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Oil, Populism, and the Decay of Democracy in the Bolivarian Republic of Venezuela

As the world's fifth largest oil producer, nearly all aspects of Venezuela's economy and society are somehow tied in with the oil industry—and consequently, the country's nationalized oil industry has increasingly become a highly politicized institution that has grown to be an integral funder of both the government itself and the government's welfare programs directed at lower-income supporters. Oil itself has become the harbinger of life and death for many in the country, with existence of welfare programs, food, and even other economic sectors relying on the cost of petroleum in the global market. From the rise of populism to the steady decay of the democratic process, the creation of a petroculture in Venezuela has made society increasingly reliant on the state, even as the state itself begins to distance itself from the will of its people.

Petróleos de Venezuela, S.A., or PDVSA, is the Venezuelan state owned oil company—the fifth largest oil exporter in the world and the main source of revenue for the Venezuelan government. Due to the government's unorthodox economic policies and poorly managed finances however, producing oil has become secondary to supplying revenue for social welfare programs. In the five years spanning between 2010 and 2015, for example, the company spent more money on government sponsored welfare programs than operating and exploring in the oil sector—with money funneled towards these programs additional expenses to the taxes and dividends already paid each year towards the government. These programs include food

production (corn, meat, sugar, milk, and more), subsidized housing, and social spending plans whose purposes range from subsidizing food for low income citizens to creating networks of doctors to send to lower income areas—areas where support for current regime is easily bought through the application of these very programs (Gallegos, 140). Thus, with the government doling out aid and often supplying jobs for lower income citizens through the creation of many of their social programs, politicians guarantee a support base for the current regime based on the unstable price of oil—with programs failing as global prices drop and flourishing as they rise once more.

That said, the immense role of the oil company in the political spectrum was not immediate after the 1976 nationalization. Given the volume of oil the country is able to produce, oil has always been a prominent method for the government to win support by diverting oil revenue to social programs, but this practice was particularly notable after Hugo Chavez's 1998 win of the presidential election. Campaigning on the idea of vast reforms—heavily based on social reform in particular—Chavez's win placed him at the helm of a government that he would remain at the forefront of until his death in 2013, with lower-income citizens who were the primary beneficiaries of social welfare programs holding up his government even as other sectors of society increasingly defected.

Under Chavez, the ideology that the traditional market economy modeled by developed countries is inefficient in developing countries with large amounts of natural resources prevailed as the government pushed the idea of a socialist Bolivarian Revolution. Throughout his presidency, Chavez peddled the system his government had put in place to redistribute the country's main source of income, oil, to help the poorest segments of the population. "By

ensuring that poor Venezuelans have enjoyed tangible benefits from the country's oil wealth, Chavez [had] been able to win the loyalty of a significant portion of the citizenry. In addition to his policies and programs, less fortunate Venezuelans personally identified with Chavez, whom they believed had an intimate understanding of poverty, given his background as a street vendor (“Venezuela: Country Review”, 38).” Essentially, Chavez grounded his populist appeal in the idea he was improving the lives of Venezuelans by spending the petrodollar on them—an appeal that often carried over in the poorer segments of society even as global oil prices dropped and the subsequent revenue funneled into the political support base slowed.

Accompanying the social welfare programs that propped up the base of Chavez’s support, however, was an incredible amount of economic mismanagement. Large government spending, minimum wage hikes, increased market regulation, and the nationalization of a number of economic sectors led to a consumption boom and the subsequent double-digit inflation, public debt, and a budget deficit accounting for over five percent of the country’s GDP—even as global oil prices were at record highs (“Venezuela: Country Review”, 180). With massive support from low income sectors and moderate support from the middle class, Chavez shifted the view from Venezuela’s increasingly fragile economy by consolidating his party’s power in government and weakening that of his opposition—with jobs at PDVSA going to political supporter’s, his government increasingly pushing state-sponsored television, urging the judiciary to restrict private communication, and blacklisting those disloyal to the regime by excluding them from government jobs and benefits (Corrales). By utilizing his definitive political support base, Chavez used his populist appeal in order to consolidate political power and lay the path for the successor to further move from a democratic vision. Even as protests periodically erupted

throughout Venezuela over the course of his nearly fifteen years in office, he continued to come out victorious in nearly every referendum his government put forward, only one of which failed, and every election he took part in—including the election preceding his death in which he directly violated the term limit set forth in the constitution his own government had ratified (“Venezuela: Country Review”, 46).

After Chavez’s death in 2013, Nicolas Maduro took the helm as president of Venezuela. With Venezuela already suffering from a decade of economic mismanagement, oil prices began to fall to levels unseen during the Chavez era and the country entered a steep plunge into housing crisis, high inflation, an electricity crisis, and rolling food and goods shortages—all fallouts from the financial mismanagement of the previous government (“Venezuela: Country Review”, 180). Furthermore, oil production began to steadily decline as a result of high costs of production and the windfall of placing more emphasis on supplying government revenue than oil production itself. “By August 2016, CNN Money was reporting that Venezuela was effectively suffering from a humanitarian crisis due to shortages of food such as meat, fish, fruits, sugar and bread. The country was also suffering from medicine shortages. Venezuela’s economy was in a deep recession while cash was running out. The IMF was describing Venezuela as the world's worst-performing economy in 2016. The organization projected its economy would shrink 10 percent for the year and that inflation could skyrocket over 700 percent. The country seemed more focused on debt payments than the food shortages, yet it was struggling on those too (“Venezuela: Country Review”, 183).”

Unlike Chavez, who even in the face of opposition was able to retain a base of support due to the continuation of social programs and maintenance of the idea that his government was

that of the people's will, these programs were unable to be sustained in the face of economic crisis under Maduro and this idea no longer held up as the population faced humanitarian crisis—the support base that had traditionally been maintained under Chavez was unable, or unwilling, to stave off opposition forces. With protests erupting throughout the country, some of which led by opposition leader Henrique Capriles, and opposition forces in control of the legislature, the democracy that had been maintained under Chavez through the continued maintenance of elections, referendums, and freedom of the legislature began to decay. Decisions made by the legislature were increasingly ignored by Maduro's government and an increasingly large number of barriers were created to the opposition's effort to push a recall referendum. By October 2016, Maduro's administration effectively disenfranchised opposition forces by suspending the referendum and postponing elections (Corrales). In a decision in March 2017 to effectively strip the legislature of power, Maduro hoped to fully consolidate power in a country that was increasingly against him, though this decision was overturned by Venezuela's Supreme court only days after.

Essentially, Chavez used revenue generated from oil to channel support and resources towards a population sector that would remain loyal to his regime and thus allow him to accumulate power and suppress opposition. As the economy increasingly worsened following his death, however, this support base was no longer able to be maintained—the few resources available were funneled to hardline loyalists in the military and existing government structure, allowing Maduro to protect the regime even as the government moved away from the last existing democratic structures and the people of Venezuela faced a lasting humanitarian crisis.

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