Resource Curse and the Legacy of Hugo Chávez:

The Modern History of Venezuela

by

Abigail Dixon Wheeler

Class of 2017

A thesis (or essay) submitted to the

faculty of Wesleyan University

in partial fulfillment of the requirements for the

Degree of Bachelor of Arts

with Departmental Honors in Romance Languages and Literatures

Middletown, Connecticut

April, 2017
INTRODUCTION

Understanding the modern history of Venezuela is an excavation. Every day a new news story breaks on what is happening in the nation, every official statistic for the last 100 years is disputed, and every person asked about the country’s political, social, and economic past tells a very different story. The contrasting and often contending narratives of Venezuela’s recent history is revealing, however, as it sheds light on who the dominant voices are, how they came to receive this privilege or why they fought for it, and what their stake in the nation is.

This essay differs from most literature on Venezuela as it takes a comprehensive and multidisciplinary view of the country’s modern history without choosing sides, without deploring or championing certain figures, and without having any economic, political, or even ideological incentive to shape the nation in a certain way. Although an entirely neutral narrative is not possible as certain inclusions and exclusions are inevitable, this work attempts to be as inclusive as possible by providing space to all the different sides of the debate in what is typically a highly-polarized topic. The end result is a complex tapestry of voices that takes into account the country’s current events through a domestic and an international lens, examines the scathing economic reviews from Washington and organizations such as the International Monetary Fund, considers the cries of the people from the poorest barrios in Venezuela, and attempts to capture everything in between.

The different perspectives cited throughout the essay are pieced together intentionally to permit the creation of a unique narrative, but every source has a life of its own, and is conserved as such, since each has participated in the production of
present-day Venezuela. This interpretation of the country’s modern history, therefore, unfolds in a way that follows how the research occurred: the current situation of Venezuela is explained through poignant recent examples, then the various causes of the country’s collapse are unearthed and examined, until eventually the reader is brought back to the present. The version of Venezuela weaved together here is a story of politics and people imbedded in an oil wealth that would bring great prosperity but eventually greater demise. Through an analysis of the last century of the country’s history, it can be concluded, first, that instead of profiting from its tremendous endowment of petroleum wealth, Venezuela has become one the nations most affected by the resource curse due to highly inefficient economic management and lack of quality state building. Second, although he is an immensely controversial figure and often condemned in the international arena, the leader of Venezuela’s socialist Bolivarian revolution, Hugo Chávez, continues to be the most important and influential figure in the nation’s modern history.

BOLÍVAR BUST

In early December 2016, Venezuelan president Nicolás Maduro announced that the Central Bank of Venezuela was withdrawing all 100-bolívar notes, worth only US¢2 on the black market, in an attempt to stop transnational gangs from holding cash and to stabilize the world’s most inflationary currency (Weaver 2016; Barreto and Reuters 2016). Central Bank data and the Venezuelan government

---

1 The resource curse, also known as the *paradox of plenty*, is a phenomenon in which the abundance of resource wealth leads countries to experience a lack of economic and social development despite their vast resource rents (Humphreys, Sachs and Stiglitz 2007: 408). This theory will be addressed in depth.
estimate that there are 6 billion of such notes in circulation, but at least half are held by gangs abroad, who buy the bills on the black market at a low price with Colombian pesos or US dollars and hoard them abroad or use them to buy subsidized goods in Venezuela (Linzmayer 2016; Weaver 2016). These goods are then sold in neighboring countries, such as Colombia, for a profit (Weaver 2016). Maduro believes this to be an “attack against the currency,” and attributes the crashing bolívar, down 60 percent since early November against the dollar, to an “economic war” led by the Venezuelan opposition and by Washington’s helping hand in attempts to “destabilize our economy and our society” (Crooks 2016; BBC Latin America 2016).

A major part of this banknote renewal plan was the abrupt closing of Venezuela’s borders to prevent the gangs from repatriating the cash, and he announced this decision on television: “I have given the orders to close all land, maritime and air possibilities so those bills taken out can't be returned and they're stuck with their fraud abroad” (Linzmayer 2016; BBC Latin America 2016). Starting on December 15, 2016, the Venezuelan public had just 10 days to exchange their old 100-bolívar notes for the new 500 to 20,000-bolívar notes before the old bills became worthless (Linzmayer 2016). The Venezuelan foreign trade and investment minister, Jesús Faría, said that the actions being planned to adjust to “the new challenges and conditions” in the country would have important impacts and would stabilize the economy, even prompting growth in 2017 (Crooks 2016). Critics, however, predicted that the sudden removal of notes would cause even more chaos in a nation plagued by economic crisis. They were not optimistic that sufficient facilities would be in place
for people to exchange all their 100-bolívar notes, and the currency renewal would worsen the existing cash crunch that already made it very difficult for Venezuelans to make simple transactions such as buying basic goods (Weaver 2016).

Unfortunately, the critics were correct. After the announcement by Maduro, Venezuelans waited in long lines to deposit their 100-bolívar banknotes before they became worthless, but the replacement currency had yet to arrive and ATM’s continued to issue worthless 100-bolívar bills, making the country completely absent of any viable paper currency (Al Jazeera and News Agencies 2016). Maduro claimed the new banknotes were ready but the delayed arrival of the planes carrying the cash occurred because of a “sabotage campaign” by enemies abroad (Matheus and Reuters 2016). With mass confusion across Venezuela, shopkeepers put up signs saying 100-bolívar bills would no longer be accepted, but banks had already run out of lower-denomination bills during the week, so Venezuelans couldn’t buy groceries, take cabs, or make any other cash transactions (Al Jazeera and News Agencies 2016). In Caracas, some people relied on credit cards or bank transfers while others avoided purchases all together (Ibid). One Caracas resident, María Silva, expressed her frustration at the ridiculous situation: “We are told we need to drop off the hundred bolívar bills and get them exchanged. But we come to withdraw new cash, and we get the hundred again. I don't understand. It is crazy. I do not understand” (Ibid).

The opposition government in Venezuela, *Mesa de la Unidad Democrática*² (MUD), insisted that Maduro resign for incompetence and for inflicting unnecessary

---

² The Democratic Unity Roundtable.
suffering on Venezuelans (Matheus and Reuters 2016). The opposition leader, Julio Borges, commented: “We have a government utterly stupid and destructive in economic management, whose only goal is to keep power at whatever price” (Ibid). Throughout the country, people protested both the government and the chaotic cash drain; political rallies and demonstrations swept through cities, riots broke out, delivery trucks and warehouses were looted, stores were shut down, and at least one death was officially reported as citizens clashed with police (Matheus and Reuters 2016; Al Jazeera and News Agencies 2016). The U.S. State department issued a travel warning to US citizens in Venezuela, urging them to take precautions against a worsening security climate and a greater frequency of political rallies and demonstrations (Ibid). The department cautioned that “if security climate worsens, US citizens should note they’re responsible for arranging their own travel out of Venezuela” (Ibid). Despite the closed borders, hundreds of Venezuelans jumped state fences and defied security personnel, flooding into Colombia in search of food and medicines, which are becoming increasingly scarce domestically (Matheus and Reuters 2016). Maduro responded by suspending the elimination of the 100-bolívar notes until early January 2017, and addressed a rally in Caracas by blaming the opposition for stirring violence (Ibid). Instead of taking blame for the rash currency decision or for the economic crisis in the country, President Maduro claimed that the political opposition supported by the United States are sabotaging the economy to undermine his government and throw him out of power (Ibid). Unsurprisingly, the President’s approval ratings and popularity have plunged during the last three years of recession, with only 23 percent of Venezuelans supporting him and 64 percent of
Venezuelans saying they would vote to remove him from power in a spring 2016 poll. (Ibid; Sullivan 2016: 45).

**POLITICAL PANDEMONDIUM**

The rejection of President Maduro is not only manifested in his low approval ratings: he and his government are facing recall attempts through a national referendum (Sullivan 2016: 18). The story of this recall process, however, is even more complicated and ludicrous than that of the 100-bolivar banknote withdrawal. In December 2015, Venezuela’s opposition coalition, MUD, triumphed in the country’s legislative elections over Maduro’s ruling *Partido Socialista Unido de Venezuela* (PSUV) (Ibid: 17). The MUD won 109 seats which, in combination with the support of three elected indigenous representatives, gave it a total of 112 seats compared to the 55 seats for the PSUV in the 167-member unicameral National Assembly. This two-thirds majority for the opposition would have provided them with extensive powers in the Venezuelan government, such as abilities to submit bills directly to national referendum, approve and amend organic laws, remove Supreme Court Justices in cases of serious misconduct, and convene a Constituent Assembly to rewrite the constitution (Ibid: 18).

After this electoral victory, however, President Maduro thwarted the incoming opposition legislature by manipulating the outgoing PSUV-dominated National Assembly and by using the power of the Supreme Court, which is known to be

---

3 The United Socialist Party of Venezuela.
completely under the President’s control⁴ (Garcia Rawlins and Reuters 2016). The outgoing Maduro-supporters in the National Assembly hastily confirmed 13 new magistrates whose terms were not up until the end of 2016, which prevented the transitioning National Assembly from confirming the new opposition judges into the Court (Sullivan 2016: 18). Next, the Supreme Court blocked four newly elected National Assembly representatives from the MUD from taking office, preventing the opposition from gaining a two-thirds majority in the Assembly (Ibid: 18). Finally, in April, the Court struck down a constitutional amendment that would have reduced the presidential term of office from six years to four years, preserving Maduro’s position as president (Cawthorne 2016). With the opposition effectively deprived of power, the MUD was forced to turn to a national referendum to remove the president through the Consejo Nacional Electoral⁵ (CNE) (Al Jazeera and News Agencies 2016).

The process of a national referendum, without complications and intentionally placed obstacles, is fairly arduous. First, the opposition must collect a required minimum of 200,000 valid signatures from Venezuelan citizens on a petition demanding that Maduro face a recall referendum (Ibid). Once gathered, the opposition coalition, in this case MUD, has two days to formally request that the process moves forward (Ibid). The CNE then has 15 days to respond to this request, and another 15 business days to set the dates and the locations for the second petition drive (Ibid). After the second petition is complete, the CNE has another 15 business days to count and validate the signatures (Ibid). Finally, if all the signatures are valid

---

⁴ The Venezuelan Supreme Court and has consistently ruled in favor of Maduro’s and Chávez’s socialist government for the past 17 years (Garcia Rawlins and Reuters 2016).
⁵ The National Electoral Council.
and the required number is met, the CNE must set a date for the official referendum within three months, where Maduro’s opponents would need about 7.5 million votes to remove him – more votes than he won the presidency with back in 2013 (Ibid).

The story becomes more convoluted with the addition of two fundamental factors: first, timing is absolutely key for the President’s recall, and second, the National Electoral Council, like the Supreme Court, is a branch of the government that is essentially in Maduro’s pocket (Suniaga 2016). Timing is crucial to the referendum because if the recall is held before January 10, 2017, a new presidential election would be called within 30 days, giving the opposition an opportunity to compete for the presidency only four years into Maduro’s six-year full term (Sullivan 2016: 19). However, if the recall is held after January 10, even if Maduro is successfully removed by referendum, the presidency would be transferred to Maduro’s hand-picked Vice President, Aristóbulo Istúriz (Ibid: 19). In this scenario, the PSUV government led by Istúriz would remain in power for the remainder of Maduro’s term, through 2018 (Ibid: 19). The opposition and many outside observers are accusing Maduro of resorting to delaying tactics by manipulating the Supreme Court and the CNE so that the referendum occurs after January 10 (Ibid: 19).

Although the CNE said in August that the opposition had collected nearly double the requirement of 200,000 valid signatures demanding Maduro face a recall referendum, the Council did not set a date for the next stage of the process in which the opposition must collect four million signatures in only three days (Garcia Rawlins and Reuters 2016).
The administration in power has an arsenal of possible delaying strategies to impede and slow the recall process; in addition to using fraud accusations to fully trample the opposition’s two-thirds majority win in the National Assembly, the government has filed more than 8,000 legal challenges against the recall petition and has called on the electoral authorities to ban MUD for alleged fraud (Ibid). For example, the chief of the CNE, Tibisay Lucena, said in August 2016 that the authorities had detected more than 1,000 apparently fraudulent signatures in the opposition’s petition (Ibid). In the same month, the Supreme Court declared the National Assembly in contempt for ignoring its rulings and swearing in three miembros del parlamento\(^6\) (MPs) that were suspended over alleged electoral fraud, and the Court subsequently announced that all actions of the National Assembly are void until these members are removed from office (Al Jazeera and News Agencies 2016). President Maduro himself said in June, when the recall effort was still in its early stages, that the referendum would not be held until 2017 at the very earliest (Ulmer 2016).

Since May 2016, opposition protests have been erupting across the country over the CNE’s slowness in the referendum process (Sullivan 2016: 19). On May 13 when these protests were just beginning, President Maduro issued a 60-day national emergency with the justification that the unrest was a plot supported by the United States to topple his government, but the protests continued throughout the state of emergency and a number of protesters were arrested (Ibid: 19). Over the past 8 months, the situation has continued to deteriorate as protests have become larger and

---

\(^6\) Members of Parliament.
more frequent while tensions between the *Chavista* government in power and the opposition have risen. When the MUD was finally able to move the process forward for a recall referendum by gathering petitioners and collecting the required signatures, they were thwarted again by the government: on October 21, 2016, the CNE followed lower courts’ rulings in states controlled by *Chavistas* and stopped the referendum process, postponed regional and local elections, and prohibited some opposition leaders from leaving the country (Sanchez Urribarri and Gamboa 2016). According to Raul Sanchez Urribarri and Laura Gamboa, two University professors who have written on the issue, this electoral decision represented the transition to “blatant dictatorship” and was the “straw that broke the camel’s back” for Venezuelans and for the international community (2016). Following the decision, opposition protests broke out across the nation demanding that Maduro resign, while from the other side of the political spectrum, Maduro supporters stormed the opposition-controlled National Assembly to protest the protesting (Gillespie and Charner 2016). Members of the National Guard were called in to surround the legislative palace and keep pro-Maduro demonstrators from entering (Ibid).

**THE INTERNATIONAL PERSPECTIVE**

Fearing a bloodbath, the international community has called for a “constructive dialogue” between the *PSUV* government and the MUD, to be mediated by representatives from the Vatican, with the hope that Venezuela could transition away from authoritarian rule and avoid any political violence (Sanchez Urribarri and Gamboa 2016). The two sides eventually agreed to hold their first meeting on October 30, 2016, with the presence of ex-heads of state and the sponsoring Union of
South American Nations, but after two meetings, the negotiation stalled as both sides accused the other of failing to comply with preliminary agreements (Ibid).

Throughout the chaotic recall referendum process and the attempts at peaceful negotiation, most of Venezuela’s hemispheric neighbors including the United States have ignored the issue and have refused to intervene in the worsening political and humanitarian crisis, choosing instead to promote this “dialogue” between Maduro’s regime and the opposition (Washington Post Editorial Board 2016). The Uruguayan Secretary General of the Organization of American States (OAS) Luis Almagro, on the other hand, has been a bold voice opposing Maduro and urging other nations to take action. After President Maduro quashed the referendum vote seeking to remove him from office in October 2016, Almagro responded that: “Only dictatorships deprive their citizens of rights. Today we are more convinced than ever of the breakdown of the political system (Gillespie 2016). Earlier in the year, Almagro published a public letter to Maduro, urging him to allow the recall vote in 2016, to release political prisoners, and to begin repairing institutions and combatting corruption:

Return the riches of those who have governed with you to your country ... to return political prisoners to their families ... to give the National Assembly back its legitimate power... You have an obligation to public decency to hold the recall referendum in 2016, because when politics are polarized the decision must go back to the people. To deny the people that vote, to deny them the possibility of deciding, would make you just another petty dictator,
like so many this Hemisphere has had (Organization of American States 2016).

Earlier in 2016, Luis Almagro had adamantly demanded that the OAS formally review Venezuela’s adherence to the Inter-American Democratic Charter, a 2001 treaty that binds OAS members to democratic norms and provides for collective action when they are violated (Washington Post Editorial Board 2016). He called the OAS Permanent Council to convene an urgent session on Venezuela to decide whether “to undertake the necessary diplomatic efforts to promote the normalization of the situation and restore democratic institutions,” citing the sweeping breaches of the rule of law by Maduro’s government and the escalating humanitarian crisis caused by food, medicine, and power shortages (Luis Almagro 2016). Although Almagro’s invoking of the Charter prompted the council to convene its first meeting on Venezuela in two years, the council members concluded the review with another appeal for “dialogue” (Washington Post Editorial Board 2016).

The situation within the OAS was too politicized for any intervention to occur or for any real pressure to be placed on Maduro due to a few reasons. First, the passive “non-response” was organized mainly by Argentina despite the fact that the new president, Mauricio Macri, ran on an electoral platform in last November 2015 stating that he would support collective action on Venezuela’s violation of democratic norms (Ibid). In the following spring when the time came to propose this action, however, President Macri’s foreign minister was in the running to be elected as the next United Nations (UN) Secretary (Ibid). Consequently, Argentina’s government was too anxious to appease Venezuela and too nervous to tarnish its reputation in a
controversial international intervention, resulting in strongly expressed support for a “timely, national, inclusive, and effective political dialogue” (Ibid; Meyer 2016). In addition to this political complication, the Maduro government has steadfastly opposed any and all international interference. Maduro and Chávez alike have always been notorious for sounding the alarm bells that any foreign interventionism is nothing more than a masked attempt by the United States to topple socialist governments in Venezuela, and in the Latin American region more broadly. Maduro has specifically accused Almagro of being an agent of the U.S. Central Intelligence Agency, and has argued that members of the OAS are pawns of the United States (Sullivan 2016: 19; Acosta and Frank 2016). Consequently, through successful political hand-tying both internationally and domestically, President Maduro has managed to avoid outside political intervention and effectively delay the national referendum.

VENEZUELA, CRASHING AND BURNING

As the economic crisis and political turmoil have continued to worsen in the nation, Venezuela now suffers from a combination of a severe political, economic, social, and humanitarian crises. These crises include extreme shortages of food, medicine, and other basic goods; increased inner turmoil and political unrest as manifested through protests, demonstrations, and illegal border-crossings; plus rampant inflation and a thriving black market, both of which were very unsuccessfully remedied through the reprinting of bolivar notes. Despite Venezuela’s impending implosion, President Maduro and his ruling Chavista party have maintained a different priority than alleviating the nation’s crisis: party survival
(Suniaga 2016). Many businesses, political elites, and especially the military tied to the PSUV have vested interests in resisting regime change, as all of these groups have benefited from Maduro’s administration both from increased power and from economic gains related to their presence in state operations (Sanchez Urribarri and Gamboa 2016). In addition, some active military personnel and senior officials under Maduro are suspected of being responsible for crimes such as drug trafficking, theft of public funds, human rights abuses, and other corruption schemes, meaning they are particularly incentivized to not surrender without an exit plan (Suniaga 2016).

All of these groups in tandem with the ruling PSUV government have focused their energies almost entirely on preventing the opposition from fulfilling constitutional requirements for holding the recall referendum in 2016, including calling national emergencies and sending troops to quell protests, erecting formal government obstacles, and imprisoning several opposition leaders. Furthermore, state leaders have dedicated additional time and resources to the “constructive negotiations” with MUD, which have, somewhat unsurprisingly, resulted in nothing constructive. On December 6, 2016, the opposition walked out of the scheduled negotiations held by the Vatican as the two parties’ relationship remains plagued by conflict, disagreement, and unwillingness to make concessions (Sanchez Urribarri and Gamboa 2016). By fixating on remaining in power and obstructing the opposition, the government has created a functional paralysis in state institutions (Suniaga 2016). The state’s neglect of an entirely state-centric nation has created a grave situation of shortages, economic crisis, and mass suffering of Venezuelan citizens.
In short, Venezuela is crashing and burning. Since the decline in oil prices to a five-year low in June 2014, the heavily oil-based economy has struggled profoundly (Sohail 2015). About 95 percent of Venezuela’s export earnings come from oil revenues, and this sector makes up around 25 percent of its gross domestic product (GDP) and about half of its annual income (Organization of the Petroleum Exporting Countries 2016; Heritage Foundation 2016). During what is referred to as the “oil bonanza” when high oil prices caused soaring revenues, the government left severe economic mismanagement unaddressed and failed to diversify the economy, leaving Venezuela extremely vulnerable to the current declining world price of oil (Sohail 2015; Heritage Foundation 2016). The International Monetary Fund (IMF) estimates that the country has an accumulated $130 billion in foreign debt, $15 billion of which must be paid off before the end of 2017, but its foreign reserves are at the lowest level in the past decade with the nation’s central bank securing only $11.8 billion in reserves (Suniaga 2016; Schipani 2015; Gillespie 2016). In 2015, the government made its first withdrawals of Special Drawing Rights from the IMF since 1997, and a debt default is now a looming possibility as its international reserves continue to deplete rapidly (Heritage Foundation 2016).

In addition to its involvement in black market schemes and its potential implications in drug trafficking, the value of Venezuela’s currency, the bolívar, continues to plummet. On November 1, 2016, one U.S. dollar was equal to 1,567 bolívar, and by November 28, one U.S. dollar was worth 3,480 bolívar, meaning the currency lost 55 percent of its value in just one month (Gillespie 2016). Compare this to 2014, where one dollar was worth 258 bolívares, and it is understandable why
Venezuelans are desperately trying to exchange their currency for foreign dollars, which are seen as more valuable and stable (Gillespie 2015). Unfortunately, this has led to a scarcity of foreign dollars and has boosted the dollar’s value versus the bolívar even more (Gillespie 2016). Russ Dallen, the managing partner at Caracas Capital Markets, commented that the bolívar is “a currency that’s going down the toilet… No one wants to hold on to something that’s going to be worth 50% less in a month” (Gillespie 2016). The Venezuelan government stated that inflation rose 141 percent in 2015, and the IMF predicted that inflation was greater than 700 percent by the end of 2016 with a fiscal deficit of 17 percent of GDP (Gillespie 2015; Suniaga 2016). In attempts to control this inflation, the government has been controlling outputs and cutting imports by as much as 30 percent from 2012 levels, which has led to widespread shortages in basic consumer necessities, including food and medicine (Tong 2016; Romero 2016).

The tanking economy is wedded to the disastrous state of social and political affairs. According to the Venezuelan Observatory on Violence, the 2015 homicide rate was at 90 per 100,000 residents, which is 20 times that of the United States and makes Venezuela one of the most murderous countries in the world (Davies 2016). The economy’s long-term performance will be stunted by the emigration of skilled workers due to these “spiraling rates of violent crime” combined with the pervasiveness of corruption, the extremely lucrative nature of black-market smuggling, and the “few civil liberties and little economic freedoms” enjoyed by Venezuelan citizens (Heritage Foundation 2016). The UN stated that poverty rose almost 7 percent between 2012 and 2013, and economists believe poverty levels in
Venezuela are higher now than when Chávez won power 18 years ago, despite his social spending efforts to reduce poverty and extreme poverty (Schipani 2015; Watts 2016). The IMF estimated an unemployment rate of 17 percent in 2015 and 21 percent in 2016, and predict that the percentage will continue to grow with the contracting economy and the Maduro government’s economic mismanagement (Gillespie 2015; Sullivan 2016: 22). Although the socialist president Nicolás Maduro has promised and attempted to continue the massive public spending and welfare programs of late Hugo Chávez, the nation can no longer afford them: social spending is delayed and the Bank of America measured that the central government’s expenditure fell 24 percent year-on-year for the first five months of 2015 (Gillespie 2015; Schipani 2015).

Since the Venezuelan government can no longer pay to import food or medicine, the nation is facing severe shortages that have prompted the state to begin engaging in food distribution under military protection (Sullivan 2016: 22; Schipani 2015). The situation is so desperate that fingerprint machines are being implemented to limit how much an individual can buy at a certain store, and some hotels are asking guests to bring their own basic goods such as toilet paper and soap (Schipani 2015; Gillespie 2015). Over the past year, Venezuelans went weeks, in some cases months, without basic products such as milk, eggs, flour, soap and toilet paper since the government continued to enforce strict price controls on goods sold in supermarkets despite a crashing currency and falling oil revenue (Gillespie 2016). Food importers therefore virtually stopped importing and domestic vendors stopped selling food because price controls were forcing them to sell at a loss, causing food imports to be
down by nearly 50 percent in the first half of 2016 compared to the same period in 2015 (Ibid). Domestic agriculture could not help alleviate the scarcity of food; private sector analysts estimated that between 2012 and 2015 domestic grain fell 80 percent, domestic meat fell 40 percent, and domestic vegetable production fell 18 percent (Watts 2016). Despite miles of empty, fertile land in Venezuela, this rapid decline in agriculture occurred because (1) prices of crops were kept so low due to the government price controls that farmers had no incentive, and (2) private agriculture companies struggled because of the increasingly weak bolívar (Ibid).

After some gentle easing of price controls by the government this past fall, food became more present on supermarket shelves, but its price has skyrocketed and is now far too expensive for most Venezuelans to afford (Gillespie 2016). Despite increasingly expensive goods, Venezuelan salaries have barely increased due to wages not being index-linked (Watts 2016). President Maduro has attempted to ease the issue by increasing the minimum wage four times in 2016, including a 40 percent minimum wage hike in late October, but these increases are meaningless when they cannot keep up with the exponentially growing inflation rate (Gillespie and Charner 2016). Up to a quarter of the Venezuelan population does not even earn this minimum wage\(^7\), and have always relied on subsidized grain, toiletries, and medicine provided by the government (Watts 2016). The resulting slump in purchasing power for those earning the minimum wage in addition to the current inability of the government to provide subsidized products to the poorest sectors means that the most basic goods

\(^7\) About 22,500 bolívares (US$22) per month in October 2016 (Watts 2016).
and food products are considered “luxury items” for the majority of the country (Ibid).

There is a similar story with medicine: Venezuela’s health systems have been severely affected by budget cuts, including a nationwide shortage of medicine and many hospitals facing critical shortages of antibiotics and intravenous solutions (Casey, León and Kohut 2016). The Pharmaceutical Federation of Venezuela also reported that pharmacies are struggling to service clients, stating that more than 85 percent of drugs are unavailable or difficult to find (Wyss 2016). The lack of access to basic remedies such as penicillin in combination with the deterioration of the country’s public hospitals has caused people, including infants, to die from the scarcity of basic medical care and has sparked the re-emergence of long dormant diseases (Gillespie 2016; Watts 2016). Shortages of basic drugs in combination with rising malnutrition has created an increasingly unhealthy nation, and Pablo Hernández, a representative from the Bengoa Foundation for Food and Nutrition and a previous professor of nutrition at the Central University of Venezuela states that there is “enough data to show that we are between a crisis and an emergency… Thanks to the lack of medicine and food and the increase of violence, this young generation will die younger than their parents” (Watts 2016). The Maduro government has admitted there is a problem, but claims that the opposition in academia and in the non-governmental organization (NGO) sector are exaggerating the numbers to further stir up social unrest (Ibid). The government has not published official statistics of its own, however, making it highly difficult for analysts to understand the depth of crisis in the country (Ibid).
A NATION OF LINES AND LOOTINGS

In July 2016, almost 50 human rights organizations in Venezuela urged UN agencies to vocally express concern about the humanitarian emergency in the country, especially surrounding health and nutrition (Hernáiz 2016). In the following month, the UN Secretary-General Ban Ki-moon spoke out about the “humanitarian crisis [in Venezuela] where basic needs such as food, water, healthcare, and clothing cannot be met” (El Universal 2016). The Venezuelan government, however, rejected Ban Ki-moon’s “characterization” of the country’s state despite riots, protests, and lootings breaking out nationwide over the severe shortages (El Universal 2016; Eurasia Group 2016). In August 2016 alone, there were 139 food-related protests and riots in Caracas (Venezuelan Observatory of Social Conflict 2016). Analysts have pressed that discontent over food, medicine, and other shortages increases the risk of a social explosion in Venezuela as the situation has become more desperate (Eurasia Group 2016).

The long queues to receive food and supplies have certainly added to the social tension in Venezuelan cities such as Caracas, which is already the most murderous city in the world (Venezuelan Observatory of Social Conflict 2016). When working on a journalistic piece detailing the crisis in Venezuela, Jonathan Watts interviewed frustrated shoppers waiting in line at a supermarket in Río Chico to better understand their daily experience (Watts 2016). The process of buying food is complicated: the first 50 people in line receive priority for any supplies that arrive the next day, whereas other people waiting receive a lottery number to draw for the supermarket’s leftovers (Ibid). One issue with this system is that wealthy and middle class
Venezuelans pay people to queue in their behalf at various supermarkets and to purchase as much food as possible for them to stock their cabinets with (Ibid). This option is obviously impossible for lower-class Venezuelans that are already struggling to work enough hours to support themselves and their families, who are now pressured to waste hours each day waiting for goods that may not even be available for purchase.

Another, and possibly larger, problem is that *bachaqueros*\(^8\) often line up where there are subsidized products, buy as much as they can, and re-sell these products illegally at 10 to 30 times the subsidized price (Ibid). Once again, this means that only the wealthy have access to purchase foods and other goods that were originally intended to reach the poorest sectors. In addition, doctors, teachers, and other Venezuelans employed in public systems can make far more money “working” this way rather than earning a few cents-per-hour regular wage. This attraction towards profiting off the black market therefore further sucks the blood from public sectors, such as education and healthcare, that are already barely able to service the nation. According to *Datanalisis*, a Latin American research company, an unbelievable half of the people in any given line across the country are working in this black-market arbitrage business (Ibid).

To ease the issue of shortages, the Venezuelan government has flirted with temporarily opening borders with Colombia and allowing Venezuelans to buy food, medicines and other consumer products in Colombia (Sullivan 2016: 24). For

\(^8\) Black-marketers.
example, in mid-August 2016, Venezuela opened pedestrian crossings at six different border checkpoints, leading tens of thousands of Venezuelans to travel to Colombia for food and other basic goods (BBC Monitoring Americas 2016). However, Maduro’s fear that *bachaqueros* are smuggling subsidized products into Colombia to sell at a profit and that drug traffickers are hoarding Venezuelan bolívares across the border have led him to shut these borders once again, as announced with the bolívar note renewal discussed in the first section. There is still the option to import foreign products, but foreign goods are expensive—especially with an extremely weak domestic currency—so this option only exists for the wealthiest Venezuelans. Watts himself comments that in cities such as Caracas, “it is easy to see who is suffering consequences – For the wealthy, it is still possible to buy champagne, Belgian chocolates and US pharmaceuticals. The poor, meanwhile, have to spend more hours in lines waiting for rice, sanitary towels and antibiotics” (Watts 2016).

DEMON’S EXCERPT: THE RESOURCE CURSE

It certainly seems backwards that the country with some of the highest oil reserves in the world cannot afford to import food or basic goods for its people. Venezuela has been one of the largest producers and exporters of crude oil in the world since the late 1920s, and contains some of the largest proven oil and natural gas reserves (U.S. Energy Information Administration 2015). With this abundant natural wealth, why are the economy and government in such shambles? One explanation is what is referred to as the “resource curse” or the “paradox of plenty.” This phenomenon occurs when resource-rich countries perform worse than less well-endowed countries because they fail to achieve sustainable economic growth and
because the size and volatility of oil revenues “encourage corruption, mismanagement, and authoritarian governments that fail to invest in the future or provide for the well-being of the majority of their population” (Auty 1993: 1; Hammond 2011: 348).

Oil in particular is a resource with several characteristics that make it more likely to be a curse than a blessing in a developing nation. First, it is crucial to the international and domestic economy as it provides energy for electrical power, transportation, and heat. Second, it only needs to be extracted, not produced, making it an economic enclave with few linkages or spinoffs to the rest of the national economy. Third, it is capital-intensive and technology-intensive, meaning it generates little domestic employment despite being a major sector in the economy. Fourth, it is depletable and therefore gone from the nation’s resource endowment once extracted and used\(^9\). Fifth, its price is so high that it can rapidly generate unmanageably large profits, and these windfalls create situations where too much money is chasing too few good investment opportunities. Sixth, and finally, this high price is very volatile on the world market, making planning difficult and leaving the economy dependent on a commodity that regularly cycles through booms and busts: prices of oil have shifted as much as 70 percent in a year’s time (Hammond 2011: 350-351; Kott 2012: 70).

Booms in oil prices are insidious because they do not simply generate income for a country, they also trigger a steep opportunity cost of investing in the production

---

\(^9\) Not only is the extraction of natural resources unsustainable in terms of economic income, but it also harms the natural biodiversity of the environment. Venezuela has some of the richest rainforests in the world and could lose potential profit from bio-tourism, medical research into pharmaceuticals, etc.
of other export goods, which shifts labor and capital toward oil production and creates an economic monoculture (Kott 2012: 70). These booms can cause a nation to experience what economists refer to as the “Dutch disease,” or an “appreciation of the exchange rate as a consequence of the over-rapid inflow of mineral rents into the domestic economy,” which destabilize its economy and productivity because the increase in the real exchange rate makes it cheaper to import many goods rather than produce them domestically (Auty 1993: 3; Hammond 2011: 351). This “disease” was prevalent in Venezuela since the discovery and exportation of oil, but worsened under Chávez despite his focus on a “mixed economy” since the business class he supported was heavily dependent on oil and never invested in its own infrastructure or production (Romero 2016). The Dutch disease, therefore, “creates a vicious cycle that gives primacy to a single sector and helps reinforce the natural resource monoculture” that is particularly vulnerable to boom-bust cycles: when the price of oil falls, the economy will inevitably lose export revenues (Kott 2012: 70). In addition, the increased exchange rate makes it more expensive for foreigners to buy manufactured goods from the economy with the overvalued currency, so consumers around the world will purchase the products anywhere else if possible (McGuire 2016). This is exactly what occurred in the Netherlands when it had a natural gas boom in the late 1950s, which gave the phenomenon the name “Dutch disease” (Ibid).

The volatility of oil prices also tends to lead to poor governmental decisions, which is especially applicable to Venezuela’s case. Patronage, clientelism, and embezzlement often occur when politicians engage in inefficient redistribution to buy political support or “use natural resource revenues as their personal ‘piggy bank’ via
mass spending, subsidies, and ‘white elephant projects’ whose cost disproportionately outweighs its usefulness or worth” (Robinson, Torvik and Verdier 2006; Kott 2012: 74). Even with the best intentions, the volatility of oil prices leads to overspending during years of high oil revenues that is often “more than offset” by the budget cuts and damage done in downswings (Auty 1993: 5). In combination with outside producers abandoning their traditional sectors and “flocking…in search of a piece of the ‘oil pie,’” deceleration in economic growth tends to occur during oil booms (Rossi 2011: 13; Auty 1993: 5). An additional complication of the rapid acquisition of oil revenues is that it permits the government in power to be financially independent from citizens. In other words, the “fiscal social contract” that binds the government to its people and makes it accountable to their demands is severed, which leads to corruption, unproductive rent extraction known as “grabbing,” and wasted developmental potential (Humphreys, Sachs and Stiglitz 2007: 216; Mehlum, Moene Torvik 2006: 4).

Despite all this evidence that nations well-endowed with oil reserves seem doomed to the “resource curse” and the “Dutch disease,” various resource-plentiful states have avoided these ailments and prospered from their natural wealth, which raises the question of what forces and conditions help to explain why some resource-rich countries are cursed while others are blessed. Of 82 countries included in a World Bank study in 1994, five belong to the list of top eight countries with the greatest natural capital wealth but also to the list of countries with highest per capita
income\textsuperscript{10}, including the U.S., Canada, Norway, and Australia, demonstrating that the curse is not an inevitable outcome in resource-plentiful states (Mehlum, Moene and Torvik 2006: 1, 14). The curse has been confronted and defeated in various nations due to high-quality political institutions and economic measures that “provide favorable results in productivity and general prosperity” (Rossi 2011: 15). These countries are generally characterized by institutions that promote both accountability, which limits clientelism and patronage in the distribution of public resources, and state competence, where resources are managed by a rationally organized public sector or by a private ownership structure (Robinson, Torvik and Verdier 2006). Unlike low-quality institutions, (such as some nations’ government institutions, educational institutions, and health care institutions,) within which politicians can inefficiently allocate resources to influence elections or buy support, high quality institutions “make such political strategies infeasible or relatively unattractive” (Robinson, Torvik and Verdier 2006). Writing on the resource curse in the \textit{Journal of Development Economics}, Robinson, Torvik, and Verdier come to the conclusion that countries do escape or do not escape the resource curse based almost entirely on their institutional quality (2006). Humphreys, Sachs, and Stiglitz add to this conclusion in their book \textit{Escaping the Resource Curve} by theorizing that countries who combat and evade the resource curse do so through structural policy adjustments and social developments within their state, which not only benefit the majority of a nation’s

\textsuperscript{10} Top 15 countries in the world according to \textit{per capita} income (Mehlum, Moene and Torvik 2006: 14).
citizens but also reduce the effects of a resource bust by saving funds and developing the state when there is a resource boom (2007: 408).

VENEZUELA & THE PARADOX OF PLENTY

Studying countries that have successfully benefitted from an endowment of natural resources suggests that Venezuela’s abundant oil wealth did not inevitably doom the nation to experience the resource curse and Dutch disease. Countries with high reserves of natural resources constitute both the most successful and least successful nations in the world, showing that the curse isn’t a necessary condition of natural endowment per se, but rather a consequence of the quality of political institutions and the way in which resources are exploited. The current dismal state of Venezuela’s economy, society, and politics, however, demonstrate that it has indeed fallen victim to these “diseases.” It therefore follows that the management, or mismanagement, of the nation’s impressive oil reserves should be analyzed to understand why the country has underperformed so drastically.

Multinational corporations discovered oil in Venezuela in the early 20th century, and the first refinery was built in 1917, making petroleum the country’s first export item (Rossi 2011: 11). Venezuela was the leading oil exporter of the world by 1929, which it remained until 1970 when Saudi Arabia exceeded it (Ibid: 11). Partially due to the adept management of Venezuela’s oil development by the international oil companies up until its nationalization by President Carlos Andrés Pérez in 1976, Venezuela was one of the fastest growing economies in Latin America from 1920 to 1965, and had one of the highest manufacturing growth rates until the mid-1970s (Adams 2010; Rossi 2011: 12; Di John 2009: 3).
Oil rapidly became a central feature of Venezuelan economy and politics, but the prosperity gained from “sowing the oil” had many insidious consequences (Karl 1997: 80; Di John 2009: 3). First, president Gómez formed links with the international oil companies to consolidate his own power in the presidency, maintain his rule, and endow riches on himself and his loyal followers instead of creating mechanisms to enhance state authority, which meant that the oil wealth was paired with “no civil service, no independent central bank, and no impartial judiciary” (Karl 1997: 77, 80, 74). Second, although the lucrative nature of oil trade transformed the agrarian society into one of the most developed Latin American nations in just a few decades, this growth was “unbalanced and crisis-ridden” because it followed the ups and downs of the international oil market (Tugwell 1975: 2-3). The rapid development of industry also did not necessarily mean the rapid development of employment opportunities since, as explained previously, oil extraction is “capital-intensive and technology-intensive” and has few spinoffs to the rest of the economy (Hammond 2011: 350-351).

The accelerated growth of and shift to an oil economy caused the “Dutch disease” to plague Venezuela: incentives for domestic production in all other sectors virtually disappeared, hindering industrialization and provoking the collapse of important industries such as agriculture. Agriculture’s contribution to GDP shrank to the lowest in all of Latin America from a one-third share in the mid-1920s to less than a one-tenth share by 1950 (Karl 1997: 81). Not only did the economy migrate to support the oil sector, but also rural laborers physically abandoned land and flocked toward cities with the hope of finding lucrative jobs in oil fields or in public works.
programs (Karl 1997: 82). This shift caused Venezuela to have the fastest rate of urbanization in Latin America, but the “massive internal migrations and foreign immigrations to the urban core of principal cities… created the infamous poverty belts, collapsed all social services and resulted in rampant crime” (Karl 1997: 82; Rossi 2011: 13).

The working class that flooded into this industry had a vested interest in the oil sector because it provided livelihood, as did privileged social groups that benefited from the rent-seeking behavior and clientelistic distribution of petrodollars by politicians (Hammond 2011: 350; Karl 1997: 88). The redistribution of oil wealth therefore became highly inefficient as it was “an essential tool for enhancing the political strength of the nation’s ruler” and exacerbated the form of presidentialism that could already be found elsewhere in Latin America (Karl 1997: 88). In these hyperpresidential states such as Venezuela, social groups and parties were highly incentivized to form personalistic factions with leaders based on their lucrative distribution of oil rents instead of basing support on ideology and legitimacy (Karl 1997: 88, 90). Analysts of the phenomenon argue that nations affected by the resource curse are characterized by increased corruption and volatility, by dictatorship style leaders who use oil wealth to benefit themselves and their political allies, and by a general lack of economic and social development (Humphreys, Sachs and Stiglitz 2007: 408). Indeed, Venezuela by 1971 had “the largest gross accumulated foreign investment of any Third World country, 86 percent of which was concentrated in the petroleum sector” but lacked an organized tax system, a civil service, and a juridical and accountable bureaucracy that would be necessary to
impersonally and profitably manage the oil revenues (Karl 1997: 103, 91). The institutionalization of centralized presidentialism, corrupt patronage, and lack of accountability in the allocation of wealth would define the inefficient state structure and low-quality institutions tasked with both deciding policy after the 1973 oil boom and with coordinating the nationalization of the oil industry.

LA GRAN VENEZUELA

The timing of the 1973 oil boom coincided with the election of Carlos Andrés Pérez as president in 1974, and he jumped on the opportunity of vast oil wealth to fund the creation of la Gran Venezuela by embarking on “one of the boldest and most ambitious industrialization and modernization projects in Latin American economic history” (Hammond 2011: 363; John 2009: 22). According to the Venezuelan Central Bank, the average realized price per barrel of Venezuelan oil rose 419 percent between 1972 and 1975—from $2.10 per barrel to $10.90 per barrel—which increased international reserves from $1.7 billion to a staggering $8.9 billion (Karl 1997: 119). Pérez channeled these revenues into massive government expenditures in an effort to create a welfare state “with medical and social security programs and massive industrialization projects involving vast investments” (Hammond 2011: 363). Government expenditure jumped 74.5 percent from 1973 to 1974, meaning the budget virtually tripled in a year (Karl 1997: 25, 164). This “politics without limits” attitude, however, was not backed by efficient institutions or government administration to productively channel oil revenues: the government never set priorities, defined programs, or produced concrete proposals. Nor did it establish a redistributive income tax or antimonopoly law. The government moreover did
virtually nothing to stop the colossal state macro-projects from being plagued by delays, inefficiencies, and massive cost overruns (Ibid: 136, 28).

Throughout the 1970s, despite a huge leap in acquired income, manifestations of the “Dutch disease” caused import dependence and a collapse of domestic manufacturing, bottlenecks in production, rising inflation, and enormous growth in foreign debt (Ibid: 28). From 1976 to 1982, Venezuela’s debt rose by more than 45 percent per annum, thrusting the nation into a vicious cycle of debt spiral and heavy foreign borrowing from international banks to sustain government programs (Ibid: 30; Hammond 2011: 363). Pérez nationalized all oil holdings in 1976 and created Petróleos de Venezuela, S.A.\(^1\) (PDVSA), but the state was disorganized, politicized, and generally inefficient in using petrodollars in “productivity-enhancing and growth-enhancing ways” (Di John 2009: 5). The second oil boom from 1979 to 1980 only further cursed the nation by granting the government financial leeway to delay necessary economic and political adjustments, continue inefficient state expenditures, and engage in more rent seeking behavior (Karl 1997: 161).

Venezuela was more than “living beyond its means” throughout the 1970s and 1980s as expenditures and debt services surpassed the annual value of petroleum exports, and as public spending extravagance left no money to finish the massive state projects and infrastructure expansions, causing incalculable sunken costs and massive economic waste (Ibid: 164-165). The oil booms that temporarily allowed the state to finance such waste inevitably busted as oil plunged from $32 per barrel in 1981 to

---
\(^1\) Petroleo of Venezuela, the Venezuelan state-owned oil and natural gas company.
Wheeler 32

only $13 per barrel in 1986, causing Venezuela’s oil revenues to drop 64.5 percent in this time period, and leaving the ratio of debt to gross national product at a daunting high of 65.3 percent in 1987 (Ibid: 31-32). After the 1980s, Venezuela had one of the lowest growth rates of all late-developing economies and total investment rates in both oil and non-oil sectors of the economy fell drastically (Di John 2009: 4). The Pérez regime faced these growing economic challenges with even less capacity to manage them, as haphazard reforms and widespread corruption had greatly deteriorated the state, and the people responded by voting in President Jaime Lusinchi in 1984 (Fuchs and Brown 2016). Lusinchi’s government immediately signed off on a structural adjustment package with the IMF to help alleviate the nation from its economic woes, but the plan drove the state into further disaster (Ibid). By 1986, Venezuela’s currency had devalued almost 100 percent in one year—and the nation was forced to allocate 50 percent of all its export earnings to the IMF to pay off its debts—causing the majority of the population to be excluded both from oil wealth and from previously provided welfare programs (Ibid). The poorest bore the brunt of the economic freefall, and stories are still told of people in the slums of Caracas eating perrina, or dog food, to stay alive (Ibid). Recalling the prosperity from his reign over the 1970’s oil bonanza and promising to oppose further economic liberalization, Carlos Andrés Pérez was reelected president in the following election in 1989 (Márquez 2003; Fuchs and Brown 2016).

THE INFAMOUS CARACAZO

The Pérez administration did not last long on keeping its promises. In only weeks as head of state, Carlos Andrés Pérez did a full policy reversal and called in the
IMF for a new reform package which was announced on February 15, 1989 (Fuchs and Brown 2016). In attempts to reduce the fiscal deficit, the far-reaching structural adjustment package known as the paquete yielded to every IMF demand: it liberalized all prices except for the most basic staples, increased oil prices, privatized state-owned companies including utility companies, eliminated import taxes, lifted exchange controls, and created a free-market in interest rates (Robertson 2014; Fuchs and Brown 2016). When running for the presidency, Pérez himself had described this IMF program as “an economic neutron bomb that killed the people, but left buildings standing” (Gott 2000: 56). The paquete’s measures caused prices of oil, electricity, telecommunications, and water to increase by about 100 percent almost instantaneously, directly punishing the already-struggling Venezuelan population (Fuchs and Brown 2016). In late February 1989, Pérez authorized a decree for public transport that doubled gas prices and increased transport prices nationwide by 30 percent overnight, sparking a mass uprising of tens of thousands of people that would later come to be known as the Caracazo (Martínez, Fox and Farrell 2010: 270).

On February 27, the poorest Venezuelans living in the barrios and shantytowns surrounding the capital city Caracas took to the streets in protest of this hike on public transportation prices (Fuchs and Brown 2016). The movement caught on across the nation and thousands of Venezuelans poured out of their houses to join the demonstrations despite police attempts to quell the protesters (Ibid). Within a few hours, the events began to turn violent as protestors broke into supermarkets in search of food, and in the chaos the police opened fire on people marching (Ibid). Pérez declared a state of emergency, suspending many constitutional rights of Venezuelan
citizens, and sent the army and the Dirección Nacional de los Servicios de Inteligencia y Prevención (DISIP), or the “political police,” to large cities to take control of the situation through martial law (Ibid). The violence continued through the following week in a full-scale offensive against a popular revolt, and police abuses included forced disappearances, extra-judicial killings, tortures, and raids (Ibid). Official figures by the Venezuelan government place the death toll at under 300, but Venezuelan residents reported that the army’s “bloody reactionary witch-hunt” killed or kidnapped over 3,000 people (Martínez, Fox and Farrell 2010: 270). In addition to denying the high death toll, President Pérez blamed the IMF for causing the uprising and accused the victims of being “thugs, criminals, or politically motivated troublemakers” (Fuchs and Brown 2016). He never took responsibility for his or his government’s role in the massacre.

Residents of the Caracas barrios tell a very different narrative than the one publicly dispelled by the government. Henry Gamboa, a community-leader from La Cañada that survived the Caracazo, insisted that the people went to the streets peacefully to protest the economic package and the DISIP responded by “repress[ing] social groups all over Caracas. They locked us up for sixteen days in the jail cells of the DISIP and the DIN, saying that the [Caracazo] had been organized by the social groups” (Martínez, Fox and Farrell 2010: 277). A priest from Petare, one of Caracas’ poorest neighborhoods, recalls seeing: “A young man was tied to a window with handcuffs by one of the Metropolitan policemen … and with a lighter the police man

---

12 The National Directorate of Intelligence and Prevention Services; DISIP was established in March 1969 as the main intelligence agency in Venezuela, now the Servicio Bolivariano de Inteligencia Nacional (SEBIN).
began setting the young man's arm on fire. The kid fainted in pain” (Fuchs and Brown 2016). Gidilfredo Solzano, known by locals as Coco, relived the horrors as well: “I remember that the police went up there above Apartment Block 22, and shoved the bodies in plastic bags, threw them below, picked them up with a truck and bam, that was that. And the same thing happened with the bodies on the road. They put them in plastic bags and threw them in a truck” (Ibid). The Comité de Familiares de Víctimas, unearths a mass grave in 1990 in which sixty-eight bodies were found stuffed in plastic bags (Ciccariello-Maher 2013: 97). The “nondescript bags of flesh” further confirmed that the total death toll from the uprisings would never be known or revealed, as the Pérez government “systematically obstructed any and all efforts to investigate the events” (Ibid: 97).

Richard Gott, a renowned biographer of Venezuela’s Hugo Chávez, argues that the Caracazo represented the deep-rooted rejection in various sectors of Venezuelan society of the government and its treatment of the people (Gott 2005). Back in 1958, after the fall of the military dictator Marcos Pérez Jiménez, the Punto Fijo pact was signed by the Christian Democratic Party (COPEI) and the Democratic Action (AD) which assured that these two main parties would stay in power and co-govern Venezuela eternally with the façade of democracy (Fuchs and Brown 2016). Through the systematic exclusion of left-wing parties and an authoritarianism style of rule, the COPEI and AD parties crafted Venezuelan economic and government policies without rivalry (Ibid). By the 1980s, however, the old oligarchical order was becoming more discredited and was beginning to disintegrate as the people saw how

---

13 The Relatives of Victims Committee.
the ruling parties created economic models that were not only highly dependent on oil revenues and foreign debt but also excluded the majority of the population from seeing any of the oil wealth (Fuchs and Brown 2016). Venezuelans were suffering and were angry at their government for its negligence and empty promises, and the *Caracazo* was the long-awaited manifestation of this frustration. José Vicente Rangel, a prominent Venezuelan journalist and later the Vice President under Hugo Chávez, perceives the moment of these 1989 protests as “Venezuelan history split in two” (Ciccariello-Maher 2013: 97).

¡HUGO!

An extremely important figure rose out of the *Caracazo* and played the single most essential role in dividing Venezuela’s political history. Hugo Rafael Chávez Frias, commonly referred to as simply Chávez, was the leader of the socialist Bolivarian revolution in Venezuela that put an end to the reigning two-party system in which only a very select few were benefitting from the spoils of the nation’s rich oil wealth (Robertson 2014). In his biography of the president, Bart Jones explains that “Hugo Chávez touched the souls of the impoverished because he was one of them. He grew up dirt poor at a time when Venezuela’s oil wealth was creating fabulous fortunate for a fortunate few” (2007: 21). Chávez’s charisma as a leader and his commitment to serving the sectors of society in Venezuela that had historically always been excluded helped him swiftly seize massive amounts of power and influence, both as the president of Venezuela and as the leader of a socialist wave known as the “Pink Tide” that swept across Latin America (Read 2013).
Hugo Chávez was born in July of 1954 in the rural poor barrio Sabaneta to a lower-class family of Spanish Afro-Venezuelan descent (Epatko 2013). He was the second oldest of seven children, and grew up in the mud house of his grandmother Rosa Inés Chávez (Jones 2007: 22). Chávez attributed his deep-rooted desire to combat poverty and bring social justice to his country to this upbringing: “I got to know humility, poverty, pain, sometimes not having anything to eat. I saw the injustices of this world…I learned with her the principles and the values of the humble Venezuelan, those that never had anything and who constitute the soul of my country.” (Jones 2007: 25-26). At 17 years old, he went to study military affairs at the Venezuelan Academy of Military Sciences in Caracas and graduated top of his class in 1975 (Diálogo 2013; Epatko 2013). From there, he was stationed at a counterinsurgency unit in Barinas, then in 1977 was transferred to Anzoategui to continue battling Marxist insurgency groups (Marcana and Barrera Tyszka 2006). Chávez was a highly skilled officer and continued moving up in the military ranks while earning commendations, and even reached the status of Lieutenant Colonel, one of the highest positions in the army (Ibid). During his years studying in Caracas and his time serving the military, Chávez was further exposed to extreme poverty, the lack of social development, and the general mistreatment of Venezuelans (Eptako 2013; Marcana and Barrera Tyszka 2006). He became skeptical of the government and the army: he saw that the poor remained poor despite the country’s large revenue received from oil reserves and came to know the horrific inner workings of the military, including its use of torture methods and violence to suppress the people and quell protesting voices (Marcana and Barrera Tyszka 2006). Eventually he even
began sympathizing with the insurgents that he was fighting against as he concluded that the uneven distribution of the wealth by the government and the gross violations by the military were undeniably the cause for such suffering and unrest of the Venezuelan people (Ibid).

His experience in the army and his closeness to the government inspired his Bolivarian ideology for social change, a belief based on the ideals of Venezuela’s revolutionary liberador, Simón Bolívar\(^{14}\) (Lynch 2006). Chávez’s concept of “Bolivarianism” stood for positive change in Venezuela through the more equal distribution of resource wealth so that the nation could move forward from colonialism, from the “Washington brand” of neoliberalism, and from dependence on the west. A Bolivarian state could liberate itself from corruption and tyranny, and could bring economic and social development for all citizens. With this revolutionary mantra, Chávez formed a secret society within the Venezuelan army known as the Movimiento Bolivariano Revolucionario 200\(^{15}\) (Jones 2007: 202-204).

This ideological structure was already in place when the Caracazo occurred, creating a pivotal moment in Venezuelan history because many of the politically motivated officers associated with Chávez, and even those who didn’t actively participate in the Movimiento, felt ashamed and regretful at the military’s role in the massacre of civilians (Gott 2005: 47). Francisco Javier Arias Cárdenas, a close associate of Chávez and a member of the Movimiento, said that he “felt that the army was on the wrong side in this war” and stopped his soldiers from firing on the crowds.

---

\(^{14}\) Simón Bolívar liberated Venezuela and other Latin American nations from Spanish Colonial rule in 1824 (Lynch 2006).

\(^{15}\) The Bolivarian Revolutionary Movement 200.
while shouting: “we all come from the shanty towns and the poor parishes like this one. The people who live here are like us, they are the people, our brothers; that means that no one must fire without authorization; no one must shoot unless we are attacked” (Ibid: 46-47). Days after the Caracazo, Chávez returned to his military role at the presidential palace at Miraflores and was stopped by soldiers who were not part of his conspiracy (Ibid: 47). They wanted to know if the Bolivarian Movement was true, and they wanted to join. They were not prepared to go on killing people (Ibid: 47).

Over the next few years, Chávez’s conspiracy movement gained traction as the Venezuelan people and military began to question the state’s legitimacy while holding the Caracazo fresh in their memories. By the mid-1990s, the IMF policies that had been violently forced upon the people had caused poverty to peak over 60 percent, with one in three Venezuelan’s living on less than $2 per day (Fuchs and Brown 2016). The backdrop of political crisis provided the perfect opportunity for Chávez to seize power, and he attempted to do so in two military coups d’états on President Pérez in 1992, in which Chávez led five squads of his most loyal supporters to Caracas to seize control of the Presidential Palace, the Venezuelan airport, the Ministry of Defense, the Military museum and to detain the President and the highest commanders of the Venezuelan armed forces (Ibid; Gott 2005: 63-64). Although the coups failed and Chávez was imprisoned for two years, he was still seen by the majority of Venezuelans as a brave hero fighting a corrupt, failed, antiquated tyranny (Fuchs and Brown 2016). While Chávez was in prison and unknowingly gaining support, President Pérez was removed from power in June of 1993 to stand trial for
stealing over $17 million from public reserves (Kozloff 2007: 53). After Chávez’s release, he officially started the Movimiento Quinta República\textsuperscript{16}, and ran in the 1998 election on a platform promising social and economic reforms, a campaign against government corruption, better public spending of oil wealth, and the establishment of a new constitution (Wilpert 2003). Coming from outside the fraudulent, stagnant established parties and vowing to finally fulfill the needs and desires of the Venezuelan people, he won the election by a landslide (Fuchs and Brown 2016; El Universal 1998). In his 1998 Inaugural Speech, Chávez stated: “This power which you have given me doesn’t belong to me. This is your power” (Patel 2014: 44).

CHÁVEZ & A CHANCE FOR CHANGE

To some historians and political analysts, Chávez’s project was different than typical socialist or communist sweeps of power because he legitimately focused on social development rather than economic growth (Patel 2014: 20). At the Fifth World Social Forum in 2005, Chávez claimed he had created a “21\textsuperscript{st} century socialism” that was different from the socialism of the 20\textsuperscript{th} century, and different from the state socialism as was practiced in the Soviet Union, Eastern Europe, or Cuba (Wilpert 2006). Instead, his government intended to be more pluralistic and less state-centered. Whether he truly achieved this is highly disputed, but Chávez did indeed set out to reverse the previous ruling regime’s neoliberal and highly exclusive policies that only benefitted a select few (Robertson 2011). In reference to Venezuela under Pérez, Chávez asked “To what level arrived the misery, the poverty, the exclusion, and even further, lamentably: savage repression” and continued by saying that in the Caracazo

\textsuperscript{16} The Movement of the Fifth Republic.
“the Venezuelan people struck out against neo-liberalism, against the Washington Consensus, and here a revolution broke out. Fortunately, we succeeded in giving it a path” (Ibid). He formally and publicly recognized the government’s role in the massacre, something that the Pérez administration had failed to do, and provided monetary compensation to the victims and their families (Fuchs and Brown 2016).

Although almost all American political and economic analyses condemn Hugo Chávez and his policies, some international voices support the leader and celebrate his socialist policies for promoting the development of all areas of society and for finally distributing the oil wealth more equitably. Noam Chomsky, for example, was an old friend of Chávez and praised Venezuela for its socialist revolution while criticizing Washington neoliberalism as a process by which a few private interests control social life to maximize their exclusive personal profit (Carroll 2011; McChesney 1999). In the two documentaries South of the Border, directed by Oliver Stone, and War on Democracy, directed by John Pilger, the Venezuelans interviewed claim that Chávez put an end to an unjust military that was destroying its people and they highlight the positive aspects of the Chávez era, for example his successful commitment to bettering the lives of the majority of Venezuelans (2009; 2007). Patricia Márquez, a Venezuelan scholar and current professor at University of San Diego, traveled through some of the poorer barrios in Venezuela and spoke with common citizens, where she found that his popularity originated from the fact that he represented change and he delivered it (Márquez 2003). He became the voice of the barrios by uplifting millions of Venezuelans from poverty and completely shifting
the paradigms of Venezuelan policies, causing loyal followers to support him for over a decade, through the good times and the bad (Ibid).

Immediately after taking office, Chávez set out to fulfill his various promises: he revised the Venezuelan constitution, amended the powers of the congress and judicial system, and even changed the name of the nation from the Republic of Venezuela to the Bolivarian Republic of Venezuela (Wilpert 2003). These changes sought to allow more rights and freedoms to Venezuelans who had previously been ignored by the government. The constitution was highly progressive, especially for the time. It included clauses that not only supported women’s rights and inclusion, but also actively reexamined all public policies for possible discriminatory effects, called for the removal of any barriers that keep women from attending universities and joining the work force at an equal rate as men, and guaranteed a social grant for women that were homemakers (Ibid; Delgado 2003). Chávez also sought to make human rights, civil rights, and social rights a central feature in the new constitution: articles demanded basic civil rights such as freedom of assembly, expression, political participation, and right to information, as well as more progressive clauses such as the right to employment, housing, and even universal health care, to be guaranteed by the state (Wilpert 2003). This article immediately granted access to health care to many Venezuelans who had never been able to afford it and who had yet to visit a doctor in their lives. Various other progressive policies were included in the new constitution; for example, state financing of political parties was eliminated to keep the interests of the wealthy from corrupting politics and funding elections, Venezuela’s indigenous population was recognized and given rights for the first time in the country’s history,
and even environmental rights that committed the state to protecting the environment and biological resources were written into law (Ibid). The surging prices of oil after Chávez rose to power in 1999 fueled these generous social programs to meet the needs of the population through health care, education, job training, housing, and urban infrastructure. Between 1998 and 2006, social spending in these areas increased from 8.2 percent of GDP to 13.6 percent of GDP, which is a 170 percent increase on a per capita basis (Hammond 2011: 366, 368).

Through these reforms to the constitution and his commitment to using oil wealth to help all citizens, Chávez is credited with many beneficial changes in Venezuelan society. Venezuela’s new universal health care program significantly decreased malnutrition, lowered the infant mortality rate, and increased various other indicators of national health (Weisbrot et al. 2009: 11). Chávez’s arrangement with Fidel Castro of Cuba, in which Venezuela provided oil for Cuban doctors and medical training, allowed for there to be a much higher rate of physicians per inhabitants (Robertson 2013). Chasing the vision of a free, universal healthcare service with clinics in every neighborhood of Venezuela, Chávez launched a program of Medicina Integral Comunitaria, or Cuban-style preventative community medicine, titled the Misión Barrio Adentro program that placed experienced physicians and community doctors throughout urban poor neighborhoods, rural villages, and indigenous settlements (Ibid; Apporea.org 2012). To supplement these doctors, the Venezuelan president opened over 13,721 clinics where patients could receive free treatments, a 170 percent increase from the previous governments (Muntaner et al. 2012). These clinics have saved an estimate of 1.4 million lives around the country and have given over
700 million consultations, with many of these patients seeing a doctor for the first time in their lives (Robertson 2013; Fundación Misión Barrio Adentro 2017). Other programs such as the *Misión Robinson* and the *Misión Ribas*, both of which are also funded by oil revenues, target literacy and secondary education so that adults and youths from all income levels across the country have access to literacy classes, education, and even higher education at the university level (Weisbrot et al. 2009).

Previous governments in Venezuela did not build schools or socially develop Venezuela’s education sector, causing millions of Venezuelans in the barrios to not have access to even the most basic education (Hammond 2011: 348-378). His focus on women’s rights and his funding of social spending helped the female population in particular immensely; not only are women the majority of users of the social service and anti-poverty programs, but also have gained key and powerful positions in the government (Paez Victor 2012). All these policies in addition to guaranteeing employment and raising the minimum wage helped to significantly reduce poverty and extreme poverty throughout the nation; Chávez improved various social indicators such as nearly halving the number of households living in poverty (Golinger 2013; Kott 2012: 79).

Another important legacy of Chávez is his inspiring of a “collective awakening of consciousness in the country,” according to the noted author and revolutionary Eva Golinger, as political issues are constantly publicly debated and elections today draw over 80 percent voluntary participation, (Golinger 2013). One way that Chávez achieved this was by creating thousands of communal councils called *Círculos Bolivarianos* that allow for the public participation in politics at the local level, which
made intense political participation a “key characteristic of Venezuelan democracy” (Patel 2014: 73). Since 2003, Golinger has been investigating, analyzing, and writing about U.S. intervention in Venezuela and not only won the International Award for Journalism in Mexico in 2009, but also published best-selling books such as *The Chávez Code: Cracking US Intervention in Venezuela* (2006 Olive Branch Press), which has been translated and published in eight languages and is currently being made into a feature film, and *Bush vs. Chávez: Washington’s War on Venezuela* (2007, Monthly Review Press). She was nicknamed “La Novia de Venezuela” by Present Chávez himself, and as a proud Chavista she declared that “Chávez’s achievements as President are vast and numerous. He transformed Venezuela from a dependent, cowardly nation with no national identity, mass poverty and stark apathy to a sovereign, independent and dignified country, full of national pride, cherishing its rich cultural diversity” (Golinger 2013).

**CHÁVEZ ON THE WORLD STAGE**

Hugo Chávez did not only aim to reform Venezuela, but also set out on an agenda to unite Latin American nations in an independent coalition against American supremacy. Chávez was openly hostile towards the United States, calling President George W. Bush “the devil” at the UN General Assembly (BBC News 2006). Financed with oil wealth from rising petroleum prices and supported by alliances in South and Central America, Chávez launched a substantial offensive to counter Washington’s influence in the region and to bring sovereignty to countries that had been first ruled by European imperialism and then by American interventionism. He

---

17 The girlfriend/fiancée of Venezuela.
pushed for the unity, integration, and cooperation of Latin American leaders by spearheading the creation of organizations such as the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of Our Americas (ALBA), the Community of Latin American and Caribbean States (CELAC), as well as PetroCaribe, which provided oil at low interest rates, and Telesur, the region’s first television network, among various other initiatives (Golinger 2013; Sullivan 2016: 24).

After Chávez’s election, Brazil, Argentina, Bolivia, Uruguay, Peru, Paraguay, and Ecuador all voted in left-wing presidents, as the poor majority finally realized their votes could bring leaders to power that would raise their standards of living and would champion social justices for all (Read 2013). Chávez maintained particularly close relationships with the Marxist-Leninist President Evo Morales of Bolivia, offering him assistance to rewrite Bolivia’s constitution with radical economic reforms, as well as with President Daniel Ortega of Nicaragua, President Rafael Correa of Ecuador, the Kirchners in Argentina, and finally, with Fidel Castro in Cuba (Sullivan 2016: 24). Chávez used Venezuela’s oil windfalls to provide petroleum and financial assistance, in hand with socialist political advice, to all of these nations (Ibid: 24). Chávez’s relationship with Fidel Castro was particularly troubling for the United States due to the tensions between these two nations, and the “Pink Tide” sweeping across Latin America became highly problematic to American politicians with the recent Cold War still in mind.

In addition to stark ideological and political differences, a main reason for Washington’s frustrated and aggressive stance towards Chávez and his Bolivarian
movement was his monopoly over oil wealth, especially with the booms in oil prices in the early 2000s. Before his election, Pérez was on the verge of re-privatizing the oil industry and his, as well as his predecessor’s, governments were generally subservient to the interests of the United States (Golinger 2013). Chávez took back control of the national petroleum company PDVSA by firing 18,000 employees, replacing the board of directors with political allies, and merging the company with the Ministry of Energy and Petroleum (U.S. Energy Information Administration 2015; Kott 2012: 79). Between 2003 and 2008, the revamped PDVSA spent over $23 billion on aforementioned social programs for Chávez’s Bolivarian revolution and to fund his socialist projects across Latin America (Kott 2012: 79). By nationalizing other strategic resources in Venezuela that the United States had economic and political ties to, such as gold, electricity, and telecommunications, Chávez became “a major thorn in Washington’s economic interests in the region” (Golinger 2013).

THE DEMISE OF THE BOLIVARIAN REVOLUTION

At first, it seemed as though this radical left-wing president was on track to reverse the resource curse and political exclusion in Venezuela after decades of economic deterioration and political disorganization, but his failure to establish a coherent production strategy or to diversify the non-oil economy sunk the nation further into the state of crisis in which it exists today. Despite all the seemingly positive changes to the constitution and to Venezuela, Chávez made many key mistakes in building the foundations of his Bolivarian revolution. The fundamental error of his revolution was that he funded all his projects—both social spending
initiatives in Venezuela and his alliances forged across Latin America—with the most volatile commodity in the world.

To start, although the new Bolivarian constitution was highly progressive, critics argue that the swift recreation of such an important document allowed for a new form of absolute control and set the stage for a dictatorship (Wilpert 2003). Many of the changes, revisions, and additions to the constitution not only consolidated the power of the president and the state, but also made the country even more reliant on oil wealth. First, within the new constitutional assembly, 95 percent of the members were allied to the socialist president, with only six in the opposition (Ibid). In addition, the legislative branch was changed from bi-cameral to unicameral, and although this allowed it to be more responsive to the country’s needs by passing laws more quickly, centralized the government further (Blanco 2002: 242). Moreover, the presidential term was increased from five to six years and the president was allowed immediate reelection, with the justification that the task of rebuilding Venezuela was so massive that a single five-year term was not sufficient (Wilpert 2003). This alteration of the law, however, would allow Chávez to rule Venezuela until his death. The new constitution also strengthened the military’s role in Venezuelan society and tightened the president’s control over the army, as the president could now singlehandedly approve of military promotions and actions instead of needing permission from the legislative branch (Ibid). The restructuring of the judicial branch further consolidated Chávez’s power: 80 percent of the country’s judges were removed from office in a short time, and the provisional judges put in place were loyal to the new administration (Ibid). Finally, and most relevant to the resource curse and Dutch
disease that would inevitably doom the nation, the state role in the economy increased significantly (Blanco 2002: 245). Section VI of the new constitution explains a “socio-economic system” in which the state became responsible for supporting national industry, agriculture, and even smaller branches such as fishing, cooperatives, tourism, small businesses, and crafts (Blanco 2002: 245). Through the addition of various articles, the state gained the responsibility of being “obliged to promote and protect” the economy by providing housing, health care, and employment to all citizens (Wilpert 2003). Although this initially represented a positive change for many Venezuelans, especially with the high price of oil creating huge windfalls to support these policies, it quickly became a project so huge that it was impossible for the Venezuelan government to support (Ibid).

When Chávez seized back control of the national oil industry, his decision to fire the qualified PDVSA employees and replace them with political cronies caused a “brain drain” within the company, leading to severe mismanagement of funds and failed investments: its debt increased from $3.7 billion to $19 billion from 2004 to 2008 despite the oil boom, and from 2010 to 2011 its operating costs rose from $11.8 billion to $15.3 billion (Kott 2012: 79-80). The Chávez government also failed to diversify outside the oil sector, presiding over “a collapse in the production of all of Venezuela’s agriculture and much of the industrial apparatus,” and thus the heavy dependence of the economy on petroleum revenues made the initial success of social spending programs highly vulnerable to the price decline of oil (Rossi 2011: 14; Hammond 2011: 367). This vulnerability was exacerbated by the fact that under Chávez, less than one percent of Venezuela’s oil export revenue was put into
Sovereign Wealth Funds, an economic precaution that keeps the local currency from appreciating and helps the economy stay afloat when the commodity price drops\textsuperscript{18} (Kott 2012: 76).

Despite heavy investment in the \textit{Misión Barrio Adentro} program to deliver primary health care in impoverished areas, improvement of health status became stagnant after a few years of the oil-fueled economic growth (McGuire 2016). Infant mortality rate declined initially but then barely improved, the number of maternal deaths actually increased, and immunization rates for DPT3 and measles did not change much between 2000 and 2012 (Ibid). Chávez based the \textit{Misión} on Cuba’s model by protecting healthcare under the constitution and taking a preventative, primary, community-based approach, but Cuba differed fundamentally from Venezuela because it was always a poor country and could not afford to waste any money in its programs (Hamblin 2016). This pressure created a highly efficient healthcare system: Cuba spends only $813 per person annually on health care compared to America’s $9,403 per person, but delivers impressive results (Ibid). For example, the infant mortality rate has been lower than many areas of the United States, the country has some of the world’s lowest rates of vaccine-preventable infectious disease, and the WHO ranked it as first among Latin American countries and the United States for “the fairest mechanism for health-system finance” (Ibid; World Health Organization 2000). Venezuela, on the other hand, introduced its \textit{Misión Barrio Adentro} alongside its traditional health infrastructure, and the two

\textsuperscript{18} For the sake of comparison, during Norway’s substantial economic growth in the same time period as Venezuela’s, the country put over $560 billion in Sovereign Wealth funds to safeguard its success. Venezuela only invested a mere $800 million. (Kott 2012: 76)
systems running in parallel compromised the efficiency of the *misiones* system and led to fragmented and uncoordinated service delivery (Díaz Polanco and Borges Guitián 2010: 83-93). In addition, Chávez poured money into the new healthcare system almost indiscriminately, causing new health centers to be built too rapidly and on too homogenous a model, as well as overburdening them with responsibilities and failing to monitor their performance (McGuire 2010: 266-275). The programs therefore suffered from over-standardized service and poorly trained health workers, a problem that was only exacerbated when Chávez could no longer pay Cuba with oil to import its best doctors. The healthcare system wasn’t alone; within Chávez’s eighteen *misiones*, few had a discernible impact on the outcomes they were designed to affect; for example, the *Misión Robinson* was found to do little to actually improve the adult literacy rate (McGuire 2016; Ortega and Rodríguez 2008).

In the same vein, the socialist revolution that Chávez attempted to ignite across Latin America ultimately failed because his alliances and his funding of regional integration projects depended almost entirely on Venezuela’s oil profit. The worldwide economic crisis devastated South America, and the huge drop in the price of commodities, including oil, brought an increase in debt servicing in Argentina and Brazil, which are economically the most important countries of Latin America. The death of Chávez in 2013, the electoral defeats of Evo Morales in Bolivia and Cristina Fernández de Kirchner in Argentina, as well as the impeachment of Dilma Rousseff in Brazil and potentially Nicolás Maduro in Venezuela all signify the end of the progressive cycle known as the “Pink Tide”. Right-wing resurgences across Latin America are not occurring solely for economic reasons, however; in nations such as
Venezuela, the socialist party’s relationship with its mass base deteriorated as corruption and political turmoil have impacted the ordinary citizen (Ibid).

Despite his original crusade to end corruption in the Venezuelan government, Chávez’s administration over time became “hypercorrupt” due to ubiquitous clientelism and political favoritism (Hammond 2011: 367). Transparency International’s Corruption Perception Index ranked Venezuela at 138th in 2005 and then 172nd out of 182 countries in 2011, meaning only nine nations in the world were more corrupt19 (Kott 2012: 77). The aforementioned Círculos Bolivarianos, communal councils created by Chávez to increase political participation at the local level, as well as his misiones, have become notorious for manipulating the political context of the nation: social funds are delivered clientelistically only to the municipalities that promise to support the reigning government (Penfold-Becerra 2007: 64). The Círculos are seen simply as politicized constituencies built by Chávez to strengthen support for his government in all corners of the country by indoctrinating the people with the constitution and promising oil income for votes (Penfold-Becerra 2007: 64). Noam Chomsky was always one of Chávez’s “best friends in the west” and praised Venezuela for its progressive socialism, but nearing the end of Chávez’s rule, even Chomsky criticized the leader for his “assault on democracy” and accused him of concentrating too much power in his own hands (Carroll 2011). Various indices, such as the Economist Intelligence Unit's 2011 Democracy Index and The Reporters Without Borders 2011/2012 Press Freedoms

---

19 By 2016, this number has hovered at 166th out of 176 countries, keeping Venezuela in the top ten most corrupt countries in the world (Transparency International 2016).
Index, show that political freedoms, such as freedom of the media, civil liberties, political participation, and a quality electoral process, have significantly declined over the past decade (Kott 2012: 77). The culmination of an increasingly corrupt hyperpresidentialism with the loss of oil funding and of Chávez’s charisma, as well as the humanitarian crisis building under Maduro, have all caused the majority of Latin American nations to distance themselves from supporting the socialist revolution both in Venezuela and in their own nations.

FROM RICHES TO RAGS

The benefits granted to poor Venezuelans under Hugo Chávez, such as free universal healthcare, guaranteed employment, and access to education, were initially seen as constructive and progressive policies to allow the majority of the nation to share in the oil wealth. His attempts to help the average Venezuelan went further than bold, far-reaching socialist programs: even essential products such as rice, sugar, toilet paper, sanitary towels, and medicine have been subsidized for Venezuelan citizens with petroleum dollars since his rise to power (Watts 2016). During these profitable times at the beginning of Chávez’s presidency, however, the tendency to subsidize products far below the cost of production warped price perception and caused many long-term economic issues. For example, as seen in the drastic decline of Venezuelan agriculture, subsidizing products stifled incentives for producers and created a system of dependency and black-market selling (Watts 2016). In addition, Chávez’s attempts at a mixed economy supported an imagined Venezuelan business class that relied on oil revenue, which led businesses to use this income to import rather than invest (Romero 2016). Chávez believed that implementing this model
would encourage this invented business class to invest more in internal and domestic production, but this never occurred, and the nation became further dependent on oil income (Ibid).

According to Teodoro Petkoff, an economist and intellectual of the Venezuelan political scene, “after 11 years of Chavism, the country is ever more dependent on oil exports as ever before (95% of the hard currency earnings come from oil) and it constitutes an archetypical case of the so called “Dutch Disease” and the rent seeking condition of the economy” (Rossi 2011: 15). By 2011, the GDP decline made the nation “the only petro-state and the second in Latin America still mired in recession (other than Haiti)” and by 2012, Venezuela was listed as “one of the top two worst places in the world to get credit, pay taxes, or receive investor protection” with only six other countries ranked as worse to do business in, according to a World Bank analysis (Rossi 2011: 15; Kott 2012: 76). All of these problems became heavily exacerbated with Chávez’s death in 2013 and with the global crude market collapse in 2014, which caused a 60 percent fall in crude oil prices (Watts 2016).

Unfortunately, years of state mismanagement expedited the collapse of the Venezuelan oil industry. Not only is each barrel Venezuelan crude worth less than half its value two years ago, but production of these barrels has fallen drastically; the biggest oil refineries have become run down from budget cuts, and the output of the PDVSA state oil company has fallen by about 450,000 barrels a day from 2014 (Ibid). This means that expensive government subsidies and heavy social spending are unfeasible and increasingly unsustainable. Any profit from petrodollars is now used
mainly to service the nation’s massive debts or to buy the PSUV alliances in
dominant political and economic sectors with the aim of keeping the party in power,
resulting in a deepening crisis for the neediest and a further neglect of all Venezuelan
industry (Romero 2016). These falling petroleum outputs in combination with a major
drought affecting hydropower has led the government to institute rolling blackouts in
attempts to conserve energy, which affects the common citizen and further hurts
struggling Venezuelan businesses (Ibid; Kott 2012: 80). The bitter irony is not lost
that the country with the highest oil and energy reserves in the world cannot power its
own nation.

CONCLUSION

María Colmenares, an ordinary lower-class Venezuelan that lives in a concrete-
block house outside Caracas, remains loyal to the Comandante20 and his socialist
party but struggles with her mixed opinions of his impact on Venezuela’s current
situation (Inskeep 2013). Her story presents an archetypical case of Chávez’s
complicated legacy. She always lived in an informal neighborhood on the
mountainside overlooking Caracas, without streets and without any official ownership
of the land, which is a living situation prevalent across Latin America. She recalls that
after Chávez rose to power, he delivered many promises to help the poor: concrete
was poured in the narrow alleyways of her barrio and “All of us have property
documents and most of us title to the land.” The PSUV government also paid to

---

20 Comandante, meaning Captain or Commander, is a common nickname of Hugo Chávez, dubbed by
his loyal followers as the leader of the 1992 coups against Pérez and as the commander of Venezuela’s
Bolivarian revolution. Another major example of the use of comandante in Latin America is
comandante Che Guevara.
renovate the homes with improved bathrooms and new corrugated metal roofs, painted red (Ibid).

The puzzling factor for Colmenares, however, was that she didn’t need a new roof: her old corrugated metal one was perfectly fine. Apparently, Chávez had a grander plan than simply fixing up the neighborhood: he wanted the area to become a tourist district—“the city of the red roofs”—and was building a train to take people to this invented city. Many years later, the train has yet to be built and, like many of the grandiose plans hatched by the Chávez regime, the project remains unfinished. Although she isn’t particularly troubled by the failed investment into “the city of the red roofs,” Colmenares does feel the effects of the government’s overspending; she is worried about the growing shortages of goods for her store, as inflation is driving up the prices she pays for the food she stocks, but she can’t pass all the costs on to her customers. Despite these growing concerns, she voted for Nicolás Maduro, Chávez’s chosen successor, in the 2013 election following the death of the President (Ibid).

Driving through the Gran Sabana region in Venezuela in late October 2016, the journalist Jonathan Watts discussed the issue with his taxi driver, José López, a loyal Chavista. Like María Colmenares and many other Venezuelans, López is conflicted about the consequences of Chavista socialism, as he has definitely benefitted from the distributive policies that have provided subsidized goods of all types through government campaigns (Watts 2016). For example, his year-old Chevrolet was given to him on very generous credit terms through a government program. He laments: “The Chavistas had good intentions. At first, they helped the poor more than any
government had ever done before. The problem is, good intentions are not enough” (Ibid).

This seems to be the national sentiment at this time: many Venezuelans will agree that Maduro is highly unpopular, but assure that Chavismo is not and probably never will be (Kronick 2015). Although in the international arena he is often slandered as being a dictator, a populist buffoon, and the main cause of Venezuela’s economic collapse, Hugo Chávez is still viewed by the majority of his people as a hero that fought to end injustices and inequalities in a nation where the poor had never been given a voice (Parenti 2005). Although there was very minimal coverage of Chávez’s death in the United States, the passing of the president “was devastating for Venezuelans... The reaction was a collective cry of deep despair and sadness, but also of love, profound love for this person, this man who gave every last breath he had to making his country a better place for all” (Golinger 2013).

His support from the masses originated from the fact that he represented change from a system where only the rich and elite benefitted from oil wealth. His appeal was strengthened by his unwavering charisma, his rejection of Washington’s paternalism, and his physical embodiment of the humble, hardworking Venezuelan. Chávez’s downfall and the resulting collapse of his nation, unfortunately, derive from his crucial mistake of propping up the entire Bolivarian revolution and all the positive change it contained on the single most volatile commodity in the world. A revolution based on a leader’s charisma is doomed to fail when this leader is gone, and a system fueled by oil is cursed to failure when the oil runs dry.
* All Spanish-to-English translations are my own.

WORKS CITED


“Datanálisis: Maduro has a 23 percent approval rating,” SouthernPulse.info. 5 July 2016.


Kronick, Dorothy. “Maduro might implode; chavismo you’ll have to bargain with.” Caracas Chronicles. 27 Nov. 2015.


Organization of American States. “Message from the OAS Secretary General to the President of Venezuela.” OAS.org. 18 May 2016.


*South of the Border*. Directed by Oliver Stone. Written by Tariq Ali and Mark Weisbrot. Cinema Libre, 2009. DVD.


*The War on Democracy.* Directed and written by John Pilger. Lions Gate, 2007. DVD.


