

COMMENTary

# Venezuela at an impasse - The roots of the crisis

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**Anderson Bean examines the social and economic crisis that has jeopardized the advances of the Chávez era—and traces the roots of the crisis to their sources.**

VENEZUELA IS facing the largest political and economic crisis since the 1998 election of Hugo Chávez began the Bolivarian Revolution [[1](#)].

Inflation has reached unprecedented levels—some estimates put the country's inflation rate at around 270 percent [[2](#)], though it's difficult to determine exact numbers since the Central Bank of Venezuela refuses to publish official figures.

Shortages of basic consumer goods have become common, and long lines can be found outside supermarkets where Venezuelans wait for hours to buy basic goods.

Over the past few weeks, hundreds of thousands of Venezuelans—both supporters of the ruling United Socialist Party of Venezuela (PSUV) of President Nicolas Maduro and opponents of the government—have taken to the streets in Caracas.

While there is little debate that Venezuela is in crisis, who's to blame for that crisis is far more controversial. The dominant narrative in the U.S. media—that Maduro has merely continued the country's long degeneration started by the authoritarian tyrant Chávez—reflects the bipartisan contempt of the U.S. political class for the Bolivarian Revolution from the start.

The right-wing parties favored by the U.S. have been detested for almost two decades by most poor and working class Venezuelans.

But the increasing repression of the Maduro government is creating wider opposition—and revealing some of the longstanding weaknesses of a political model that relied heavily on the charisma of one leader and the temporarily high global price of oil.

**DESPITE THE important** gains achieved by and for working people during the Chávez era, Venezuela remains a capitalist country.

The overwhelming majority of the means of production are privately controlled. Despite its progressive language on participatory democracy and human rights, the 1999 Chavista constitution gives significant protection to private property in Article 15.

In fact, between 1999 and 2011, the private sector's share of economic activity actually increased from 65 to 71 percent. The critical oil sector is dominated by a state-owned company, but other important industries, like food imports and processing operations, pharmaceuticals and auto parts,

are still controlled by the private sector.

The crisis taking place in Venezuela, therefore, is not a crisis of socialism—the collective and democratic control of the means of production—or of attempts to achieve socialism, but rather a crisis of the strategy of working within the confines of capitalism and making concessions to powerful sectors of the capitalist class, rather than confronting them.

The Venezuelan oligarchy has used its control of the economy to contribute to the crisis, particularly through hoarding and capital speculation.

The government subsidizes basic goods to ensure that products which were unaffordable under previous administrations are affordable for the majority of Venezuelans. But access to them has been affected by the hoarding of the business class.

This has manifested itself in two ways. First, food and regulated goods are hoarded and then sold for exorbitant prices—often a 100 percent markup or more—on the black market or across the border in Colombia.

A second strategy of Venezuelan elites has been to not resell goods but simply hold on to them to create shortages—with the aim of destabilizing the economy and giving the impression that the shortages are the result of mismanagement by an incompetent government.

Government officials have, on various occasions, found warehouses full of basic goods, lying there rotting, while supermarkets and hospitals have shortages and people wait in lines for hours for these same products.

Two examples of this type of hoarding are the Herrera C.A. factory in the state of Zulia [3], where 1.5 million diapers, baby formula and various other regulated goods were found in a warehouse—and the warehouse in the state of Aragua where the government found all kinds of medical equipment.

**IN THE early** years of Chávez's presidency, a number economic measures were taken to defend against sabotage orchestrated by the capitalist class—the two most important being foreign exchange controls to prevent capital flight and price controls on basic food products to defend the purchasing power of the poor.

Eventually, capitalists found ways to circumvent these measures. To circumvent regulated prices for rice, for example, businesses have produced flavored varieties, which are not covered by price controls. This is critical because the private sector has a near monopoly on the production and distribution of many basic food products.

In order to understand how capitalists found a way around currency controls, it's important to look at Venezuela's complex currency system, which includes three different exchange rates.

The DiPro, the official exchange rate used for the import of food, medicine and raw materials used in domestic production of goods and services, is currently around 13 Bolívares to the dollar. DiCom, a floating exchange rate used to cover all transactions not covered in DiPro, is currently somewhere between 300 to 700 Bolívares to the dollar. Then there is the black market rate, which has reached 4,000 Bolívares to the dollar.

The chasm between these rates has opened the door for corruption and currency speculation.

The government provides dollars to businesses at the DiPro exchange rate in order to import goods

and services, but many of these businesses end up selling the preferential dollars on the black market to make huge profits, rather than using the money to fund manufacturing or imports of any actual commodities. The result has been a serious scarcity in a number of key goods and an estimated net loss of \$300 billion [4].

The currency system—put in place to prevent capital flight just after the 2002-03 oil lockout, one of several U.S.-backed attempts to topple Chávez—may have made sense at the time it was implemented, but why has the Maduro government not changed these controls, which could eliminate many of the incentives for corruption and speculation?

Part of the answer lies in the alliances that the government has made with certain parts of the private sector which benefit handsomely from the status quo.

As Juan Manaure and Carlos E. Jaurena argue in an article for Venezuela Analysis [5], there are only two ways out of this crisis: “[E]ither the controls on the economy are completely lifted, as demanded by the capitalists, thus making the workers pay for the crisis; or the key sectors of the economy are expropriated, making capitalists pay the price for the crisis.”

Unfortunately, the Maduro administration has made further concessions to the capitalist class and those opposed to the Bolivarian process advancing further.

Thus, opponents of the Bolivarian process include not only those who openly identify as part of the opposition, but also opportunists who are nominally on the side of the Chavismo, but whose interests don’t align with genuine popular power and a transition to socialism. This latter group includes many figures in the government and the ruling PSUV itself.

**MANY OF the contradictions** that are now playing out—and in particular are driving political polarization among those who claim to stand for Chavismo—are based in the Bolivarian process’s overdependence on two factors: flush oil revenues and the authority of Hugo Chávez himself.

These contradictions stayed mostly hidden from view for many years, but they have come to the fore in the short span of about a year and a half with Chávez’s death in early 2013 and the collapse of global oil prices in the summer of 2014.

The price of a barrel of oil dropped by more than 70 percent from 2014 to 2016 [6], down to \$33 a barrel, the lowest rate in more than 13 years.

Oil revenues make up 95 percent of Venezuela’s total export earnings, and the oil and gas sector represents about 25 percent of gross domestic product. The collapse of oil revenues due to declining international prices reduced the ability of the government to import raw materials and food, maintain social programs and keep subsidies on regulated goods that previously were sold at a loss.

One response of the government has been to print more money, but this, along with the prioritization of the payment of foreign debt over importing goods and an increase of corruption, has led to massive inflation. And all this in turn has led to high levels of capital flight, with an estimated \$250 billion taken out of the country in the last few years [7].

**THE SECOND contradiction** of the Venezuelan experiment dates back to the founding of the PSUV. The party was formed in 2007 to bring together all existing organizations that supported Chávez and the goal of “socialism of the 21<sup>st</sup> century” as Chávez articulated it. The PSUV was to be an open mass democratic party of the left. After its first six weeks, it claimed 6 million members.

The emphasis on popular power and participatory democracy is clear in the 1999 Chavista

constitution, and this has given rise to various institutions such as social missions, participatory budget allocation, co-management of state-owned factories, community radio, communal councils and the communes.

But the PSUV left little room for popular participation in the party itself. Though in the party's early years, hundreds of militants participated in community assemblies, and various currents within the party had representatives who could make proposals, it was still a highly centralized party, with Chávez at the top of the pyramid.

The PSUV relied on the unquestioned authority of Chávez, and it never developed a collective leadership beyond him. This worked for some time because of Chávez's charisma and his ability to connect with people in the popular sectors, but after his death and the election of Nicolas Maduro, the limits of the model became more obvious.

Under Maduro, the extent to which popular participation was permitted in the PSUV and society at large decreased further. A ruling bureaucracy within the party and the government became more powerful. This bureaucracy controls the large public sector budget and has made alliances with various parts of the private sector.

Chávez himself had engaged in alliances with parts of the private sector, but these grew much further under Maduro, after the eruption of the "guarimbas"—violent right-wing protests which began in February of 2014 and lasted until April.

These anti-government protests called for "la salida"—the "exit" of Maduro's elected government. Protesters blocked off roads and communities, burned trash in the streets, attacked state-run health clinics, destroyed billboards and demolished public buses. There were some reports of anti-government protesters stringing wire across the road to decapitate motorcyclists.

Yet Maduro's method to resolve the guarimba violence was to negotiate with the business class.

**IN WHAT** were called "peace" negotiations", Maduro met with business leaders and powerful private capitalists, including the Venezuelan Federation of Chambers of Commerce (Fedecámaras)—an organization that was instrumental in the failed 2002 coup d'état that temporarily overthrew Chavez. Another participant was Lorenzo Mendoza, owner of the Polar Company, the country's largest domestic food producer, and perhaps the most powerful private capitalist in Venezuela.

But perhaps more important than those who were invited was those who were not. As Gonzalo Gomez of Marea Socialista, a Trotskyist current that was part the PSUV from its inception until it left the party in February 2014, wrote at the time [8]:

*"Only representatives of the right wing, not those of the working class and popular sectors have been invited. So far, the negotiations have functioned as a way to push Maduro into making further concessions to the interests of the capitalists as a pragmatic way forward—though the base of Chavismo favors a very different response."*

Some of Maduro's concessions included giving capitalists loans from state-owned banks, further liberalizing the foreign exchange controls to allow private companies easier access to dollars, and opening up 117,000 square kilometers of land in the Orinoco Arc—roughly 12 percent of Venezuela's national territory, an area larger than all of Cuba or Switzerland—for open-pit mining.

This plan, called "Arco Minero del Orinoco", is a boon for many large national and transnational corporations, but it will have disastrous ecological repercussions [9].

One of the firms that recently received a contract to exploit the Arco Minero, the Canadian mining firm Gold Reserve, is the same corporation that Chávez kicked out of the country in 2008.

Government concessions have only made material conditions more and more untenable for the working class, further deteriorating the support of working people for the government and testing their patience with the Bolivarian process. This growing unpopularity was reflected in the PSUV's major defeat in the December 2015 parliamentary elections [10].

**VENEZUELA IS in a deep** crisis, and the U.S. government, Venezuela's right wing opposition and powerful international forces claim the solution is international intervention—with, for example, the Organization of American States (OAS) invoking its Democratic Charter against the country [11].

But this would not benefit the majority of Venezuelans. On the contrary, it would be a gross violation of Venezuela's national sovereignty, and beneficial only to the country's elite.

The right-wing opposition has been emboldened by the growing atmosphere of crisis in the country—and the government has been unable to shift the tide because of the alliances it has made with the same sectors of private capital that have organized to reverse the gains won during the Bolivarian process.

These alliances were made without the involvement or participation of workers, the left and the popular sectors of the Venezuelan society—the real motor force of the Bolivarian process.

The Maduro government, with its growing bureaucratization and corruption, its class-conciliation policies and its repression of dissent, will likewise not bring an end to the crisis in a way that benefits the majority of Venezuelans.

We must be clear in our opposition to the violent attempts by the right-wing Venezuelan opposition and its U.S. backers to topple the government—while at the same time supporting forces that are standing up against the Maduro government in defense of workers' rights and democracy.

**Anderson Bean**, May 17, 2017

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\* <https://socialistworker.org/2017/05/17/venezuela-at-an-impasse>

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## Footnotes

[1] ESSF (article 41075), [Venezuela: Rebuilding the Bolivarian Revolution](#).

[2] <http://www.aljazeera.com/news/2016/01/venezuela-economic-crisis-worsens-oil-prices-fall-160108105010345.html>

[3] <https://venezuelanalysis.com/news/11158>

[4] <https://www.thenation.com/article/why-is-venezuela-in-crisis/>

- [5] <https://venezuelanalysis.com/analysis/12948>
- [6] <https://cn.nytimes.com/business/20150113/c13oilexplain/en-us/>
- [7] <https://www.aporrea.org/contraloria/n271878.html>
- [8] ESSF (article 41076), [Venezuela: Document to be presented at the National Congress of the PSUV](#).
- [9] <http://earthfirstjournal.org/newswire/2017/04/02/mining-and-resistance-in-the-venezuelan-ama-zon/>
- [10] <https://socialistworker.org/2015/12/16/the-end-of-21st-century-socialism>
- [11] <https://venezuelanalysis.com/news/12997>