

SOCIALIST VENEZUELA IN 2014

HOW DID HUGO CHÁVEZ CHANGE THE STATE, THE ECONOMY AND SOCIETY?

Claudia Curiel

When President Hugo Chávez became Venezuela's head of state in 1999, the country had come through a serious crisis of its political system, which had called into question the existence and survival of traditional parties and undermined social stability. Society was characterised by a strong dependence on oil exports and persistent poverty affecting large swathes of the population. Following the concept of so-called "21st Century Socialism", Chávez sought to provide the country with a new socio-political framework during his time in office. The poor among the population in particular connected his election with hope for improvement.

Hugo Chávez remained in office until his officially announced death from cancer in March 2013. His demise required new elections to be held, from which Chávez's loyal follower Nicolás Maduro emerged as successor, albeit with the smallest of leads over the presidential candidate of the opposition, Henrique Capriles Radonski. Maduro has made a point of stressing his close affiliation with Chávez and his ideology, not only during the election campaign but also throughout his term in office, which has lasted just over a year to date. The continuation of efforts to restructure the state according to the Chávez model is therefore a declared aim of Maduro's government policy. Since the governing party won the local elections in December 2013 yet again, an argument has arisen within the opposition camp as to the direction to take in responding to the government under Maduro. While a radical wing of the opposition feels that the scope for political action and people's freedoms are being restricted ever more severely and therefore thinks that action is required, the moderate



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wing advocates a defensive strategy. This is based on the assumption that the disastrous economic conditions and dramatic social situation will accelerate change. Weeks of street protests and hardened lines of conflict between government and opposition finally led to a dialogue, whose outcome is unclear at this point in time. According to Maduro, one thing is certain: the primacy of the socialist revolution will continue to apply.

When the present-day Venezuelan society is compared with that before he took office, two aspects are of particular importance. Firstly, there is a proliferating state apparatus, which sees its role not merely in exercising government power, but also in social support and oversight.

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Particularly during the second half of his term, Chávez promoted the reorganisation of the socio-political structures at a local level, which ultimately resulted in the elected representatives of the people losing some of their power. Parallel local structures in the form of so-called Communal Councils were strengthened, and these are increasingly taking on functions that should, in principle, be reserved to the mayors or to representatives of the executive. The second aspect comprises the revenues from oil exports, which not only dominate parts of the economy, but also have an impact in other respects. There has been no decrease in Venezuela's dependence on oil since Chávez took office, and it represents a political factor more than ever before. It is likely that funds from oil production are also used for the expansion of the parallel local structures.

Reforming the socio-political structures in line with the socialist model also manifests in increasing state control over the media landscape. Simultaneously, the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela, PSUV) is being developed into a state party, with the interests of the party and of the state becoming ever more entwined. The PSUV already performs social tasks that go beyond the functions of a party. Its influence over social life is therefore increasing, and the pressure on those with dissenting views is rising even with regard to mundane matters.



"21st Century Socialism"? After his election, Hugo Chávez expanded his power and reduced parliamentary control. | Source: Valter Campanato, Agência Brasil ©¹.

STATE AND GOVERNANCE

During his first year in office, President Chávez began to introduce his political reform program. A constitutional assembly was convened as early as 1999. This initiated a process that was to culminate in the country's citizens endorsing the text drawn up by this body. The text envisaged far-reaching changes to be made to the function and organisation of the state. This included the dissolution of the two-chamber parliament, to be replaced by the National Assembly, the introduction of a form of democracy characterised by citizen participation and strong leadership personalities as well as a number of features of social regulation, all of which together were intended to lead to the definition of a social, democratic, constitutional state. Added to this was, firstly, the definition of a new security and defence doctrine based on the idea of joint responsibility of the military and society for national security and defence. This formed the basis for what would subsequently manifest in the political debate as "civil-military fusion". Secondly, the text of the constitution envisaged a revision of the rules and regulations for the macro-economic system, for the role of the monetary authorities and for the growth targets. These are, however, mainly provisions to do with means and methods as the constitution did not include the definition of a development model.

Three enabling acts that were passed at Chávez's instigation demonstrate the extent to which the state was monopolised and instrumentalised by the central power.¹ The range of areas covered by the laws allowed the President to exercise power with greater authoritative scope and less oversight, because when the regulatory instruments were originally devised, the role envisaged for the office of President within the constitutional framework allowed him control over the activities of state offices and over the relationships between the political actors.

At the beginning of his first term in office, Chávez talked of slimming down the state and of reducing it in size. However, this approach is in clear contrast to the size, role and economic significance of the public sector in Venezuela. One telling example of this discrepancy is Chávez' declared intention to govern Venezuela efficiently with a limited number of ministries. In 1999, when he took office, he took over 21 ministries, which he restructured to govern the country then with the aid of 13 government departments. The executive currently operates with 32 ministries. The increase is also reflected in the number of employees. According to Venezuela's National Institute of Statistics, there were just 1,345,674 persons employed in the public sector at the end of 2002. By the end of 2012, this figure had risen to over 2,463,759.

The state has also expanded in various ways in other areas, for instance with respect to the companies that it owns and runs. There have also been increases in social benefits and in the associated infrastructure, resources and personnel. Some experts put the contribution to the economy made by the private sector at 65 per cent for 2012; others think it may have gone down to some 50 per cent. The national plan for economic and social development for the period from 2007 to 2013 envisaged that the economy would be based in equal parts on the three pillars of private enterprise, social enterprise and the state. There is some dispute over how the statistics are derived, because there are

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1 | The Enabling Act of 2001 resulted in 49 legislative decrees; the one announced for the period 2007/2008 produced 66; the third one passed for 2010 to 2012 produced 54. In total, the executive introduced 167 laws.

clearly increasing numbers of companies in many areas of the economy that have been expropriated, are run by supervisory authorities and about to be swallowed up by state enterprises.² According to the Venezuelan industry association Conindustria, the Chávez government had expropriated as many as 1,440 businesses, properties and land holdings by 2012. By the end of 2012, 46 per cent of all imports were handled by the state. Added to these are 40 per cent of food distribution and the fact that the central government is responsible for the country's basic infrastructure (ports and airports, fuel depots, refrigerated chains, roads, power stations, etc.). The state bank has control over 34.5 per cent of all funds deposited within the banking system. In 2012, the net loan portfolio in the banking sector increased by 52.88 per cent, that of the state bank by 67.76 per cent.

The number of state businesses has also been on the increase. On the one hand, a number of so-called socialist enterprises were created, which are assigned to ministries and government offices. These include numerous mixed companies for contractually agreed joint ventures with other countries. Added to this are an increasing number of companies affiliated with the Venezuelan state-owned oil company PDVSA. The PDVSA management has announced strategic measures aimed at "strengthening the mechanisms for creating and developing companies in social ownership (Empresas de Propiedad Social, EPS) and socio-economic networks". This is to be achieved by encouraging alternative forms of business, including EPS and communal production units and cooperatives. These are to be considered when awarding procurement contracts for goods, construction and other services for which there is a requirement in PDVSA's business plan. By mid-2011, this collective comprised a total of 402 public sector companies, subordinated to various ministries.³ According to information published by PDVSA, 7,649 commercial enterprises and 5,822 cooperatives were listed in the PDVSA's EPS register by the end of 2010.

2 | There is uncertainty about the method for determining the contribution to GDP made by many companies that are under state control, either through a majority stake or de facto.

3 | Claudia Curiel Leidenz, "Estado, propiedad y organizaciones socioproduktivas", in: *Encuentro de Organizaciones Sociales 2012, 2013*, Caracas, Universidad Católica Andrés Bello (UCAB).

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Because of its close links with the oil company PDVSA and the central bank, the state has total control over the country's currency inflows as well as the monopoly on generating them through oil exports (97 per cent of the country's foreign exchange revenues). Access to foreign currencies is controlled by central government. Added to this is the fact that the role the state plays as a major actor in the non-monetary economy goes hand in hand with a lack of financial discipline, and that this is the case in an environment where public expenditure, debt and the growth of the money supply to finance state expenditure are not subject to any restrictions.⁴ In addition, there is great uncertainty regarding the implementation of accountability.

THE PARALLEL STATE

There is an enormous difference between a supportive state, which secures civil liberties within a clear, transparent and modern institutional framework, and a state focused on exercising control. In Venezuela, there has been a transition from the former to the latter type of state over the last few years. In the course of this transition, the scope for private activities is being reduced, and private initiative is being replaced by the concrete manifestations of what is being referred to as "21st Century Socialism". Under the pretext of furthering a participatory democracy to benefit the individual, an entire universe of communal and social institutions has been created, whose most important representatives are the Communal Councils (Consejos Comunales). These organisations, set up in the form of assemblies and managed through direct democracy, have come into being since 2005. Later on, a plan was devised to set up communes as territorial and political structures of the communities organised around a Communal Council.

4 | According to figures from the Venezuelan Ministry of Finance, domestic public sector debt, for instance, rose by 70 per cent in 2011, by 65 per cent in 2012, and by 49 per cent over the first six months of 2013. Between 2008 and June 2013, this increase amounted to 1,146 per cent.

In parallel with this development, a variety of organisations were being established, which were meant to represent group interests and which called themselves “front”, “movement”, “council”, “collective”, etc. Specially created institutions were intended to support and coordinate the emergence of such organisations throughout the country. A decision-making body was created for this purpose, which is currently referred to as the “Ministry for Communes and Social Movements”. This also served as a seedbed for further supportive organisations called *salas de batalla social* (roughly translated: “Offices for Social Struggle”). Each of these is headed by a representative from the Ministry for Communes and a spokesperson from the Communal Council. Their day-to-day work consists of the collection of data on the population and on essential social programs. They cooperate with the regional bodies of the executive, to whom the social institutions are responsible, and manage communal projects as well as allocating funds for initiatives that have been submitted to them. In addition, they coordinate various social assistance measures (*misiones sociales*), which are funded from different executive bodies.

According to surveys conducted in local communities in September 2013, there are 40,035 Communal Councils operating throughout the country as well as 1,294 Offices for Social Struggle and 28,791 social movements. These figures show that the bodies forming this network are represented in even the smallest communities in the land. These organisations are developing into interfaces between the state and the population, which is becoming ever more dependent on their presence.

The coordination bodies, particularly the Offices for Social Struggle, and in some cases producer or farmer councils, are gaining in visibility, authority and the capability of managing resources. In some instances, they are becoming interfaces between local communities and the bodies of the central power. This means that bodies that were not elected by the people are becoming political actors. They are increasingly taking on functions that should, in principle, be reserved to mayors or representatives of the executive. Added to this is the fact that the network created from these institutions is

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becoming part of the so-called civil-military fusion. In the past, this development was always seen as a manifestation of the capability of the organised population to be mobilised and to respond in order to perform security and defence activities side by side with the military and the militia. On various occasions in the recent past, much was made of the strategic concept of a prolonged people's war, which entails civilians and soldiers joining in defence of the country.

In December 2010, a series of laws was passed to serve as a comprehensive set of rules and regulations to create a state based on communes and, in addition, to smooth the path towards an economic model based on new forms of production. These include the fundamental law on popular power, the fundamental law on the planning of public life and social development, the fundamental law on communes as well as the law on the communal economic system.

Although these laws describe the organisational forms of the so-called popular power as one of the main foundations of the new socio-political structure, it has

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to be emphasised that the groundwork had already been laid by a considerable number of the laws passed during the previous years.

The actors of a state organised on the basis of communes can become involved in various roles and play a part in the implementation of various public policy measures. At least 70 laws were drawn up that deal with the organisational structures of popular power or that are intended to serve as models for cooperation, for instance through descriptions of planning processes or of supervisory and monitoring bodies by these actors. What this represents is unequivocally a parallel state, which performs functions that were previously reserved exclusively to the traditional political entities. The areas to which this parallel state extends range from the organisation and regulation of fishing to the structuring of sports associations to the procedures for applying for financial assistance for small businesses.

After a process of transition, there are now two states co-existing in Venezuela, which are in some contention with one another and where the bodies of the executive are under the control of the same forces that hold the political power in the country. This transition process uses up resources. It involves one side taking away the other side's scope for action, and it requires an enormous amount of human resources for distributing the benefits bestowed by a paternalistic state system among the majority of the population. The latter takes the form of social programs or formally assigned tasks, through the direct provision of goods or services by a state institution or through initiatives regarding working time regulations.

Of course, these parallel structures need to be financed. The funding sources include transfer payments from the state budget through channels created by the government's Federal Council. One can further assume that the above-mentioned structures receive some funding from programs and initiatives of central government bodies and the PDVSA, as well as relying on sources that lie outside the regular budget.⁵

ECONOMY UNDER PRESSURE

One phenomenon that has been characteristic for Chávez' time in office comprises the institutional structures that form the foundation and frame of reference for the reorganisation of society. The number of laws, standards and directives relating to this social restructuring has become too vast to maintain a clear overview. In the area of the economy alone there are over 300 statutory or quasi-statutory standards, which affect production activities. These include tools that go beyond the macroeconomic sphere and interfere with the rules and conditions under which private enterprise is conducted.

5 | According to one regulation, foreign currency revenues that the PDVSA receives within the current national budget above the crude oil price per barrel are not routed to the central bank and can be invested in one of the savings funds set up under the Chávez government. These funds are not subject to auditing, which means there are no official figures on their assets and expenditures. To provide some idea of the size of these assets: the price for a barrel of crude oil was assumed to be 55 U.S. dollars in the 2013 budget, although it had been over 100 U.S. dollars for a long time.

At the same time, the production capacity controlled by the state is growing, with ever stronger monitoring and interference. This is effected using data records, online monitoring systems and official oversight of certain business decisions. In parallel, there is also an increase in the number of institutions being created for the oversight and monitoring of private businesses, and their powers are increased continuously.

In 2003, measures were introduced to outlaw making employees redundant, and these are being enforced ever more stringently. Because of these measures and their interpretation by the government, it has become impossible to make changes to pay based on the business environment. In 2012, the legal framework in this area was also reformed, which meant greater obligations on companies and stricter monitoring. This has had a negative impact on labour costs and the institutional risk for employers. Harsh sanctions were introduced in connection with the state monitoring of business activities. State intervention up to and including the expropriation of companies is widespread.⁶

COMMUNICATION AS A KEY FACTOR

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Since 2005, the Venezuelan government has been seeking control over the communication networks. It now owns five television channels (*VTV*, *Vive TV*, *Asamblea Nacional TV*, *TVES* and *Ávila TV*), *Telesur*, *Radio Nacional de Venezuela*, as well as four channels that form the YVKE Mundial network; in addition, the Ven-Global News network, the daily newspapers *Vea*, *El Correo del Orinoco* and *Ciudad Caracas*. Added to these are some 400 local radio stations, 36 local TV stations and some 100 newspapers.⁷ Apart from the media that are directly controlled by the state, there

6 | The latest example is the takeover of the pulp and paper manufacturer Manpa. President Maduro justified this measure with extraordinary delays in production and sales. Cf. Nicolás Maduro, "Intervenida empresa Manpa involucrada en sabotaje económico", 25 Sep 2013, <http://nicolasmaduro.org.ve/presidente/intervenida-empresa> (accessed 10 Feb 2014).

7 | Marcelino Bispal, "Hegemonía para cambiar la identidad", in: Michelle Roche Rodríguez (ed.), *Álbum de Familia. Conversaciones sobre nuestra identidad cultural*. Editorial *Alfa*, Colección Hogueras, Caracas, 2013.

are also many others that are owned by private individuals who are close to the government. Using a number of mechanisms, but above all the Law on Social Responsibility in Radio and Television, the government has been exerting increasing pressure with respect to program topics and contents. The state-run Venezuelan media conglomerate Sistema Bolivariano de Comunicación e Información (SiBCI) plays a key role with respect to the organisation of the flow of news or propaganda, as the case may be.

This makes it difficult to disseminate critical questions and hinders the efforts of alternative political actors to be heard. Particularly at election time, the propaganda machine is in full swing. From a social perspective, a situation has emerged in which public's scope for obtaining information and enjoying entertainment is restricted.



Demands for freedom of expression on 31 March 2004 in Caracas: The Venezuelan government disseminates critical questions and hinders the efforts of alternative political actors. | Source: © Leslie Mazoch, picture alliance, AP Photo.

RISE OF THE STATE PARTY

The ongoing rise of a state party in Venezuela has manifested in an increasing overlap between the leading figures of the executive and those of the United Socialist Party of Venezuela. Consequently, strategic and operational decisions as well as decisions on mobilisation and propaganda are increasingly made within a single continuum that is becoming ever more monolithic.

During the presidential elections of 7 October 2012, in which the seriously ill Chávez was re-elected once again, it was obvious that public institutions and local government bodies were used to mobilise voters. This was realised through units of a grassroots organisation, which calls itself the *Unidades de Batalla Carabobo*⁸ (Carabobo Battle Units) Here the range of resources and the open collaboration were clearly visible. The utilisation of the Communal Councils and other bodies for political purposes is illustrated most clearly by their integration into the Gran Polo Patriótico (GPP), the Great Patriotic Pole. This is the name for an alliance of political parties and social movements that supports the official political line. Initially, these organisations were the products of initiatives by local communities and received very little support from the United Socialist Party of Venezuela (PSUV) or the political bodies. The first wave of registrations with the GPP by social movements took place between 14 October and 6 November 2011. According to figures published by the PSUV, 32,080 organisations and social movements joined it in that period.⁹



The successor of Hugo Chávez: President Nicolás Maduro wants to strengthen the position of the PSUV. | Source: Joka Madruga, TerraLivrePress.com ©.

- 8 | These Battle Groups change their names for every election campaign, depending on which function the officials wish to emphasise. During the local elections of 8 December 2013, they adopted the name of Hugo Chávez, for instance.
- 9 | "32.080 organizaciones se registraron en el Gran Polo Patriótico", PSUV, 11 Nov 2011, <http://psuv.org.ve/temas/noticias/32080-organizaciones-se-registraron-gran-polo-patriotico> (accessed 10 Feb 2014).

After Nicolás Maduro had taken over the official duties as Chávez' successor in March 2013, he announced the objective of transforming the PSUV into an organisation that has a remit beyond the mandate from the voters, namely to take care of the needs of the local communities. One of the plans he announced in this context was a change to the party's organisational structure. This plan was implemented in a program entitled Gobierno de Calle (Government of the Street). This is an experiment involving PSUV activists making home visits accompanied by members from the social movements in order to establish the families' needs and to determine where and to what extent state assistance is required. These visits also serve to establish whether those visited cast their vote during elections, and which measures are required in terms of mobilisation as well as logistics on election day.

At the same time, the name and remit of the Ministry of Communes were changed to cover the social movements as well. The creation of a National Inspectorate for Social Security was announced, in which the activities of all social activist groups were combined (currently over 25 initiatives operating throughout the country and various small groups, which were created in 2013 and are responsible to different ministries). Subsequently, the creation of a national system of activist groups was announced, to which all (actual and potential) beneficiaries of these support programs are to belong. The intention is to reduce bureaucratic obstacles and prevent any form of corruption of those who will manage access to the social programs for Venezuelans.

It is as yet unclear whether all these measures form part of a more comprehensive concept or unrelated initiatives. The declared intention to make the PSUV into a party with communal and social functions indicates that

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these initiatives are a tool aimed at creating a new way of people living together in society. They assume the role of small organisational units within local communities. The end result may be a type of civil-military government, as Maduro has called the highest government body, coordinated with a defence and mobilisation apparatus based on

centralised communication channels and subject to politically motivated restrictions.

OUTLOOK: CONTINUATION OF THE TRANSFORMATION UNDER PRESIDENT MADURO

The Maduro government, which took up its work on 18 April 2013, is maintaining the centralistic orientation of the state and its efforts to extend its influence over further areas under its control. The means it employs to this end include an increasing military presence and the PSUV playing a key role. The party keeps the wheels of social organisations turning and controls them to suit the purposes of the central power.

In a little over four months, a new ministry was created, and new political-administrative structures were introduced for the purpose of coordinating investment incentives and activities affecting various levels of government: the Strategic Regions for Integral Development (REDIs). In addition, five high-level bodies were created within public administration for handling short-term requirements or programs (Health Task Force, Agriculture Task Force, Civil-Military Border Taskforce, Taskforce of the Workers of Guayana, and Economy Taskforce). In October 2013, Maduro had to submit the plan for the country's economic and social development for the period 2014 to 2021 as well as the draft budget. These documents are of great importance for the determination of the long-term course. Recent developments point to a strengthening of centralisation and control. Programmatic and ideological arguments may become nothing more than a cover for shoring up and maintaining centralised power structures.

The introduced instruments are likely to result in various types of restrictions. For one thing, they will affect citizens' lives and rights. But they will also affect critical elements such as the socio-political structure, produce a bloating of the state apparatus, increase dependence on revenues from oil exports and subordination of society to decisions and central government institutions. Under the prevailing conditions, these substantive changes in politics, the economy and society seem hardly reversible, even in the highly unlikely event of a democratic change in power. This

is because it is not very likely that the mechanisms of the social support programs can be dismantled without affecting the daily lives of the majority of the population. Only if agreements can be made that will produce a restructuring of the institutional framework will there be any hope of a return to a democratic course and the possibility of potentially creating long-term scenarios for economic activity not dominated by the state.

No doubt there will be no simple way out of the current situation. President Maduro is faced with the challenge of overcoming not only the political but also a serious economic and social crisis. Shortages of goods and food, inflation, violence and criminality, corruption as well as failure of law and order are seriously affecting most of the country's citizens. If the government does not succeed in getting the problems under control, it is likely to continue losing support. The crisis therefore has the potential to jeopardise the government's political survival. The opposition, for its part, faces the problem of an internal dispute about its general approach. Unless the sides can come together to present a joint front, the opposition will find it difficult to reach the critical mass required to resolve the conflict. In the meantime, Venezuela faces an uncertain future as a country between socialism and perpetual political crisis.

This article has been translated from Spanish.