

A Brief Profile of Venezuela: its Political, Economic and Social Challenges
and some Policy Prescriptions

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“If you look at Venezuela from any indicator of human rights, or human health, or socio-economic guarantees – Venezuela is [...] a failed state.”

- Andrea Murta, *'Is Venezuela on the brink of collapse?'*, *The Briefing Room*, BBC Radio

1. Introduction

For most Venezuelan citizens, decades of illegitimate rule and poor policy planning from the in the last 2 decades propagates their poverty. Under President Hugo Chávez (1998 – 2013), the social welfare and economic ability of the country had improved marginally¹ by borrowing from Venezuela's future. More suffering came with the failures of his successor, President Nicolás Maduro (2013 – 2019)².

I take a bottom-up approach for most of this paper's policy prescriptions, because, as Jawaharlal Nehru says, “Every little thing counts in a crisis.”

a. Research Question and thesis:

This paper will:

- i. Assess the successes and failures in the domestic policies of former President Hugo Chávez and his successor, Nicolás Maduro, in Venezuela (late 1990s – 2019); did they promote human development?
- ii. Consider the political reforms Chávez's government introduced and their effect on the country's economy and social development.
- iii. Propose a small series of policy prescriptions to address these issues.

Venezuela's economic and political history in the past century is vastly different from the rest of Latin America's³. This is why policy prescriptions that worked for other Latin American countries may not work for Venezuela. In this paper, I will identify Venezuela's unique economic and political history as well as its current state of social development. Then, several policy prescriptions will be discussed. I focus a humanist approach to detail the issues in human development (as social welfare); but because social welfare is not an isolated factor, I will consider economic and political decisions taken by the governing bodies in Venezuela.

b. Scope and historical context

i. Scope

It is difficult to analyze Maduro's policies due to a lack of statistics and general output information from his time in power⁴. Thus this paper looks further back to Chavez's reign as well, and describes some policies that could have been implemented then. The poor policy-planning is highlighted

¹ In 1997, the year before Hugo Chávez was voted into power, Venezuela's poverty headcount ratio at national poverty lines was 55.6% of population. In 2005, it was 42.4%. In 2015, it was 33.1%. Refer to Appendix 1 for a graph on poverty levels and HDI changes in Venezuela for the last two decades (World Bank Unknown.).

² At the time of writing, Juan Guido is opposing Nicolás Maduro's presidency. The USA and a host of other countries have recognized Guido as the legitimate interim leader of Venezuela.

³ Colombia is a particularly interesting case. It struggled to maintain its public health system in 2012, nearly filing for bankruptcy. New legislation “limit[ed] the services the government would cover, regulate[d] the drug market, and adjust[ed] an incentive structure that had lowered accountability and encouraged excess” (LaForge 2018). In this way, it successfully re-built the health system with limited financial resources. Venezuela might look to Colombia as an example to mimic, though Venezuela has to deal with the added limitation of never-before-seen rates of inflation that was not a problem in Colombia.

⁴ I encountered great difficulty in finding statistics for many of Venezuela's development indicators. Venezuela's political climate is in such turmoil that collecting numerical data is impossible in many cases.

by the recognition that, in 1999, “although Chávez’s political revolution satisfied a widespread demand for revenge, it did not by itself generate economic prosperity, create new jobs or increase social welfare [as much as needed]” (Weyland 2001). Additionally, Venezuela is a failed state; this paper thus makes the argument that very little can be done to solve its problems immediately. I attempt to focus more on the issues that it faces rather than steps to be taken.

ii. Context

In December 1998, Hugo Chávez was elected president, promising to dislodge the corrupt political elite (Weyland 2001). Citizens hoped for a “political house cleaning” to stop economic decline, restore growth, “and overcome escalating social problems” (Weyland 2001). Furthermore, Chávez often called upon the image of Simón Bolívar, the famous Venezuelan military official who managed to liberate a smattering of Latin American countries from the Spanish Empire⁵. Chávez represented himself as a devout follower of the Bolivarian school of thought. The fact that Chávez himself was also a military member helped strengthen this correlating image. In 2013, after a bout of cancer, Chávez died.

Chávez’s successor, President Nicolás Maduro (2013 – 2019), has been self-described as the natural follower to Chávez, and makes a point of displaying himself near images of Chávez in official television broadcasts (Appendix 2 for images)⁶. However, Maduro was *not* in the military, and is seen by some as an ‘outsider’ when compared to paratrooper Chávez. The military still supports Maduro’s regime, but he relies on being the image of “little Chávez” to maintain whatever shred of falsified legitimacy he can.

Geographically, Venezuela lies between Colombia, Guyana, and Brazil⁷ (Lieuwen 2019). Geologically, it is an oil-rich region; in the 1970s, it was widely considered on-par with the production of crude oil from the Middle East. In fact, it stood to make a large sum of profit from oil exports, but catastrophic policy management allowed “the political [i.e. upper, influential] class⁸ and its allies among business and labor [to squander] the country’s wealth” (Weyland 2001).

The conditions of Chávez’s rise to power are singular. Venezuela was, as mentioned, a large exception to the Latin American stereotype of politics being overly influenced by the military. To be precise, “[t]he Venezuelan military, for the most part, remained in the barracks after 1958, when it supported the overthrow of a corrupt dictatorship and the implementation of free elections” (Danopoulos 2003).

“The [...] political class[es that followed were] composed mostly of two parties: the social democratic Acción Democrática (AD) and the Christian democratic COPEI. They enjoyed unchallenged political predominance in the 1970s and 1980s, usually alternating in government” (Weyland 2001). But the advent of the government’s mismanagement and corrupt exploitation of “the oil revenues gradually undermined people’s faith in their leaders” (Weyland 2001). Therefore, Chávez’s campaign promises (of leaving power if faced with accusations of corruption or being a criminal, in particular) were tantalizing for the general Venezuelan population⁹ (Noticias 2012). Due to his predecessors’ lack of legitimacy, Chávez was the golden option for the next *presidente*.

⁵ These countries included Venezuela, Bolivia, Colombia, Ecuador, Peru, and Panama.

⁶ Unsurprisingly, Maduro has also commented that Chávez has visited him as a little bird to say that he was pleased with the way the country was being run (NEWS WIRES 2014).

⁷ See Appendix 3 for a map of Venezuela and its surrounding region.

⁸ Kurt Weyland defined the political elite as the “‘political class’ in Latin America” in *Will Chávez Lose His Luster?*

⁹ In the source video, the interviewer asks Chávez, “Are you willing to leave power after 5 years?” Chávez responds, “Of course I am willing to, even earlier. We are proposing a constitutional reform [...] to have a true authentic democracy. If [...] I end up being a fiasco, a failure, or a criminal or corrupted, [...] I would be willing to leave.”

2. Challenges faced by Venezuela

a. Bottom-Up

I. Social issues: defining and measuring poverty

None of these issues are isolated in a vacuum from the others. Malnutrition is exacerbated by inflation of the currency¹⁰. Hyper-inflation is linked to corruption and mismanagement, among other things. All the issues, particularly the social welfare issues, mesh together to form a complex web of cause-and-effect.

i. Non-existent healthcare

The over-inflation of the currency, the *bolivar*, has made it difficult for sexual couples to purchase birth control items. As a result, the healthcare gap¹¹ increases as rates of sexually transmitted diseases (STDs) and pregnancies skyrockets (Hyperinflation is affecting how Venezuelans have sex: the hidden side-effects of an economic meltdown 2018). The issue only worsens when we consider that the hospitals are critically understaffed (or, in some cases, *deserted* of all staff). A look at the BBC's documentary in Venezuela's capital, Caracas, shows us that power outages at the hospital are common, and backup electrical generators are broken. "But," says one worker there, "the government does nothing about it." (BBC World Service - Newsday 2016).

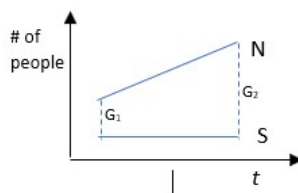
Statistics such as life expectancy, infant mortality rate, and literacy rates for the last twenty years are nearly non-existent. The country is in such extreme political turmoil that it is not releasing numbers of its development indicators.

Prior to Maduro's reign, Chavez had invested unknown amounts of money into the small-scale hospitals, known as *barrio adentro* (Egan 2011). Medicines were readily available, and hospitals were appropriately staffed. Now, with Maduro in power, policies changed. Unlike Chavez, Maduro was more interested in repaying foreign debts than funding his socialist (and humanist) agenda. Medical teams are leaving the hospitals in record numbers due to low wages, and lack of medical supplies (SkyNews 2018).

ii. Food distribution crisis

¹⁰ Unsurprisingly, the price of all consumables in the marketplaces has skyrocketed in the last half-decade or so.

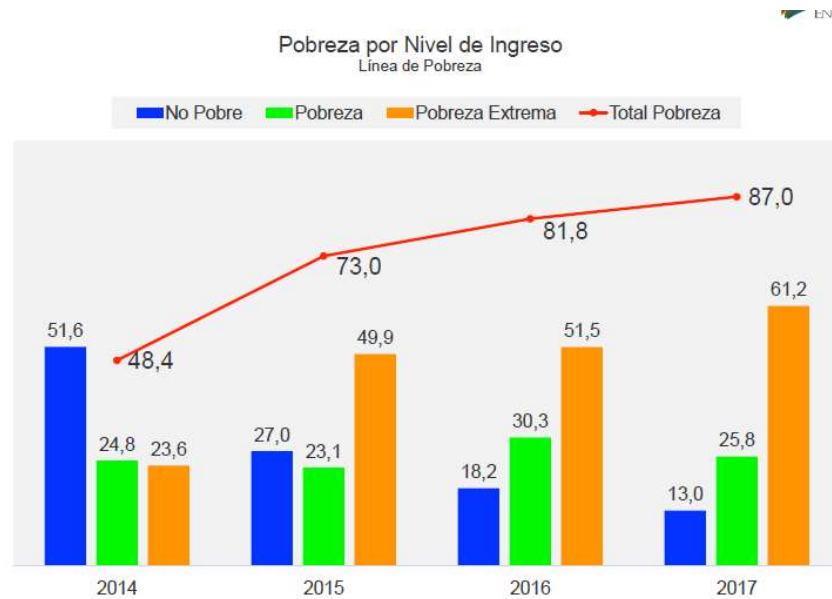
¹¹ The healthcare gap (a concept that this paper's author has created) can be clearest defined through a graph. Let G be the healthcare gap, N be the need for healthcare (demand), and S be the supplied healthcare for the general population. Note that Gap 2 is larger than Gap 1 (i.e., as time goes on, the gap between supply and demand grows larger).



“This is [...] how bad [the situation] is right now to buy food: these queues just literally go around all of the [supermarket] building, go downstairs into the basement, and then come up again until they’re finally able to get into the supermarket, hoping to get flour. One person [had] been there since three in the morning until four in the afternoon, and he was only able to get two packs of flour” (Hernandez, *Going hungry in Venezuela* Unknown.)

- Vladimir Hernandez, ‘*Going hungry in Venezuela*,’ *Crossing Continents*, BBC Radio

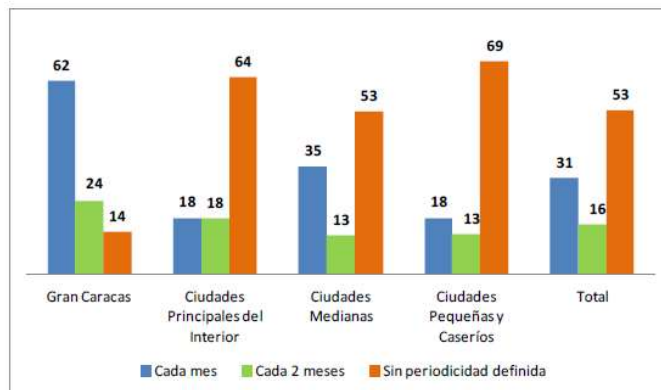
According to the *Survey of Living Conditions in Venezuela/Encuesta sobre Condiciones de Vida en Venezuela*, the rates of 3 variables (‘not poor’ in blue, ‘poor’ in green, ‘very poor’ in orange) nearly inverted over the course of three years, from 2014 to 2017.



(ENCOVI 2018).

Food is a major factor in poverty levels. Furthermore, Venezuelans have been depending on distribution of food baskets from the government for the last few years, which the citizens do pay for. There are further injustices when we look at the biases of distribution depending on where the citizens live (from left to right: Caracas area, major interior cities, medium cities, small cities and hamlets, total; in blue, monthly delivery, in green, once per month, in orange, without periodicity):

Periodicidad de las bolsas de comida (CLAP 2017)



Malnutrition is common; parents often choosing to feed their children before themselves. Children die daily of starvation in the slums and hamlets.

Why this change from Chavez to Maduro's reign? There was a shift in focus from internal to foreign policies. Additionally, Maduro moved the country towards a dictatorship-style socialist republic. To maintain his government, Maduro has been supporting drug trafficking (Aaronovitch 2017).

II. Unrealistic expectations, poor policy planning

i. "Most people's expectations focus on the kinds of economic and social problems that elude decisive remedies. Venezuelans expect Chávez to lower unemployment, provide better social services such as education and health care" (Weyland 2001). The Venezuelan population was so severely disillusioned with the previous governments that it would likely have voted any opposition in that promised rapid and extreme changed (regardless of competency); Weyland makes the argument that Chávez rode a wave of popularity only because of hatred towards the previous regimes. In fact, "a neopopulist¹²'s political success requires resolving a country's problems with a few quick, bold steps that yield tangible improvements" (Weyland 2001). Chavez did this, funding education for the poor, attempting to alleviate poor healthcare conditions, and more (Jared A. Abbott 2017). However, he took on debt to do so.

ii. Poor policy-planning

"The combination of plummeting oil revenues and years of government mismanagement has virtually killed of the country's economy sparking a humanitarian crisis that threatens to engulf the region" (Johnson 2018).

"Unfortunately for Venezuela, Chávez – like many of the people [he worked with] – knew nothing about the business that was so central to the country's prosperity" (How Venezuela Struck it Poor 2018) Pedro Burelli, a "former [Petróleos de Venezuela] board member

[commented that Chávez's] was a completely encyclopedic ignorance" (How Venezuela Struck it Poor 2018).

The fact is, Venezuela's GDP growth is leaping around uncontrollably (World Bank n.d.) Countries should aim for a *stable* GDP growth, rather than focusing on an increasing GDP. By these standards, Venezuela has failed abysmally. Starting in 2000, we see the leap upwards in GDP growth until 2004; after that, the GDP declined rapidly.

b. TOP-DOWN

I. Chávez's political bilateralism

Kurt Weyland suggests that "business confidence has faltered due to [...] Chávez's populist language. Although the president promises to protect private capital, he often lambasts business and spouts radical rhetoric as when he praised communist Cuba's progress 'toward a sea of happiness'. The lack of effective checks and balances on presidential discretion makes these outbursts [...] a direct threat to potential investors and entrepreneurs, both at home and abroad." (Weyland 2001)

II. Mismanagement of oil revenues

In *The Chávez Phenomenon*, Ronald Sylvia and Constantine Danopoulos argue that one of Chávez's largest policy failures was his over-dependence on oil revenues. Like Weyland, they think that "the government is spending large parts [of income] on short-term stimulus measures" (Weyland 2001). Furthermore, "[under Chávez's government, the Organization of Petroleum Exporting Countries] drove the price per barrel from around \$10 to its current mid-\$20s per barrel level. The price reality for Venezuela however is lower due to the quality of its petroleum." (Danopoulos 2003) Overestimation of oil value was dangerous.

To add to the stress, an over-dependence on the production of crude oil proved to be detrimental for the economy in the late twentieth century.

According to sociologist Keith Johnson, "Chávez's goal was to exert control [over] PDVSA and maximize its revenue, which he needed to fund his socialist agenda. But achieving the latter required cooperating with the rest of OPEC, which, as in the 1980s, wanted to cut production in order to raise prices. The problem for Chávez was that many of the PDVSA's then-managers wanted to *increase* production, by continuing the development of Venezuela's technically challenging heavy oil fields." (How Venezuela Struck it Poor 2018) In fact, the population of Venezuela is now reduced to desperate measures to purchase oil. Imagine: "the same state that six decades ago dream up the idea of a cartel of oil exporters[, it] now must *import* petroleum to meet its needs" (How Venezuela Struck it Poor 2018).

Prior to the major oil craze, when Venezuela was just beginning to recognize its oil revenue's potential (1977), there were several complex laws ensuring that the government could seize control of private assets of petroleum production. This omnibus allocation implied that the government had greater right than individuals in the production of petroleum. In fact, in the *1977 Laws Pertaining to Business Matters*, section XIX.1 states that the state "reserve[s] to itself] the production and marketing of hydrocarbons for reasons of national advantage [as well as] all matters relating to the exploration within the national territory of petroleum asphalt and other hydrocarbons, the

exploitation of deposits of these, the manufacture, refining, transportation by special means and storage” (General Secretariat, Organization of American States 1977).

III. The threat to the Constitution and democracy

In 2017, Maduro suggested a re-working of the Constitution (2017); this included the dissolve of the National Assembly (NA) and the rise of the Supreme Tribunal of Justice (TSJ) in its stead. Most of the members of the National Assembly were opposition members to Maduro’s party. However, this decision was revoked soon after public outcry. The fear that Venezuela was becoming a dictatorship solidified after this Constitutional Crisis. In fact, after the NA dissolved, Maduro announced, "They're giving me and authorizing me, enabling special powers that stem out of the state of emergency clauses in our constitution. This is an order by the Supreme Court. It's a historic ruling” (Gonzales 2017).

Additionally, drug trafficking is a serious concern; the Maduro government is suspected of allowing such illicit activity to occur as a means of funding itself. The drugs are trafficked to the UK, the USA, and other first-world nations (Venezuela Investigative Unit 2018).

3. Policy prescriptions

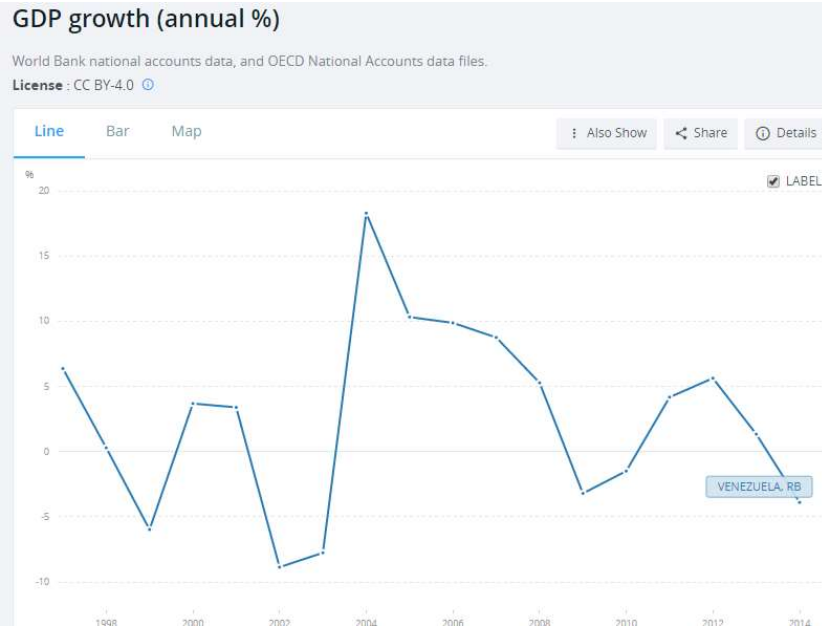
- i. The production of crude oil is unsustainable. Venezuela’s governing bodies trusted too much to the hands of the PDVSA/oil industry. The *sine qua non* of this policy prescription is that Venezuela must focus on secondary sources of state income, such as coffee bean production, or other hydrocarbon products. In diversifying its revenue, it will be able to maintain a more stable growth.
- ii. In the 2000s, Colombia also struggled to balance its fiscal capacity and the demands on the health sector. It was on the brink of collapse; but with tighter financial tracking, and limiting the services offered to citizens, Colombia saved its health system from total failure. If Venezuela can mimic these steps, avoiding corruption and re-centralising its health investments, it too can keep its system from total bankruptcy.
- iii. Finally, Juan Guido (or another anti-Maduro figure) should attempt to stem drug trafficking into the US and the UK. If this is successful, the Maduro’s government and his conspirators are forced to step down and face charges under the International Criminal Court.

4. Conclusion and Final Thought:

An uncertain future lies in store for the Venezuelan people. Despite Hugo Chávez’s best and efforts, Venezuela stills remains in poverty. The rise of Maduro has only brought Venezuela to its feet, satisfying the definition of a failed state. Its citizens are vastly unhappy with social conditions that stem from political inability. Very little can be done to fix the complex issues it currently faces without closer study; the policies suggested here are just the tip of the iceberg. But writer David Sirota is optimistic about lessons for the future. “Are there any lessons to be learned from Venezuela's policies that so rapidly reduced poverty? [...] [A]re there any constructive lessons to be learned from Chávez's grand experiment with more aggressive redistribution? [S]uch questions need to be asked [...] maybe now [that Hugo Chávez is dead, and Maduro rules] a more constructive, honest and critical economic conversation can finally begin” (Sirota 2013).

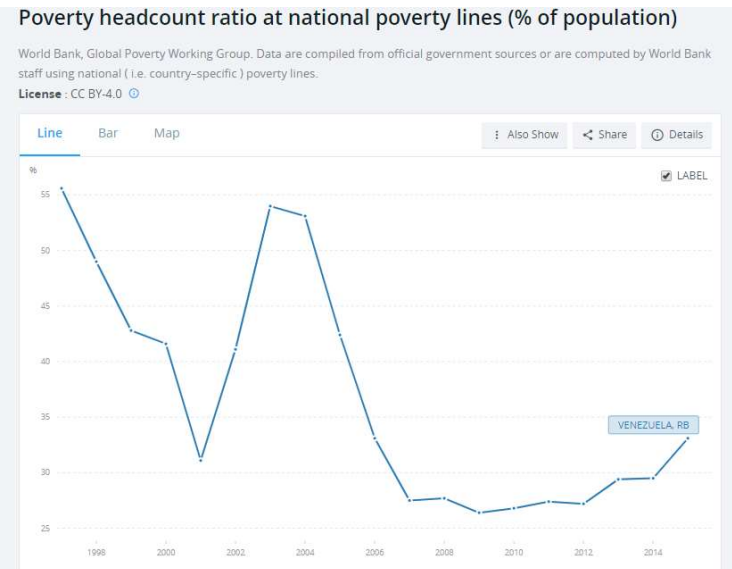
Appendices

1. Poverty Levels and HDI (1995 – 2018)
 - i.



(The World Bank Unknown)

ii.



(The World Bank Unknown.)

2. Maduro's Cult of Personality

i. Maduro beside a cardboard cut-out of former President Chávez:



(VOA News 2018).

- iii. Maduro presents himself beside an image of Simón Bolívar, the military official who liberated Venezuela from the Spanish Empire.



Maduro tells a news conference that Venezuela is in

3. Map of Venezuela and surrounding regions



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