitalism itself in the upcoming years, as nations struggle to create alternatives strategies of development that place human needs above those of capital, thereby ensure the vision of 'another world is possible'.

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