

Medium- and Short-Term Historical Causes of Venezuela's Crisis

by Reuben Zahler | Associate Professor of History, University of Oregon | rczahler@uoregon.edu

rights will take a principled stand and unequivocally condemn the destruction of democracy in Venezuela, a process unfolding before our horrified eyes.

Notes

¹ The Sandinistas lost power in 1990 when Daniel Ortega was defeated in presidential elections by Violeta Chamorro. Military plans for indefinite rule were defeated in plebiscites in Chile (1988) and Uruguay (1980). Democratic government was restored following free elections in both countries (elections in Chile in December 1989, elections in Uruguay in November 1984).

² Cf. the Declaration of Lima (August 8, 2017), signed by foreign ministers and representatives of Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, and Paraguay. On the same day, the UN High Commissioner for Human Rights denounced widespread torture and abuse of human rights by the Maduro regime.

³ A. Torres, P. De Lllano, A. Marcos, and G. Ballesteros, "El Chavismo lleva al exilio a más de dos millones de Venezolanos," *El País*, August 13, 2017. ■

I have conducted research in Venezuela since the early days of Hugo Chávez's presidency, when his movement was idealistic and optimistic. At the time, as a burgeoning scholar of nineteenth-century Latin American history, I wanted to work in a country that would be a safe location to conduct my research. I had traveled throughout Central America and the Andes in the 1980s and had seen the travesties of civil war and drug violence. In contrast, since the 1970s scholars had written about "Venezuelan exceptionalism" in reference to the country's use of oil revenues to foster stable democracy and socioeconomic development, successfully avoiding the military dictatorships and extreme violence that plagued Latin America in the 1970s–1990s. On my first trip to Venezuela, as a graduate student in the year 2000, I saw a stable democracy with a comparatively high standard of living, which I assumed would remain a safe location for me to conduct my research. This turned out to be a poor prediction. The country now is either a failed state or close to it and has among the highest rates of homicide and kidnapping in the world. The last five years mark the country's harshest descent in terms of political, economic, and living standards since its war of independence (1810–1823), when it lost one-third of the population.

So how did we get here? A full answer is beyond the scope of this essay. Nonetheless, an exploration of weaknesses in Venezuelan democracy since its inception in 1958, along with recent governmental policies, point toward some key observations. Since well before *chavismo*, Venezuelan governments have lacked accountability to their citizens and have been highly corrupt. Also, rather than foster sustainable economic policies, these governments have focused on consolidating power unto themselves. The current regime has

accelerated these trends, and in so doing has caused far greater damage than the previous administrations.

To understand present-day Venezuela we should return to 1958, when a coalition of civilians and military personnel ousted Marcos Pérez Jiménez, the country's last military dictator. Then the country's three main political parties met and signed the Pact of Punto Fijo, which laid the groundwork for democratic governments for decades to come. Under this pact, elected governments would include members from different parties sitting in the president's cabinet and the legislature, and they would exclude parties from the far right and far left. Labor leaders also signed the pact, agreeing to work with state and industrial leaders to negotiate agreement without resorting to violence or strikes. *Puntofijismo* sought to create stable, moderate governments that could defend themselves against radicals from the right or the left. In many ways, it worked for almost four decades. Aside from a comparatively small leftist-guerrilla movement in the 1960s, this country weathered the remainder of the Cold War as a peaceful constitutional democracy.

Nonetheless, serious social, economic, and political problems emerged under *puntofijismo*, which persist to this day. Here I will address two of these problems. The first was a lack of government accountability to its citizens. In theory, a democratic citizenry can affect state policy through voting or refusing to pay taxes. In Venezuela, however, the ruling parties did not need citizen support as much as access to petrodollars that could be used to continue ineffective policies, curry favors, and buy votes. Politicians thus were often immune to the pressures from a discontented citizenry. This disconnect from popular opinion became even stronger

after the government nationalized the oil in 1976 and created a semiautonomous corporation to run the industry (PDVSA). As a result, the ideology of a political party or politician became less important than their ability to access the oil money. Most political struggles concerned factional rivalries and patronage over access to petroleum dollars, not substantive policy debates. Even by Latin American standards, the Venezuelan government was notoriously corrupt. These problems led to severe social and economic problems as the majority of the population remained in poverty and the national debt rose.

Puntofijismo also lacked a culture of “loyal opposition.” This term implies that different political parties will compete over substantive ideological differences but will recognize each other as legitimate and loyal to the constitution. The various parties can openly disagree with each other over priorities, policy, and strategy, but the minority party recognizes the legitimacy of the dominant party and its state apparatus. The premise of loyal opposition is key to a democratic system, as it allows for stability even in a multiparty system in which partisans openly debate, compete, and experiment with new solutions.

Under puntofijismo, the parties accepted each other and cooperated, so they may have appeared to embrace the notion of loyal opposition. In reality, however, they cooperated to such an extent that there was not a true opposition party or meaningful ideological debate. The parties formally shared power, even a minority party could partake in the executive branch, and the labor movement also participated. As a result, there was a virtual monopoly of power enjoyed by the main parties and unions, like a cartel that promoted cooperation, more than a vigorous debate about the country’s

ills. By the 1980s–1990s, the ideological distinctions between the parties had become so meaningless that politicians opportunistically jumped from one party to another. There was no real opposition to the administration based on different ideology, nor was there a meaningful national debate in which different parties distinguished themselves in substantive ways.

This lack of government accountability and of a loyal opposition have continued to plague the era of chavismo. When Chávez came to power in 1998, he promised to create a new, better system. A fragmented opposition emerged, including many leftists, composed of people who disliked Chávez’s policies and authoritarian leanings, or who just wanted to regain power. In the absence of a political culture of loyal opposition, the debate quickly devolved into hatred and bigotry. From the beginning, chavistas and anti-chavistas labeled each other as irrational, evil, self-serving, anticonstitutional, and seditious. Both sides dehumanized the other as an unreasonable enemy with whom debate was impossible; neither side treated the other as fundamentally loyal. And both sides pushed each other to greater extremes of brinksmanship. Though some people made sincere efforts to foster reasoned debate, they were too few and the political institutions were of little help. For its part, the opposition became insurrectionary. Living in Caracas during 2002, I was shocked to see how the country’s largest news outlets (TV and newspapers) not only showed a blatant anti-chavista bias, but also openly called for rebellion, including moments when headlines called upon the military to rebel. I also learned, from conversations with personnel at the US embassy, that regular civilians occasionally visited the embassy and begged the US to invade. Chávez did not imprison these

partisans, though by any standard of free speech laws such actions were illegal. He responded with yet more populist demagoguery, which further provoked the opposition.

In 2003–2004, chavismo defeated the opposition and sought more power centralized on the charismatic president. Chávez went on to take control over PDVSA, the oil company lost its autonomy, and his administration gained direct access to the petrodollars. Having defanged the opposition, chavistas did not use the opportunity to strengthen institutions, shore up the constitution, and foster national unity. Instead, chavista politicians and administrators, still idealistic but already corrupt, fell into the old trap. Party insiders stole from public coffers and fought among themselves not so much for policies that would genuinely help the population but rather for power and oil money.

More recently, how did the government drive the country off the cliff? After all, in the early 2000s, chavismo was not so violent and repressive as it is now, and the economic conditions were not so desperate. Did the current crisis begin when Chávez died and Nicolás Maduro became president (in 2013)? Or when oil prices fell precipitously (in 2014)? No. Well before he died, Chávez laid the roots of the current crisis. Assuredly Maduro is more heavy-handed than Chávez and lacks his charisma, and under Maduro’s leadership conditions have declined more rapidly. Still, Chávez shares the blame along with his successor.

A key ingredient to the current crisis is that Chávez devised political-economic policies that served to concentrate power on himself and his party rather than to promote economic sustainability. Of

course, Chávez built a loyal base through his charisma and by speaking for the poor masses. In addition, he helped ensure the people's loyalty by weakening institutions and making the population yet more economically dependent on an authoritarian government. None of his large state projects created sectors that are economically autonomous or sustainable. On the contrary, chavismo used petrodollars to reduce the independence of state institutions and make the citizenry more dependent on the central government. Predictably, such a strategy functioned only as long as the state enjoyed a superabundance of cash. We see this trend in a number of instances, such as when Chávez imposed fiscal restrictions, weakened the private sector, augmented the welfare state, co-opted his detractors, and built alliances with the military.

These days, perhaps the most glaring example of this trend are fiscal policies that Chávez imposed. Here I will not focus on the official exchange rate, which has been a contentious issue since at least 1983, but rather I will discuss how Chávez imposed strict limits over how much foreign currency individuals and corporations could purchase. These restrictions weakened the private sector, which served his larger struggle against capitalism. Also, as a practical matter, these limitations sought to prevent *sacadólares*, a term for when rich Latin Americans convert their local currency to foreign currency (e.g., dollars or euros) and then deposit it into foreign banks, which can devalue the local currency and spark inflation.

Far from preventing inflation, however, the policy to limit access to foreign currency has been disastrous. When private citizens and businesses cannot acquire foreign currency, private sector exchange becomes nearly impossible. All companies

in Venezuela must import foreign parts and supplies. However, foreign exporters don't want to sell their wares for *bolívaes*, but rather insist on dollars or euros. So, a small, local T-shirt-producing company, or a large foreign company like Ford or Pfizer, could no longer access the foreign currency to import the necessary parts and supplies. More recently, the government has expropriated nearly any private company that somehow survived. Consequently, the private sector has collapsed. The *bolívar* has become virtually worthless; inflation in 2017 is expected to be 700–800 percent, among the highest in the world. Venezuela has plentiful fertile land, but for decades the landowners and state have preferred to invest in petroleum rather than food production. Thus, agriculture has withered and the population depends on imported food. At this point, the country no longer has an industrial or agricultural base, and the importers cannot import essentials because they don't have foreign currency. As a result, people are now dying from hunger and lack of medicine.

As Chávez created a climate hostile to private businesses, he enlarged welfare programs and increased dependence on the state. The government itself provided schools, housing, and medicine to millions of poor people. We saw similar programs under the puntofijismo regimes, though the previous regimes also encouraged foreign investment and cultivated private ownership. Chávez built social welfare services with greater intensity and simultaneously attacked the private sector, which caused unemployment to rise, and then supported the poor with handouts. In short, these government programs did not create economically independent citizens but rather fostered dependence on the chavista regime. These programs were never sustainable because they generated no financial return, but they created a base

of people dependent on, and therefore loyal to, the party.

Oddly enough, the tactics against the private sector helped to silence many of chavismo's detractors. Over the past decade, in conversations with dozens of people from different regions and socioeconomic strata, I have heard a similar story: As private-sector jobs dried up, more and more people took public-sector jobs as their only alternative. People who hated chavismo now worked for the government. In order to keep their jobs, they had to attend chavista rallies, wear the party's red, and cheer. Further, they even voted for PSUV (the current iteration of the chavista ruling party) candidates because they feared that if a different party took office, the new managers would purge the old employees and they would lose their jobs. Most recently, news outlets showed high-ranking government officials that threatened to fire public employees unless they voted in the July 30, 2017, election for the Constituent Assembly. Given that the opposition sought to boycott the election and the constitution does not require citizens to vote, this pressure was not a nonpartisan, neutral attempt to increase participation. These threats coerce workers to betray their principles and political preferences in order to keep their jobs. Economic policies that have ravaged the private sector have promoted dependence on and loyalty to the government among both supporters and opponents.

Chávez's policies regarding the military also served to concentrate power and erode long-term institutional strength. Under puntofijismo, the armed forces remained professional and detached from party politics. In contrast, Chávez purged the military's officer corps and replaced it with supporters. To increase loyalty, Chávez appointed officers to political offices and

brought the armed forces into his political programs. Also, in 2004, soon after the purge, military spending rose dramatically for a decade (it started to decline in 2014, when the price of oil dropped). These policies eroded the professionalization of the armed forces and added to an unmanageably large national debt. Nonetheless, they allowed entrepreneurial officers to enrich themselves through embezzlement and forged the military into a wing of the PSUV. The marriage of the PSUV and the military created a nearly impregnable coalition.

Chavismo did not create this country's problems. Nonetheless, it shaped a government that is even more corrupt and less accountable than previous administrations. At this point, in this large country blessed with natural wealth, there is no corner that can escape the spreading indigence. ■