

ARTICLE

## Venezuela under Chávez The Prospects and Limitations of Twenty-First Century Socialism, 1999-2009

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### Abstract

This article takes stock of major developments in the political economy of contemporary Venezuela after ten years under Hugo Chávez. It is argued that the Bolivarian process has done a great deal to rejuvenate the international critique of neoliberalism and to bring discussion of socialism back on the agenda of the Left. At the same time, there has been no socialist revolution in Venezuela, and Chavismo is ridden with profound and abiding contradictions. This article considers the historical backdrop of the Bolivarian process, beginning with the end of authoritarianism and the Pact of Punto Fijo and the rise and fall of orthodox neoliberalism at the end of the twentieth-century. The article then describes Chavez' gradual and partial radicalization between 1999 and 2009 and finally concludes that the global economic crisis poses a unique set of challenges and opportunities for the Bolivarian process in the midst of significantly reduced oil revenues.

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### Résumé

Cet article analyse les développements majeurs dans l'économie politique du Venezuela contemporain après dix ans sous Hugo Chávez. Il défend l'idée que le processus Bolivarien a considérablement revivifié la critique internationale du néolibéralisme et a remis le débat sur le socialisme sur l'agenda de la Gauche. En même temps, il n'y a pas eu de révolution socialiste au Venezuela et le Chavisme est marqué par des profondes contradictions structurelles. Cet article retrace les événements historiques qui ont précédé le processus Bolivarien, en commençant avec la fin de l'autoritarisme et le pacte de Punto Fijo et la montée puis la chute du néolibéralisme orthodoxe à la fin du vingtième siècle. Ensuite, cet article décrit la radicalisation graduelle et partielle de Chavez entre 1999 et 2009 et conclut que la crise économique mondiale représente des défis et opportunités pour le processus Bolivarien en particulier compte tenu des revenus pétroliers significativement réduits.

### Keywords

• Venezuela • Chávez • socialism • democracy • Bolivarian

### Mots clés

• Venezuela • Chávez • socialisme • démocratie • Bolivarien

Elected in late December 1998, Hugo Chávez assumed the presidency of Venezuela in February 1999.<sup>1</sup> A decade into the Bolivarian process of social and political change, it is incumbent upon the international left to step back and reflect on the images and realities of *Chavismo*. An historical sociological approach is employed in this article to analyze the big trends and contradictions characterizing politics, economics, and class struggle in Venezuela over the last ten years. Recent processes are considered against the backdrop of the country's earlier social formation, taking the long view of historical and material developments in Venezuelan political economy over the last half century from which the Bolivarian process emerged. The article emphasizes a theoretical approach that understands the transition

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<sup>1</sup> This article is based in part on fieldwork carried out in Venezuela in August and September 2008. Chavista government officials and rank-and-file activists were interviewed in Mérida and Caracas, and the author toured two Nuclei of Endogenous Sustainable Development (Nudes) and various radicalized barrios in Caracas, as well as popular community radio stations, and several health and education missions set up by the Chávez government. I presented an early draft of the paper at the International Institute for Research and Education (IIRE) in Amsterdam, as part of the Returns of Marxism Lecture Series. Thanks to everyone who attended the talk for the fruitful discussion and debate, especially Antonio Carmona Báez, Peter Thomas, and Sara Farris. David Camfield also provided useful feedback on an earlier draft. Many thanks also to Elaine Coburn for her comments, editing, and suggestions on earlier drafts.

to socialism as: the overturning of still-existing capitalist class rule and the capitalist state in Venezuela through the self-activity and struggle of the popular classes themselves; movement toward democratic social coordination of the economy; communal ownership of economic and natural resources; worker and community control of workplaces and neighbourhoods; the deep expansion of radical democratic rule through all political, social, economic, and private spheres of life; and an internationalist socialist orientation which privileges solidarity with emancipatory movements of the oppressed and exploited around the globe. This is quite distinct from versions of socialist theory that privilege merely state ownership of the means of production and state allocation of resources.

Six overarching, interrelated theses are advanced. First, popular struggles in Venezuela over the last decade have rejuvenated the international critique of neoliberalism and brought socialism back on the left's agenda, although no socialist revolution has been achieved in Venezuela. *Chavismo* is riddled by profound and abiding contradictions, thus far preventing a revolutionary overturning of capitalist class rule and the capitalist state.

Second, Hugo Chávez was elected president in 1998 because his anti-neoliberal, left-populist platform filled the void created by the collapse of the traditional political system and the absence of a revolutionary socialist alternative. Modestly reformist at the onset of its first term, the Chávez government was slowly and partially radicalized when faced with a series of imperialist and domestic, legal and (mainly) extra-legal, right-wing destabilization campaigns.

Third, the government's radicalizing tendency is a result, more specifically, of counter-revolutionary pressure that spurred a dramatic effervescence of grassroots struggles amongst the working class and urban poor, a small but important minority of whom are committed socialists, beginning in April 2002 and accelerating during and after the oil lockout of 2002-2003.

Fourth, against this grass roots, left-populist, and sometimes socialist struggle from below, conservative, bureaucratic layers within *Chavismo* have taken on an important role within the state apparatus and have hampered a transition to socialism.

Fifth, the empirical record regarding poverty reduction and social programs in Venezuela suggests both real social progress and serious contradictions. Poverty has been reduced at rates similar to other centre-left governments in the region during the commodities boom (2003-2007).

Venezuela's highly unequal income distribution, moreover, makes clear there has been no fundamental shift toward socialism.

Sixth, the global economic crisis creates novel opportunities and challenges for the Bolivarian process, not least as a consequence of the fluctuating international price of oil.

In the conclusion, I consider the impact of the global economic crisis for the left in Venezuela and Latin America more widely, argue for the necessity of sustained advance toward socialist transformation from below, and consider the various implications for solidarity activists outside of Venezuela.

### **International Images of Venezuela under Chávez**

Mainstream punditry in North America and Europe associates Venezuela with the *bad* Left in contemporary Latin America. This Left is 'nationalist, strident, and close-minded,' 'depends on giving away money,' and has 'no real domestic agenda.' For the bad Left, 'the fact of power is more important than its responsible exercise,' and for its leaders, 'economic performance, democratic values, programmatic achievements, and good relations with the United States are not imperatives but bothersome constraints that miss the real point' (Castañeda 2006). George W. Bush's national security strategy documents claimed that Hugo Chávez was a 'demagogue awash in oil money,' seeking to 'undermine democracy' and 'destabilize the region', Donald Rumsfeld compared Chávez to Adolf Hitler, reminding us that Hitler, too, had been elected (Grandin 2006).<sup>2</sup> Not much has changed since Barack Obama took over the world's most powerful presidency. The White House message continues to be that Chávez runs a dangerously authoritarian regime in desperate need of 'democratization.'<sup>3</sup>

Chávez has been a leading opponent of free trade deals between Latin American countries and the United States, instead invoking the memory of independence hero Simón Bolívar with his vision of a united South America to promote a series of trade deals based on principles of solidarity (Chávez 2003; Katz 2008; Kellogg 2007). Chávez is openly inspired by the Cuban revolution and has a warm friendship with Fidel Castro, while stressing Venezuela's independent path towards a less state-

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<sup>2</sup> On US imperialism in Venezuela over the course of the Bush presidency, see Golinger 2006; 2007.

<sup>3</sup> For exemplary commentary from Secretary of State Hilary Clinton, see Henao 2009 and Suggett 2009.

centered and more pluralistic twenty-first century socialism. Chávez emphasizes the need to forge stronger South-South connections against the imperialism of the core capitalist states of the world system. This explicitly anti-imperialist stance helps to explain the United States support for reactionary forces in Venezuela, even in the relative absence of direct threats to American corporate interests.<sup>4</sup>

The Bolivarian Alternative for the Americas (ALBA), first imagined by the Venezuelan government in 2001 as a counter to the North American-led Free Trade Area of the Americas (FTAA), is the most important expression of Venezuelan-led regional integration. Formally established in 2004 by Venezuela and Cuba, it expanded to include Bolivia, Nicaragua, Dominican Republic, Honduras, Ecuador, St. Vincent and the Grenadines, and Antigua and Barbuda, with Paraguay scheduled to join later in 2009 (Hart-Landsberg 2009). Moreover, soon after Evo Morales election in Bolivia in December 2005, Cuba, Venezuela, and Bolivia signed what they called a Peoples' Trade Agreement.

Chávez is revered by many on the Left, since few leaders of the Global South today openly and regularly denounce the crimes of American imperialism from a left-wing perspective.<sup>5</sup> Along with its record of poverty reduction and anti-neoliberalism, pursued with popular support in the face of domestic right-wing and imperialist assaults, Venezuela helps to revive the idea of socialism as a viable political choice. This is an important development following the Soviet bloc's collapse and the discrediting of socialism in the wake of Stalinist policies, and explains why Venezuela has inspired so much attention and debate.

From the right, Chávez has sometimes been crudely lumped in with recent 'neopopulist' Presidents elsewhere in the region, such as Alberto Fujimori in Peru, and Carlos Menem in Argentina (Weyland 2001). Chávez's neopopulism, on this view, includes a feverishly authoritarian bent, where 'political competition' means '[o]pponents must be crushed', and where Chávez employs 'hate speech' that sounds 'more dictatorial than democratic' (Corrales 2009, 81). More serious discussion is occurring on the left. There are those who think Chávez is a moderate social democrat

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<sup>4</sup> Thanks to an anonymous reviewer for calling my attention to this point.

<sup>5</sup> Iran's Mahmoud Ahmadinejad is an example of a reactionary government opposed to US power. Chávez's unconditional support for Ahmadinejad's regime as it ferociously repressed mass demonstrations in the streets of Tehran and elsewhere in June and July 2009 was a travesty that revealed the deeply flawed understandings of socialist internationalism within his government.

and celebrate this stance as a reasonable and realistic response to the current hostile context of neoliberalism and imperialism (Ali 2006). Some social democrats, however, celebrate the perceived social gains of the Bolivarian process, but fear a 'regressive evolution' in the 'sphere of politics' in which they perceive a 'closing of the space for participation and democratic decision-making' (López Maya 2007, 175). Other leftists, while remaining critical of different components of the government's approach, contend that Chávez represents something more radical than social democracy, something even potentially revolutionary and transformative. They tend to stress the social and economic achievements of the regime thus far in the face of daunting odds (Wilpert 2007; Lebowitz 2006; Ellner 2008; Robinson 2007). There are those, finally, who orient themselves toward struggling within and for the socialist advance of the Bolivarian process, but who emphasize the contradictions, obstacles, delays, setbacks, and bureaucratization that have thus far stood in the way of genuine socialist transition from below; these obstacles, for the latter set of thinkers, represent the clear and present danger to the possibilities for emancipation of the popular classes from the exploitation of capital and the oppression of imperialism.<sup>6</sup> This paper situates itself most closely within the last of these sets of leftist commentaries on the Venezuelan scenario.

### **Historical Backdrop – From *puntofijismo* to *neoliberalismo*, 1958-1998**

Between 1945 and 1948 (the *trienio*) a populist-reformist government was led by the *Acción Democrática* (Democratic Action, AD) – Venezuela's social democratic party. The period's economic elite, threatened by the potential deepening of the AD government's modest social reforms, formed the conservative, Christian democratic, *Comité de Organización Política Electoral Independiente*, (Committee of Independent Electoral Political Organization, COPEI), and backed a military overthrow of the democratically-elected AD administration. The signing of the Pact of Punto Fijo a decade later was the culmination of a compromised democratic transition out of the authoritarianism following the 1948 coup. The AD moderated its social reformist inclinations and COPEI its overtly authoritarian predilections, agreeing to a range of social, economic, and political pacts that shaped the new democratic order.

The series of compromises encompassed in Punto Fijo included power-sharing between the signatory parties – the AD, COPEI, and a

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<sup>6</sup> See, especially, the Venezuelan magazine *Marea Socialista*.

smallish left-wing party, *Unión Republicana Democrática* (Democratic Republican Union, URD) – and the exclusion of the *Partido Comunista de Venezuela* (Communist Party of Venezuela, PCV) from the legal political system. As the AD and COPEI converged ideologically, and the URD faded, oil money ‘made it possible to induce business, labor, church, and military cooperation with the democratic regime’ (Roberts 2003, 57). Venezuelan democracy ‘rested upon a material basis: the distribution of international oil rents through a system of clientelism’. The oil boom of the 1970s, ‘and nationalization of the foreign oil companies in 1976 were the culmination of this project associating democracy, oil nationalism, and development’ (Hellinger 2003, 27). This nationalization had important consequences, creating a form of national rentier capitalism and attendant fractions of the domestic bourgeoisie whose benefits and interests were tied to its continuation. Protection of these interests helps to explain the origins and intensity of the oil lockout in late 2002 and early 2003.

Between 1970 and 1980 oil prices increased 948 percent (Weisbrot and Sandoval 2007, 5), creating tremendous wealth, most of it captured by the state through oil rents. Capital’s continued allegiance to the regime was secured through extremely low domestic tax rates and abundant access to cheap public credit. Meanwhile, a meagre but important part of the rent trickled down to the popular classes, particularly during the first administration of Carlos Andrés Pérez (1974-1979). Workers were paid higher wages than in the rest of Latin America and there were price controls and subsidies on basic food goods, transportation, and social services like education and health care (Roberts 2003, 57). Nostalgia for the golden years of the 1970s permeated Venezuelan political and social life for the subsequent two decades as the economy endured a dramatic reversal.

Contrary to many claims, Venezuela’s political economy between the 1960s and early 1980s was not exceptional but typical of Latin America. The region’s economy grew by 82 percent between 1960 and 1980, the same time that Venezuela experienced its boom. Likewise, when oil prices crashed and Latin America entered the debt crisis of the 1980s – growing only 15 percent in the 26 years between 1980 and 2006 – Venezuela also plunged into the abyss – although Venezuela’s fall proved longer and deeper than most. Real GDP plummeted by 26 percent between 1978 and 1986, hitting the floor in 2003 at 38 percent below its 1978 high (Weisbrot and Sandoval 2007, 4). The neoliberal economic restructuring initiated in 1989, during Pérez’s second administration and consolidated in

the mid-to late 1990s under Rafael Caldera, made the crisis particularly intense.

In some other South American nations neoliberals were re-elected in the 1990s – Alberto Fujimori in Peru and Carlos Menem in Argentina, for example. Yet, Venezuelans consistently voted for anti-neoliberal candidates. Pérez, elected in 1989, was identified with the state interventionist policies of his first government. Caldera (1994-1999) ran on an explicitly anti-neoliberal platform, unlike his rivals. Likewise, Hugo Chávez was the only anti-neoliberal presidential candidate (Ellner 2008, 89). Pérez and Caldera later revealed themselves devotees of International Monetary Fund (IMF) orthodoxy but both were elected on anti-neoliberal platforms.

In the 1990s there was a rash of privatizations – including the state telephone company, CANTV, the state steel industry, SIDOR, and the social security system. Trade, prices, and the financial sector were liberalized. The labour market was made ‘flexible,’ and other policies conforming to the so-called ‘Washington Consensus’ were introduced (Gott 2005, 54). Richard Gott writes: ‘In earlier and happier times, when claiming leadership of the Third World in the 1970s, Pérez had denounced the economists of the IMF as “genocide workers in the pay of economic totalitarianism.” Now he was having to go on all fours to beg for money from an institution he had once described as “an economic neutron bomb” that “killed people but left buildings standing”’ (Gott 2005, 54).

The social repercussions were severe. Per capita income by 1998 had declined 34.8 percent from its 1970 level, the worst collapse in the region. Likewise, by 1997, workers’ share of the national income was half what it had been in 1970, and the country’s gini coefficient measure of income inequality was worse than in the notoriously unequal Brazil and South Africa (Lander and Navarrete 2007,9). Cuts to wages and social spending in 1989 precipitated an increase in poverty from 46 to 62 percent (Roberts 2003, 59).

Parallel to trends in inequality and poverty, the rural and urban class underwent profound transformations in the 1980s and 1990s. Employment moved away from agricultural and industrial towards the service sector, and from the formal to informal sector. Precariously constructed shantytowns in major urban centres – particularly Caracas – expanded massively.<sup>7</sup> ‘Throughout the 1980s’, notes historian Greg

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<sup>7</sup> This process was not unique to Venezuela. Mike Davis (2006) charts trends of accelerated proletarianization of the peasantry throughout the Third World in the neoliberal age, as well

Grandin, 'Caracas grew at a galloping pace, creating combustible concentrations of poor people cut off from municipal services – such as sanitation and safe drinking water – and hence party control' (Grandin 2006). The under- and unemployed workers who populated these Venezuelan slums made 30 percent lower wages in the informal sector compared to the formal sector (Roberts 2003, 60). By the end of the 1990s, the informal economy employed 53 percent of the workforce (Ellner 2003, 19).

### **The *Caracazo* and Popular Resistance**

Venezuela's neoliberalization was contested. Pérez's restructuring plan of 1989, including the end of domestic gasoline subsidies, led to a hike in fuel costs. Drivers of the most common form of working-class transit in urban centres, known as *por puestos*, attempted to transfer costs to passengers by illegally doubling fares, a measure that ignited mass protests and riots, known as the *caracazo*, between February 27 and March 5, 1989. Tens of thousands of the urban poor participated. The army and police violently repressed the protests, leaving an official count of 287 dead, and unofficial counts of between 1,000 and 1,500 killed, according to national medial personnel. The highest, widely-circulated figure is 3,000 dead (Wilpert 2007, 16; Hellinger 2003, 31). Today, the *caracazo* is deeply ingrained in the popular memory of the Venezuelan Left, marking the start of the Bolivarian 'revolutionary process'.<sup>8</sup> The rebellion and repression had an impact on some officers in the Venezuelan armed forces who 'had not assimilated to North American geopolitical doctrines nor been fully integrated into the structures of *puntofijismo*.' Among these was Hugo Chávez, part of the 'first cohort of officers to have attended civilian universities and not to have undergone training at US counterinsurgency schools' (Hellinger 2003, 41).

### **Chávez Fills a Void**

In the early 1980s, when Chávez was a sports instructor at the military academy in Caracas, he and other likeminded military critics of the

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as the rise of an "informal proletariat" and the proliferation of shantytowns in his book, *Planet of Slums*.

<sup>8</sup> Personal interview, Oscar González, coordinator of the Organization of Social Movements for Popular Power, in the Mérida branch of the new *Partido Socialista Unido de Venezuela* (United Socialist Party of Venezuela, PSUV), 5 September 2008, Mérida, Venezuela.

Venezuelan social and political system formed the *Ejército Bolivariano Revolucionario-200* (Bolivarian Revolutionary Army, EBR-200), the '200' representing the anniversary of independence hero Simón Bolívar's birth in 1783 (Wilpert 2007, 16). Following the *caracazo*, the EBR-200 increased contacts with civilian political groups, and changed its name to the *Movimiento Bolivariano Revolucionario-200*, (Bolivarian Revolutionary Movement, MBR-200) (Raby 2006, 149). Civilians included Douglas Bravo, a guerrilla leader in Falcón in the 1960s, who collaborated with Chavez in the 1980s 'but withdrew after 1992, convinced that civilians were being by-passed and that Chávez's programme was insufficiently radical' (Gott 2005, 17-18).

Between 1989 and 1992, Chávez and his co-conspirators planned a military uprising against the Pérez government, launching the rebellion on 4 February 1992. It achieved some early military objectives, but most military insurgents were quickly captured and surrendered.<sup>9</sup> No civilian uprising accompanied the coup attempt. Chávez's conspiratorial effort to challenge neoliberalism through the militant actions of a small group, rather than through the mass mobilization and self-emancipation of the exploited and oppressed themselves, was an inevitable failure.<sup>10</sup> But in the wake of the state murders during the *caracazo*, the attempted coup's bold challenge to the regime was well-received by the popular classes. Chávez was sent to prison for two years and was amnestied in 1994. In November, 1992 a second failed coup occurred, but without the progressive veneer of the February attempt. 'It was clear that a further uprising would have neither military feasibility nor popular support,' notes historian D.L. Raby, 'the strategy now had to be political' (Raby 2006, 156).

### **The Chávez Alternative in Lieu of a Revolutionary Left**

The popular narrative of the Venezuelan Left today describes a steadily building wave of popular rebellions from the *caracazo* of 1989 to the two coup attempts of 1992. Yet, the spontaneous and relatively disorganized

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<sup>9</sup> For one account, see Gott 2005, 63-70.

<sup>10</sup> As Rosa Luxemburg argued in the course of the revolutionary events in Germany in 1918 and 1919, 'The socialist revolution is the first which is in the interests of the great majority and can be brought to victory only by the great majority of the working people themselves.' And elsewhere: "Socialism will not and cannot be created by decrees; nor can it be created by any government, however socialistic. Socialism must be created by the masses, by every proletarian. Where the chains of capitalism are forged, there they must be broken. Only that is socialism, and only thus can socialism be created' (quoted in McNally 2006, 348).

character of the *caracazo*, and the elitist military strategy of the 1992 events, actually signalled the weakness of the Venezuelan revolutionary Left during this period, and the relatively thin basis for organized, wide-scale, radical popular movements from below, compared to those that swept Bolivia between 2000 and 2005, for example.<sup>11</sup> On an aggregate scale there were, by some accounts, roughly 5,000 protests in the first three years of neoliberal reforms (1989-1991), but these were mainly restricted to community-based, localized, and defensive strategies of the urban poor (Roberts 2003, 61). Likewise, the visible spread of neighbourhood council movements, some feminist organizing, social justice groups, environmental activism, and human rights organizations later in the 1990s did not represent an offensive and organized challenge to capital but rather isolated defensive, local struggles.

The labour movement was also relatively quiescent, suffering structurally from the flexibilization and informalization of work and the dramatic changes to class structure wrought by neoliberal reforms. Politically, the labour movement was still overwhelmingly controlled by the Confederation of Venezuelan Workers (CTV), whose leadership quickly capitulated to the neoliberal regime.

*La Causa Radical* (The Radical Cause, LCR), with origins in the fledgling independent union movement of the late 1980s, appeared to represent an electoral alternative for the Left in the early 1990s. For example, the party's presidential candidate, Andrés Velásquez, won a surprising 22 percent in the 1993 elections (Ellner 1999). The party initially defended, 'grass-roots democracy and bottom-up organising based on the autonomy of working-class and popular communities.' However, beginning in 1994 the party 'allowed itself to be drawn into parliamentary horse-trading' with traditional, mainstream political parties, abandoning grass roots organizing and losing its main constituency (Raby 2006, 140, 144). By 1997, the party had split, with the larger contingent forming the *Patria Para Todos* (Fatherland for Everyone, PPT) (Gott 2005, 132). The splintering of the LCR, and the absence of any other serious Left alternative, provided political space for Chávez's *Movimiento Quinta República* (Fifth Republic Movement, MVR), the party that those in and around the MBR-200 had created to participate in the 1998 presidential elections.

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<sup>11</sup> On Bolivia, see, in particular, Hylton and Thomson 2007; Webber, 2010; Gutiérrez Aguilar 2008.

Thus, we have a complex conjuncture at the close of the 1990s that is ultimately conducive to Chávez's electoral victory:

Twenty years of economic stagnation without an apparent solution in sight, structural adjustment policies which aggravated an already grossly unequal income distribution; the undermining of the 'modern' social structure built on the basis of the previous development model; the growth of the informal economy and the lack, for the majority of the population, of any prospect of social advancement or even social inclusion; all these factors contributed to a popular rebellion in February 1989, known as the *Caracazo*, which indicated a radical repudiation of the old socio-political order and marked the beginning of a search for alternatives (López Maya 2007, 161-162).

In this context, Chávez won 56 percent of the popular vote in the December 1998 elections, taking office as President in 1999. The urban poor had responded to Chávez's 'vitriolic attacks on the political establishment', just as 'the middle and upper classes recoiled before the uncertain scope and depth of impending changes' (Roberts 2003, 55).

Class polarization was highly racialized, challenging the long-standing nationalist myth of Venezuelan racial democracy. According to national census figures, 67 percent of Venezuelans are *mestizos*, or mixed race, ten percent are black, 21 percent are white, and two percent are indigenous. 'The esteem in which Chávez is held by the dark-skinned poor,' Grandin suggests, 'is amplified by the rage the Venezuelan president provokes among the white and the rich' (Grandin 2006). Chávez's self-identification as 'Indian', 'black', or 'mixed-breed', infuses these terms with a novel sense of pride. When Chávez is critiqued by the Right as, 'Indian, monkey, and thick-lipped', this racial contempt serves to ally Chávez with the majority of the population that similarly identifies as 'mixed breed,' 'Black,' or 'Indian' (Herrera Salas, 2005). Class and racial identification thus combine in a form of populist support for Chávez.

### **Anti-Neoliberalism to Twenty-First Century Socialism? Trajectory of Chávez**

#### *The New Constitution and Neoliberalism with a Human Face, 1999-2000*

Chávez's 1998 electoral campaign and first two years in office were characterized by moderate socio-economic proposals that failed to break with the basic neoliberal model.<sup>12</sup> Chávez did take a bold initiative in restoring power to the Organization of Petroleum Exporting Countries

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<sup>12</sup> The periodization, if not always the characterization, of the different stages of the Chávez government in this section corresponds closely to Ellner 2008 and Lander and Navarrete 2007.

(OPEC), with lasting effects on state revenues. During the administration's first months, Alí Rodríguez Araque, the Minister of Oil and Mines, was sent on a series of diplomatic trips to member countries of the cartel, as well as to non-OPEC oil-producing states such as Mexico. An agreement to cut production was reached, and by the end of 1999 the price of oil had increased to \$US 25 per barrel from the historic low of \$US 9 per barrel in February of that year (Raby 2006, 161). The revived OPEC quotas for production, in conjunction with the Iraq war, led to the steady rise of oil prices from that period until the recent global financial crisis.

Politically, the new government was more ambitious, convening a Constituent Assembly and a relatively participatory process of drawing up a new Constitution. The 1999 constitution, approved by a popular referendum, emphasizes that Venezuelan democracy is participatory and protagonistic, not merely representative, and states that human relations should be rooted in 'equality of rights and duties, solidarity, common effort, mutual understanding, and reciprocal respect.' It views as necessary 'the participation of the people in forming, carrying out and controlling the management of public affairs.' This participation will 'ensure their complete development, both individual and collective' (quoted in Lebowitz 2006, 89).

The Constitution bans the privatization of the state-owned oil company, *Petróleos de Venezuela* (PDVSA) and includes language favourable to various economic, personal, cultural, and environmental rights and protections. The state pledges that workers will have sufficient salaries to live dignified lives and explicitly recognizes unpaid work within the home – principally conducted by women – as an economic activity, which, in theory if not yet fully in practice, makes it eligible for social security (Grandin 2006). Additionally, the Bolivarian Constitution recognizes various indigenous rights and forbids foreign troops on Venezuelan soil. At the same time, the constitution does not protect women's right to abortion, nor does it include anti-discrimination on the basis of sexual diversity, although Chávez himself has pledged support for such rights (Webber 2004).

Yet the limitations are most starkly revealed in the economics sphere. The nation's twenty-seventh Constitution remains distant from anti-capitalism, guaranteeing the right of property (Article 115), supporting the role of private initiative in fostering economic growth and employment (Article 299), and promising state support for private initiatives (Article 112). The Constitution entrenches balanced budgets (over several years), and provides for the Venezuelan Central Bank's

autonomy in monetary policy (Articles 311 and 318) (Lebowitz 2006, 90), an approach that assumes that bankers, not elected governments, should make critical economic decisions (Lebowitz 2008).

The early Chávez government's limited vision in the socio-economic sphere was evident in its first long-term development plan, published in 2001 as a guide for state policy through to 2007 (MPD 2001). The document presupposed that the best way to transform the Venezuelan economy was to attract 'private capital, both domestic and foreign' through state interventions promoting financial stability, the creation of free trade zones, stable exchange rates, and a stock market to 'create a growing democratisation of management capitalism,' among other measures designed to reassure foreign investors (Lander and Naverrete 2007, 15).

The development plan reflected the neo-structural influence of the United Nations Economic Commission on Latin America and the Caribbean (ECLAC, or CEPAL in its Spanish acronym.) Neo-structuralism is the Latin American equivalent of neo-Keynesianism in the advanced capitalist countries, a 'third way' road adapting social democracy to the fundamental macroeconomic constraints of neoliberalism (Leiva, 2008). At this stage of the Chávez presidency, Venezuela adhered to wider politico-economic developments across Latin America in the wake of the deep regional downturn (1999-2000) and the overwhelming de-legitimization of orthodox neoliberalism. But no real break with neoliberalism had occurred: 'Without relinquishing its essential emphasis on the rationality of the market as the foremost organizing principal of social life, contemporary neoliberalism has dramatically broadened the scope of its social engineering in order to address its internal contradictions and attempt to mediate the ensuing social conflicts that have sharpened over the last 3 decades' (Taylor 2009, 23). Thus, targeted anti-poverty programs aimed at the most destitute have been introduced, without challenging neoliberalism's fundamental ideological premises.

A number of commentaries from the international Left, published in journals like *Green Left Weekly*, *Venezuela Analysis*, *Monthly Review*, and *Links*, have made bold retroactive assertions about the radicalizing nature of the Chávez regime as early as 1999 and 2000. But such analyses have been rooted in hopes and aspirations of the past few years rather than being based on actual developments of the period in question. Indeed, 'Shortly after taking office in 1999, the Venezuelan president traveled to Wall Street to assure the moneymen of the "credibility" of his government and its aims of a "diversified" and "self-sufficient economy," as well as

throwing the first pitch at a New York Yankees baseball game and ringing the bell at the New York Stock Exchange' (Sustar 2007, 19).

*Counter-Revolution and the Awakening of Popular Power from Below, 2001-2004*

Nonetheless, the government's economic policy slowly changed beginning in 2001, with a new package of 49 laws, among them, the Organic Hydrocarbons Law, the Lands Law, and the Fisheries Law. The hydrocarbons law re-established majority government ownership in the public-private companies in the principal oil operations of the country. The Lands Law opened idle land up to potential expropriation by the state. The Fisheries Law expanded the area off the shoreline from which major commercial trawlers were forbidden, and explicitly favoured small-scale fishers (Ellner 2008, 113).

All three were seen by Venezuela's right-wing opposition – composed of various political parties, the CTV, the business federation (FEDECAMARAS), the overwhelming majority of private print and TV media, right-wing student groups, and the Catholic Church hierarchy, among other minority social forces – as potentially threatening fundamental private property rights. Led by FEDECAMARAS and CTV, the opposition initiated a concerted destabilization campaign with a two-month general strike that began in December 2001, followed shortly thereafter by the April 2002 coup, in which Chávez was temporarily ousted and FEDECAMARAS president Pedro Carmona declared the country's new leader.

All of this transpired with imperial backing (Golinger 2008, 13). Indeed, the United States government supported the coup, seeing Chávez as a threat for his outspoken comments on American imperial interventions in Afghanistan and the broader 'war on terror,' Chávez's support for a multi-polar world order, and his efforts to foment anti-imperialist consciousness and Latin American independence and solidarity across the region as against the unilateral project of US imperial might. As mentioned above, Chávez did not directly threaten US material interests, but the ideological and political threat of anti-imperialism was sufficient to warrant American support for reactionary forces, including destabilizing, right-wing non-governmental organizations (NGOs) operating within Venezuela.

Yet, as Leon Trotsky's observes, 'a revolution needs from time to time the whip of the counter-revolution' which can provide 'a powerful impetus to the radicalization of the masses' (Trotsky 2005 [1932], 774). When word broke of the coup, 'hundreds of thousands of poor Venezuelans

poured down from the “ranchos” [shantytowns]’, and ‘surrounded the Presidential Palace, leading to division in the armed forces.’ A minority of right-wing military officers favoured ‘a massive bloodbath,’ whereas a majority rejected such measures, either out of loyalty to Chavez’s left-populist programme or out of fear of a class-based civil war (Petras 2007).

The April 2002 mobilizations were of a scale and importance not witnessed since the *Caracazo*. They marked a turning point in which class struggle from below – albeit with a stronger populist than socialist flavour – erupted with new force as a response to right-wing counter-revolution (Robinson 2007). Rather than pushing ahead from this newly mobilized basis of support, however, Chávez moderated his rhetorical flourishes and offered concessions to the opposition in the wake of the coup: the Presidential Commission for a National Dialogue was established, bringing together coupist oppositional forces and the government; more radical officials in the Chávez government were replaced with known moderates; decentralization provisions of the 1999 Constitution that favoured right-wing possibilities in state governorships were brought forward on the agenda, and oil company executives at PDVSA fired prior to the coup were rehired by the President (Ellner 2008, 118).

The opposition proved uninterested in the government’s goodwill gestures. The Right clung to the hope of throwing Chávez out altogether. ‘Following a brief period of uncertain calm,’ Gregory Wilpert points out, ‘the opposition interpreted Chávez’s retreat as an opportunity for another offensive against him, this time by organizing an indefinite shutdown of the country’s all important oil industry in early December 2002’ (Wilpert 2007, 25). Rather than a ‘general strike,’ as the opposition labelled the actions, ‘it was actually a combination of management lockout, administrative and professional employee strike, and general sabotage of the oil industry.’ The business lockout was in part supported by the bourgeois fractions that had been created and sustained by national rentier capitalism following the 1970s nationalization of the oil industry. In solidarity with the rentier element, ‘[i]t was mostly the US fast food franchises and the upscale shopping malls that were closed for about two months. The rest of the country operated more or less normally during this time, except for food and gasoline shortages throughout Venezuela, mostly because many distribution centers were closed down’ (Wilpert 2007, 25).

In the short term, the oil lockout cost the Venezuelan economy \$US 6 billion (Grandin 2006). In the longer term it generated new revenue for the Venezuelan government, because once the lockout had been defeated, real state control of the oil industry was finally wrested from the hands of

the old PDVSA elite: 'Due to their subversive and saboteur attitude, around 18,000 upper and middle-level managers who opposed the government – and who actually exercised control of the company – created the conditions in which they could be legally dismissed' (Harnecker, 2007, 181).

The defeat of the 2002-2003 oil lockout had a major impact on the labour movement. Within the oil industry, skilled and unskilled workers restarted production with the assistance of technical personnel and from surrounding communities, 'at a time when most high-ranking PDVSA employees had walked off the job'. During the strike the 'workers collectively chose their supervisors and took charge of the basic operational facet of the industry,' setting 'an important precedent' (Ellner 2008, 162, 187). The period of workers' control and self-management did not last long, but its significance is difficult to exaggerate (Sustar 2007, 20). Immediately following this example of workers' power, capacities, and commitment, a section of the labour movement pressured PDVSA for greater workers' control in the industry. However, 'PDVSA heads adhered to a view... that the oil industry should avoid the types of worker participation being established in other state-controlled sectors due to its overwhelming importance to the nation's economy' (Ellner 2008, 162). In this they were ultimately backed by the government – one example of unevenness and contradiction in Chavez's commitments to socialism.

Also in this 2002-2003 period of heightened class struggle, workers' occupied a number of large- and medium sized enterprises claiming that the owners had locked them out without pay or severance benefits. Encapsulating the contradictions of *Chavismo*, 'The government refused to dislodge the workers but also refrained from turning the companies over to worker management and instead deferred to the courts' (Ellner 2008, 124). Finally, at the end of these heated months, militant workers formed the National Union of Venezuelan Workers (UNT) as an alternative labour confederation to the Confederation of Venezuelan Workers (CTV). The CTV had collaborated with the state under the Punto Fijo system, capitulated to neoliberalism in the late 1980s and 1990s, and participated directly in the April 2002 coup attempt, and 2002-2003 oil lockout. The UNT's formation in May 2003 became a pivotal space for debate around 'issues of worker control, their workplaces and the role of unions' (Gindin 2005).

Having failed to depose Chávez through extra-parliamentary channels in 2002 and 2003, the Right exploited a new democratic opening established in the 1999 Bolivarian constitution: the right to force a recall referendum to determine whether or not the President finishes his or her term in office if 20 percent of the population, or 2.4 million people, express

their desire to do so through a petition. By November 2003, the opposition had collected 3 million signatures, but the National Electoral Council (CNE) determined that only 1.9 million were valid, leaving the opposition less than a week to meet the deadline for required signatures. The government established a group of loyal militants under the title 'Comando Ayacucho' to mobilize their base and raise consciousness, in order to prevent the opposition from gathering the necessary remaining signatures. Despite constant reassurances to the contrary, however, the Comando Ayacucho failed and a recall referendum was set for August 2004.

The struggle within Venezuelan society in the months leading up to the referendum revealed new strengths in autonomous working-class organization and initiative, this time in the popular *barrios*, or poor neighbourhoods, of the capital city. There is undoubtedly a level of mutually-reinforcing synergy between the popular movements in the barrios and the figure of Chávez. Nonetheless, the former have 'realized the need to chart an independent trajectory from the Chávez government, of "oficialismo"... to defend the interests of their community and sustain their projects'. Indeed, community activists felt 'shocked and betrayed by the Comando Ayacucho,' when they heard the news that a recall referendum would be held. They strategically cooperated with vertically-oriented structures but insisted on the role of autonomous community organizations in mobilizing to defeat the referendum, as this passage describes:

In a series of local assemblies in La Vega, 23 de Enero, and other barrios, community leaders emphasized the need for self-organization, saying that barrio residents could not rely on the government and officially appointed committees to organize 'on their behalf.'.... In the lead up to the referendum, local networks and activists were key in organizing popular sectors in support of the 'No' campaign to keep Chávez in office. Chávez replaced the Comando Ayacucho with the Comando Maisanta, and a vertically-organized structure of local units known as Unidades de Batallas Electorales (UBEs). Community groups cooperated with the UBEs and at times even incorporated into them, but for the most part these were tactical and temporary groupings to win the referendum. The driving force behind the 'No' campaign came from organized community activists, who launched an aggressive campaign to register and mobilize voters to vote in the referendum. Community organizers set up Voter Registration Centers in all the parishes, and these were staffed around the clock by teams of local activists. Barrio-based radio and television stations and newspapers devoted space to explaining the importance of the referendum and encouraging people to vote for Chávez.... Rather than Chávez's charisma,

his subsidized social programs, or the ineptitude of the opposition, the decisive factor in Chávez's ultimate victory was the mobilizing role played by local barrio organizations (Fernandes 2007a, 18).

In the event, Chávez defeated the opposition by 58 percent to 42 percent. This result, later combined with the opposition's disastrous boycott of the December 2005 congressional elections, strengthened the government's hand and ushered in a new phase of the administration, characterized by increasingly radical rhetoric, and a series of anti-neoliberal, if not socialist measures.<sup>13</sup>

### **Where's the Revolutionary Democracy? The Grassroots and the PSUV**

In early 2005 Chávez first declared his commitment to twenty-first century socialism at the World Social Forum in Brazil. What is meant by that phrase has taken on somewhat more developed programmatic content since, but in 2005 it was especially vague: a new socialism, as distinct from the failed projects of the same name in the twentieth century. It would be more decentralized, more democratic, less state-centered and committed to 'establishing liberty, equality, social justice, and solidarity.' While a bold move to reclaim the term socialism, its opacity made it 'indistinguishable from most other social projects of the twentieth and twenty-first century,' that promised the same things (Wilpert 2007, 7).

What is clear is that over the course of 2005 and 2006 the special mission programs in health and education established in 2003 – erected parallel to the existing structures of the old state apparatus in these fields – were widened and deepened. Co-management, allowing for workers' representation on state company boards was extended beyond certain aspects of the corporatist structures seen in European social democracies in a limited number of companies. In the state aluminum company, ALCASA, for example, there was labour and community participation in the drawing up of the 2006 budget. Likewise, in early 2005 the state expropriated the paper company VENEPAL, changing its name to the Venezuelan Endogenous Paper Industry, or INVEPAL. Valve and tube companies were also expropriated. By the end of 2005, INVEPAL was a

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<sup>13</sup> Here I concur with Susan Spronk: "While Chávez—arguably the one of the most radical leaders of the 'Pink Tide'—speaks passionately about alternatives to capitalism, his actions in the first ten years of the Bolivarian Revolution have indicated that the primary goal of his 'twenty-first century socialism' has been the construction of a capitalist welfare state with pockets of cooperativism on the margins of the economy." See Spronk (forthcoming).

worker-run cooperative.<sup>14</sup> Land reform also advanced in 2005, with the government dividing up some large estates owned by domestic and foreign agro-capitalists. These were distributed to landless peasants.

The existing tax system, long ignored by many businesses, was enforced, generating new revenue for the state outside of oil rents. In urban land reform, the state devolved some power to urban land committees (CTUs) first been established in 2002. By mid-2005, over six thousand CTUs, made up of residents in poor urban neighbourhoods, were in operation. They were authorized to survey their shantytowns, distribute land titles, and collectively generate ideas and designs for public and recreational spaces in their communities.<sup>15</sup>

In 2005 and 2006, the government extended the 'social economy,' including, 'redistribution of wealth (via land reform programs and social policies), promotion of cooperatives, creation of nuclei of endogenous development, industrial co-management, and social production enterprises' (Wilpert 2007, 77). By some accounts, the number of cooperatives expanded from 762 in 1998 to more than 100,000 by 2005 (Wilpert 2007, 77). Many of these registered cooperatives however, never actually got up and running, and were a major area of corruption and government revenue loss.<sup>16</sup>

In the December 2006 elections, Chávez was re-elected to another six-year term with 63 percent of the popular vote. With a new mandate and the opposition at its weakest level in years, the President signalled a radicalization of the Bolivarian Process with the announcement of the 'five motors' of twenty-first century socialism in January 2007. These included: an 'enabling law' giving the executive new legislative power for a set period of time so as to speed up the transition to socialism; a reform of the 1999 Bolivarian Constitution to amend sections to help establish twenty-

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<sup>14</sup> Kiraz Janicke explains how 'Venezuela's recovered factories, despite having the support of the Chavez government, are in essence faced with the same problem of the recovered factories in Argentina: how to survive in a sea of capitalist economic relations, how to ensure supply of raw materials, how to ensure a buyer for the finished product. Inveval is suffering from both of these problems' (Janicke 2007).

<sup>15</sup> This section draws heavily from Ellner 2008, 121-126.

<sup>16</sup> This is clear, for example, in the following assessment: 'The failure of mass numbers of state-financed cooperatives – due to improvisation or, worse yet, misuse of government funds – has translated into the loss of tens or hundreds of millions of dollars. While many cooperatives never got off the ground, in other cases cooperative members ended up pocketing the money received from loans or the down payments for contracts prior to the initiation of work' (Ellner 2008, 130).

first century socialism; a campaign of political and social education and consciousness-raising called 'Morality and Enlightenment,' to be carried out by community councils in communities and workplaces; revisions of the country's political and territorial units to redistribute power more equitably on geographic terms throughout the country's cities, states, and countryside; and, fifth, what was deemed 'the revolutionary explosion of communal power', devolving economic, social, political, and democratic power to the communal councils (Harnecker 2007, 187-188).

Chávez called for the creation of a United Socialist Party of Venezuela (PSUV) as an umbrella for all parties supporting his government – his own MVR, the PPT, Podemos, the PCV, and roughly 20 other micro-parties. Further, he promised that key sectors of the Venezuelan economy would be nationalized, beginning with the telecommunications, energy, and oil production sectors. The formerly state-owned telephone company CANTV was re-nationalized, as were the regional-based electricity companies throughout the country. Most crucially, the government announced the nationalization of the only oil fields in the country that continued under private control, those of the Orinoco Oil Belt. These nationalizations entailed the movement of state control from minority to majority shareholding status and billions of dollars in compensation to multinational corporations. The nationalizations failed to incorporate the essential socialist ingredient of workers' control, democracy, and self-management. Nevertheless, this move signalled a radicalization of government policy (Wilpert 2007, 219-223).

Most important were the proposed amendments to the 1999 Bolivarian Constitution. On 2 December 2007 Venezuelans participated in another referendum, in which they had the opportunity to ratify or reject 69 constitutional changes, 33 proposed by Chávez, and 36 drafted by the National Assembly. Among the progressive characteristics of the proposed reforms were: the reduction of the work week to 36 hours; the elimination of the autonomy of the Central Bank; requirement of gender parity in positions of public office; recognition of Afro-Venezuelan groups; the reduction of the voting age from 18 to 16; recognition and increased funding for Councils of Popular Power, including student, peasant, and workers' councils, as well as cooperatives and community enterprises; state promotion of new economic model, based in humanism and cooperation, and introducing legal recognition of various forms of social, communal and state property, as well as state promotion of social forms of production and distribution and mixed public-private enterprises (Fernandes, 2007b). This conglomeration of amendments still recognized

the legality of privately-owned capitalist enterprises but undoubtedly represented an advance on the 1999 scenario.

When the referendum amendments were defeated by a margin of roughly 200,000 votes, with an abstention rate of 45 percent, it represented a major political blow to the Chávez government. The process of change has been insufficiently democratic and top-down, based increasingly on the personification of twenty-first century socialism in Chávez, rather than in the revolutionary practice, initiative, and the popular power of the exploited and oppressed. These fundamental shortcomings in strategy, ideology, and orientation – a consequence of both a lack of commitment to revolutionary democracy within the dominant currents of the Chávez government and the simultaneous absence of a sufficiently powerful socialist rather than populist working-class base of support – bled into some ill-considered content in the proposed amendments.

The proposal to extend the presidential term from six to seven years, and the elimination of the two-term limit is an example of the misguided nature of many reforms. This has confused sections of the radical Left. On the one hand, the imperialist and domestic Venezuelan Right are hypocritical when they argue that this amendment signaled the death of democracy in the country and the advance of totalitarian communism. None of these pundits question the democratic character of consecutive terms in office for the executive power in multiple European and North American states (Petras 2007). And, clearly, Chávez is no dictator, immediately accepting the referendum defeat in December 2007 and congratulating his opponents.

On the other hand, the 'low-level personality cult that exists around Chávez is an obstacle to the full implementation of the Bolivarian project' (Wilpert 2007, 200). As a number of revolutionary socialists inside Venezuela have suggested in relation to the presidential term extension: 'The important thing should not be such a possibility, but changes making it possible to advance towards a more democratic regime, which instead of continuing to invent new tasks and responsibilities within the executive power, legitimates the power of the workers' and peoples' organizations, envisages that they should have majority representation in a new Parliament, extends the possibilities of recall by the voters, in an immediate way and for all functions, and defends at all levels of political and economic decision the right of the people to express themselves and to decide' (Peres Borges, García, and Vivas, 2008).

'At a moment when the context made it possible to go much further, to undertake a reform by establishing spaces of dialogue and power all over the country', Fernando Esteban observes, 'Chávez threw down a challenge to the entire Bolivarian and revolutionary movement, forcing it to be with him or against him'. The line was: 'To vote No is to vote for Bush, to vote Yes is to vote for Chávez' (Esteban 2008). While the content of the reforms was broadly progressive, and threatening to capital and the various right-wing opposition forces, it was developed without participation by the popular classes. Indeed, Chávez drafted the proposals with the participation of a small, select group of advisers personally chosen by him (Fernandes 2007b).

Since Chávez's re-election in December 2006, the founding of the United Socialist Party of Venezuela (PSUV) and the role of expanding communal councils have been the most important political and organizational questions for the Venezuelan Left. The PSUV is full of internal contradictions, and has developed into the battle ground between the Right and Left *within* the Bolivarian process. On the one hand, there are the radical aspirations and impressive organizational capacities of the grassroots militants of the party, and the fact that the party quickly grew to over 4 million members soon after its founding July 2007 – although clearly with different levels of participation among the membership. A number of revolutionary socialists became delegates to the party's congress in March 2008, while others have played essential roles in the local battalions of the party on an ongoing basis. Activists formerly involved in different revolutionary parties have committed themselves to constructing the PSUV, building left currents within the party against more bureaucratic, opportunistic and right-wing components. The Assembly of Socialists (AS), for example, managed to congeal more than 20 revolutionary organizations in November 2006. Another revolutionary current within the PSUV is *Marea Socialista*, or Socialist Wave, formed by leftists of a Trotskyist background who were formerly involved in the Party of Revolution and Socialism, and heavily influential within the UNT (Fuentes 2008).

The party's congress in March 2008 illustrated the depth of seriousness with which conservative and bureaucratic layers within the *Chavismo* sought to domesticate and control the party's formation, program, and trajectory. Fernando Esteban describes some of the early setbacks with regard to electing the party leadership:

The first stage consisted of designating the members who had the right to vote. Out of 5 million members, only 80,000 could vote, without anyone knowing on what criteria this choice was based. In a second stage, once the 35 members of the national leadership had been elected, Chávez designated on live TV the members of the political bureau. There you can only find members of the government, and there are not representatives of the social or trade-union movement (Esteban 2008).

Yet there continues to be space in the party for the revolutionary Left and its attempts to roll back corruption, bureaucracy, and alliances with the so-called national bourgeoisie.

Militants of the Socialist Wave defend their participation within PSUV, refusing relegating themselves at the extreme margins of the principal popular struggle occurring in the country, a struggle likely to determine the country's trajectory. By actively participating in assemblies, presenting radical proposals, responding to the interests of the rank and file, and uniting with other left currents they hope to contribute to the radicalization of PSUV, turning it in an explicitly anti-capitalist direction and protecting the party against top-down, bureaucratic, and even militaristic, lines of hierarchy and control (Peres Borges, García and Vivas 2008). The ultimate fate of the Venezuelan experiment will be the balance of forces within *chavismo*, between those in favour of democratic revolutionary socialism from below, and those bureaucratizing the process and cementing their privileges from above.

### **Social Indicators and the Economy**

The social advances of the Bolivarian process are important. According to the latest figures from the United Nations Economic Commission for Latin America and the Caribbean, Venezuela reduced its poverty and extreme poverty rates from 48.6 and 22.2 percent of the population respectively in 2002, to 28.5 and 8.5 percent by 2007 (CEPAL 2008, 16). The proportion of people living in poverty fell from 48.6 percent in 2002, to 30.2 percent in 2006, down to 28.5 percent in 2007. In 2006 alone, as a consequence of sharp surges in social spending, the poverty rate fell from 37.1 percent to 30.2 percent (CEPAL 2007, 18).

Yet, these trends are typical advances of centre-left regimes elsewhere in the region over the same period, a consequence of the conjunctural primary commodity boom in Latin America between 2003 and 2007. For example, the urban areas of Argentina under the Nestor Kirchner's government registered a decline in poverty and extreme

poverty from 45.4 and 20.9 percent respectively in 2002, to 21 and 7.2 percent in 2006. In 2000, Chile had a poverty rate of 20.2 percent, while the extreme poverty level was 5.6 percent. By 2006, those figures had fallen to 13.7 and 3.2 percent respectively. What is more, Venezuela's poverty rate of 28.5 percent in 2007 continues to compare poorly to Chile's 13.7 (2006), Costa Rica's 18.6 (2007), and Uruguay's 18.1 (2007) (CEPAL 2008, 16).

Nonetheless, the Venezuelan figures, because they only measure income poverty, substantially underestimate the Chávez administration's advances in poverty reduction more broadly through large-scale improvements in the social wage of the working class, i.e., social services. Various mission programs, that bypass bureaucratic and uncooperative state structures, are the principal means of delivering these social services. *Barrio Adentro* provides free health care to the poor through the assistance of tens of thousands of Cuban doctors and the establishment of new community clinics; *Mercal* is a state distributor of food at subsidized prices; *Robinson 1 and 2* are missions focusing on literacy and primary education for adults; *Ribas* and *Sucre* target secondary and university education for individuals who never had the opportunity to attend or those who dropped out; and *Vuelvan Caras* provides state-funded training for employment and the creation of workers' cooperatives (López Maya 2007, 165).

Some results are impressive. In 2005, for example, UNESCO declared that Venezuela was 'a territory freed from illiteracy' (Esteban 2008). The figures on health care are also remarkable:

In 1998 there were 1, 628 primary care physicians for a population of 23.4 million. Today, there are 19,571 for a population of 27 million. In 1998 there were 417 emergency rooms, 74 rehab centers and 1,628 primary care centers compared to 721 emergency rooms, 445 rehab centers, and 8,621 primary care centers (including the 6,500 'check-up points', usually in poor neighbourhoods, and that are in the process of being expanded to more comprehensive care centers) today. Since 2004, 399,662 people have had antiretroviral treatment from the government, compared to 18,538 in 2006 (Weisbrot and Sandoval 2007, 9).

This spending is contingent on massive oil rents unique to Venezuela in the Latin American and Caribbean context. From the first quarter of 2003, following the end of the oil lockout, to the second quarter of 2008, Gross Domestic Product (GDP) grew 94.7 percent, an incredible annual rate of 13.5 percent (Weisbrot, Ray and Sandoval, 2009, 6).

Social democratic commentators emphasize that 'in spite of the expansion of government during the Chávez years, the private sector has grown faster than the public sector,' with finance and insurance at the leading edge (Weisbrot, Ray and Sandoval 2009, 7). Absolute figures for social spending have been very high, but public social spending as a percentage of gross national product has not been impressive relative to the rest of Latin America. In the year 2004-2005, for example, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, and Cuba, all showed higher rates of public social spending as a percentage of gross national product than Venezuela (CEPAL 2007, 132).

From the time the *Chavistas* came to power until 2002, the share of national income going to the richest 10 percent of the population fell minimally, while the share going to the bottom 40 percent decreased marginally. In 1999 the richest 10 percent of the population received 31.4 percent of national income and in 2002, 31.3 percent. Meanwhile, the poorest 40 percent received only 14.5 percent of the national income in 1999 and by 2002, just 14.3 percent.

This situation has since improved, but there has hardly been a revolutionary wealth transfer. Income inequality as measured by the Gini index fell from 46.96 to 40.99 between 1999 and 2008. As a comparison, between 1980 and 2005 the United States experienced an accelerated concentration of wealth upwards, from 40.3 to 46.9 as measured by the Gini index (Weisbrot, Ray and Sandoval 2009, 10). Between 2002 and 2007 the share of income going to the bottom 40 percent of households rose to 18.4 from 14.3 percent, and the share going to the top 10 percent of households fell from 31.3 to 25.7 (CEPAL 2008, 231). In 2007, across Latin American countries, the poorest 40 percent of households on average received 15 percent of total income, and only in Uruguay did they receive more than 20 percent (CEPAL 2008, 75). Venezuela is now better than average in Latin America, but this is a region with the worst income inequality in the world.

Huge concentrations of personal wealth and privilege remain untouched by the Bolivarian process. Almost 30 percent of the population live in poverty by ECLAC's measurements, which underestimate poverty. As one analyst suggests, 'Any serious attempt to make Venezuelan society more egalitarian – let alone socialist – would begin with a radically progressive tax system aimed at redistributing wealth' (Sustar 2007, 24). How this might be done has become radically more complex in a ravaged global economy.

### **The Global Crisis and Venezuela**

By April 2008, the International Monetary Fund (IMF) suggested that we were witnessing the largest financial crisis in the United States since the Great Depression. However, as David McNally has observed, this underestimated the scale of the crisis. First, while originating in the United States, the crisis is global. Second, the crisis is no longer narrowly financial, but deeply impacting the 'real economy'. 'Having started in the construction-, auto- and electronics-sectors,' he observes, 'the slump is now sweeping through all manufacturing industries and spilling across the service-sector' (McNally 2009, 36). Bankruptcies, factory closures and layoffs are a response to overaccumulation – over 250,000 jobs have been lost in the North American automobile industry alone. Waves of downsizing in non-financial corporations feed the underconsumption dynamic of this crisis. 'As world demand and world-sales dive,' McNally points out, 'the effects of overcapacity (factories, machines, buildings that cannot be profitably utilized), which have been masked by credit-creation over the past decade, will kick in with a vengeance' (McNally 2009, 37). Typically for the world capitalist system, we are increasingly witnessing the 'geographical displacement of crisis: attempting to offload the worst impacts onto those outside the core' (Hanieh 2009, 61).

From the vantage point of mid-2009, the suggestion of Luiz Inácio Lula da Silva, President of Brazil, that the crisis would not seriously affect Latin America appears deeply naïve (Cárdenas 2008). The slowdown of the 2003-2007 commodity-driven boom deepened in Latin America over the first two quarters of 2008, sharpening severely since. Most economists now predict that 'Latin America will be the region hardest hit in the developing world, with the exception of Central and Eastern Europe, both in terms of reductions in per capita GDP and slower growth vis-à-vis the boom years' (Ocampo 2009, 705). The significant accumulation of foreign exchange reserves and reduction of dollar-denominated public debt during the boom years provided a temporary cushioning of the global crisis in Latin America, but this situation is unlikely to matter if the world recession turns into a prolonged slump. 'The budget surpluses are temporary stopgaps to finance some stimulus packages', James Petras notes, 'but they are totally insufficient to reverse the fall in all export sectors, the drying up of private credit and the drying up of new local/foreign investment. In fact the first sign and substance of growing recessionary tendencies is the large outflows of capital by investors anticipating the crisis' (Petras 2009).

The drop in world trade had already made itself felt by mid-2008; and then commodity prices simply collapsed after September of the same year. Export revenues for the region contracted at an annualized rate of 30 percent in the final quarter of 2008, having a severe impact on GDP growth (Ocampo 2009, 708). The effects of collapsing remittance flows have been uneven across different Latin American countries based on fragmentary evidence, but are likely to inflict increasing pain on the popular classes over time as right-wing fueled xenophobia, 'draconian restrictions on the movement of migrant-labour,' and 'tighter control and regulation of the movement of labour' in the countries of the Global North deepen and expand (McNally 2009, 78; Hanieh 2009: 73).

In Venezuela, the plunge in energy prices has been the most important element of the crisis. Oil accounts for 90 percent of the country's exports and more than half of government revenues (*The Economist*, 2008; Mander 2008). In July 2008, crude had reached the remarkable world market price of \$US 147 per barrel. By December that year it collapsed to just \$US 32.40. In 2009 it slowly rose back to \$US 73 in early June 2009 amidst mainstream-economist optimism regarding so-called 'green shoots' in the world economy, and Chinese strategic stockpiling. As stunningly bad US job figures came out later that month, however, the green shoots wilted, and oil prices fell to \$US 66 (McCarthy 2009). The immediate fall in revenues for the Venezuelan government potentially threatens many social programs domestically and abroad;

Yet, this is an opportune moment for the Venezuelan process to reconcile its most profound internal contradictions, pushed by organized socialists in the labour movement, radical social movements of the urban poor, and radical currents within the PSUV itself. Until now, oil rents have lubricated a system of moderate redistribution to the popular classes without serious attack on the concentrated assets of a tiny elite and the ongoing expansion of the private sector. To defend and expand social programs, and to move forward with a multifaceted transition to socialism, a radical new wave of class struggle from below will be required. This struggle will face opposition from the right, which will use the crisis to seek to destabilize the Chávez regime, with the assistance of imperialist powers. Within *Chavismo*, bureaucratic conservative layers will defend a state-capitalist response to exiting the crisis, rather than deepening shifts toward a transition to socialism.

The Venezuelan internal struggles will have repercussions for the Latin American Left. The bold revitalization of ALBA, as a means of deepening South-South links throughout Latin America will require

Venezuela's lead. Whether projects like Banco del Sur (Bank of the South) take on *socialist* forms, such as providing funds to finance land reform and improvements in the lives of the popular classes region-wide, or whether reforms will subsidize the survival of local ruling classes to improve their chances of competing with international rivals, will ultimately depend on the trajectory of class struggle, not least in Venezuela (Katz 2009).

Neoliberal ideology suffered massive setbacks in Latin America during the last major regional recession (1998-2002), and during the uptick in radical popular movements between 2000 and 2005.<sup>17</sup> With the rise of different centre-left governments in much of the region, social movements have subsequently subsided, with some having been co-opted into state machinery. At the same time, the extreme right holds onto power in countries like Colombia, Mexico, and Peru.

The Left internationally has a responsibility to expose the failings of the global capitalist system, but the Latin American Left in particular has the most potential to seize the moment, given the expansion and consolidation of anti-neoliberal and anti-imperialist consciousness among much of the population over the last decade. A subjective shift from anti-neoliberalism and anti-imperialism toward revolutionary socialism from below is the urgent necessity of the day (Katz 2007). 'The current gap between favourable objective economic condition,' Petras suggests, 'and the under-development of (subjective) revolutionary socialist consciousness is probably a temporary phenomena: The 'lag' can be overcome by the direct intervention of conscious socialist political formations deeply inserted in everyday struggles capable of linking economic conditions to political action' (Petras 2009).

The Bolivarian Revolutionary process must be defended against imperialism, particularly through solidarity with independent labour and popular community movements of the urban and rural poor that insist that authentic socialism comes from below, from the exploited and oppressed themselves. Support must be given to those who defend Chávez against each and every imperialist and counter-revolutionary measure, but who never hesitate to organize beyond the horizons of the conservative and bureaucratic layers within *Chavismo*; who denounce government capitulations to the interests of domestic and foreign capital; who insist on the independence of the working class from state control; and who call for a thoroughgoing transition to a profoundly democratic socialism, rooted in the social ownership of the means of production, worker and community

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<sup>17</sup> See, among many others, Robinson, 2008.

control and self-management in all the spheres of social, political, and economic life, and the democratic social coordination of the economy.

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