

21st Century Socialism in Venezuela

Bolivarian Venezuela at the crossroads (Part 4)[1]

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Global Research, July 01, 2010

[CADTM](#) 1 July 2010

Region: [Latin America & Caribbean](#)

Theme: [History](#)

Reduce dependency on hydrocarbons and on the United States

One of the challenges that several previous governments have had to face, just as Chávez' government must, is to diversify the productive apparatus in order to shake off the country's extreme dependency on hydrocarbons (this is also true for the majority of the big oil-exporting countries). It was precisely to this end that, in the 1960s, a company such as SIDOR, the iron steel corporation, was created. Later, during the 1980s and 1990s, the neo-liberal governments privatized several public companies like SIDOR and decided to rely on foreign investments to diversify the economy. This was a failure.

In recent years, the Hugo Chávez government has in its own way been endeavouring to diversify the production infrastructure:

1. development and reinforcement of a steel and iron pole by carrying out a policy of import substitution (for instance, Venezuela is going to produce the pipes it needs for its pipelines whereas, up to now, they have been imported; with the help of the Chinese, Venezuela is going to produce railway equipment and re-develop its rail network);
2. support for local food production so as to come as close as possible to a situation of food sovereignty, while currently almost 90% of food products consumed in the country are imported (legacy of a decade-long use of oil revenues to import whatever Venezuela needed) ;
3. development of a petrochemical industry;
4. improvement of the production and supply of electricity, produced in the great majority from hydraulic energy (and fortunately not from oil). In this regard, contrary to the official position, Venezuela must avoid getting into electricity production from nuclear power;
5. nationalization of the cement industry so as to develop the government's housing construction policy.

Venezuela is also seeking to reduce the share of exports to the United States,^[2] its main buyer of hydrocarbons, by trying to increase its supplies to China (according to some government sources, there is hope that China will be buying as much as the United States by 2014, which seems a difficult objective to achieve).

Land policy

A land reform has been carried out,^[3] cooperatives and small farms have been granted substantial subsidies, but the initial situation was very delicate. The share of agriculture in the country's GDP is very low^[4] and, with some important exceptions (for instance the regions of big market-garden production in the Andes^[5]), Venezuela is one of the countries where the system of farmers' smallholdings has been notably weakened due to the importing model that has prevailed for decades.

How can a local farming population be reconstituted so as to ensure food sovereignty for a population that will reach 30 million inhabitants in the coming years? The problem is admittedly a difficult one to solve. To this end, the State needs to implement a vast package of incentive measures such as: a substantial improvement in the quality of public services in rural areas so as to reduce rural exodus; support for family farming and other traditional forms of agricultural production without favouring cooperatives exclusively;^[6] the development of a public retail network for farmers' production, guaranteeing stable outlets and prices high enough to encourage producers and save them from the clutches of the private networks that impose their prices on producers and secure excessive profit margins for themselves.

Michael Lebowitz made a number of proposals regarding farming policy in Venezuela that should be implemented to improve the situation: "taking into account the existing contraband due to an overvalued bolivar and the diversion of goods through the black market, the solution does not lie in subsidizing by supplying free inputs such as means of production, nor in direct monetary subsidies to agricultural production (except in cases where new production facilities are built). Why? Because, given the circumstances, there is no kind of control ensuring that products go where they are needed - especially when control or monitoring mechanisms, which involve high transaction costs, are lacking.

Therefore to ensure that subsidies lead to a real increase in food supply on the national market, and at decent prices, the best form of subsidizing is through a State agency that buys products at a set price. This State agency can offer the producers a price that encourages production and can later make sure that the items are sold to the population via the Mercal network at prices lower than those paid to the producers."^[7]

The Venezuelan government's debt policy

The public debt burden in percentage of GDP has been reduced over the last few years but one has to emphasize that the Chávez government is not initiating a comprehensive audit of the public debt, whereas it promised to do so on several occasions.^[8]

Besides, one can only wonder about the appropriateness of taking on new loans when the price of the barrel of oil was high and when liquid assets were abundant. And yet, in 2006 PDVSA went into debt for 12 billion dollars by issuing bonds on the international financial markets. How can this decision, which was not discussed in the National Assembly, be justified? With the decline in the price of the oil barrel since July 2008 (even if the current price - between 70 to 80 dollars a barrel during spring 2010 - keeps Venezuela on the safe side for the time being), don't the repayments by the PDVSA put a strain on its budget and excessively reduce its liquid assets? Why go into debt and transfer interests to the international (or national) private financial players if one has enough cash assets not to be forced to borrow money? These questions are unfortunately not being answered.

One should note that Chávez emphasizes the country's endogenous development, which he defines as "self-centred, based on domestic resources and an integral part of the strong comeback of the national dimension." Reducing PDVSA's external debt should be an interesting way of developing this definition.

Other steps to be programmed

One of the solutions that need to be implemented so that the State (instead of the present private banking sector) can retrieve a substantial share of the money it distributes (or spends) consists of transferring to the public sector (nationalizing) the greater part or the whole of the capitalist banking sector of Venezuela.[\[9\]](#) The State will then be able to re-invest part of the money it distributes (derived from its oil income) into the economy in the form of social spending or productive investments, in order to generate a virtuous circle of accumulation and the development of a public sector of the economy, as well as other kinds of ownership to be supported and strengthened (small private ownership, cooperative ownership, traditional forms of property among indigenous communities, etc.).

A second measure could consist of State control on foreign trade, so as to prevent a great part of the revenues it generates from being diverted towards capitalist accumulation and/or towards other countries through outflow of capital. A series of incentives of different kinds (taxes, subsidies, priorities in State orders...) is also needed to support the non-capitalist sector of the economy (obviously including small private ownership).[\[10\]](#)

Citizens' and workers' control to avoid 20th-like socialism

But what is absolutely essential is to set up mechanisms aimed at avoiding two major pitfalls: 1) the monopolization of decision-making processes by the State bureaucracy and

2) the emergence of a new bourgeoisie from within Chavism, which is already dubbed "bolibourgeoisie" (= the Bolivarian bourgeoisie, the section of the Chavist leaders who take advantage of their position to begin accumulating capital). [\[11\]](#)

Among other mechanisms, let us mention: establishing limits to the range of wages (for instance a scale from one to six) by reducing the highest wages and significantly raising minimum wages as well as other wages up to the average wages; forcing agents and civil servants to make an annual declaration of global incomes (salaries and other earnings and incomes) and personal wealth (since the accumulation of capital by bureaucrats is more often done through backhanders which do not appear in income statements whereas they do in statements of personal wealth); forcing citizens to declare their various bank accounts in the country and abroad (lifting bank secrecy); substantially increasing proportionality in income tax.

Improving the training of managers in public companies is also vital, because nationalizations require the creation of a recruitment pool of managers with high technical competence and a high level of political, social and ethical training. To step up the pace of nationalizations, a pool of managers has to be created, while simultaneously developing, as mentioned above, a policy of worker and citizen control. Unless this is done, there is the risk of creating public companies that are inefficient, and even corrupt.

The essential and certainly the most efficient remedy is to implement a policy of workers' and citizens' control over the accounts and running of companies and public institutions. It

would enforce transparent management (so as to prevent embezzlement, squandering, use of the resources of companies or institutions for projects which are not socially or environmentally justified) through a comprehensive audit policy in which workers and users of services must actively take part.

There is also a need for appropriate transition from workers' control to company self-management (while maintaining an external control). The whole battle for workers' control, for citizen control (which I also call control by users), for self-management, is part of the building up of grassroots popular bodies, such as the communal councils. The right forms still remain to be found so that this construction of grassroots entities is not restricted to a fragmented view. This raises the question of setting up a national federation of control organizations through which popular power can become a reality.

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Notes

[1] The first part of this series 'Bolivarian Venezuela at the crossroads' was posted on the CADTM website on 14 April 2010 under the title 'Venezuela. Nationalization, workers' control: achievements and limitations' http://www.cadtm.org/spip.php?page=imprimer&id_artice=5587, the second part was posted on 18 June 2010 <http://www.cadtm.org/Debate-and-contradiction-in-the> (see also: <http://www.europe-solidaire.org/spip.php?article17417>) under the title 'Debate and contradiction in the PSUV (United Socialist Party of Venezuela)'; the third part was published on 24 June 2010 under the title "The Venezuelan economy: in transition towards socialism?"

[2] According to the *Instituto nacional de estadísticas*, in 1999, the United States accounted for 47.36% of Venezuelan exports, and imports from the US amounted to 40.61% of the total imports of the country. In 2007, these percentages respectively decreased to 52.4% for exports and 25.8% for imports.

[3] At the end of 2008, 2,675,732 hectares had been recovered from *latifundias* (large estates) and farmers had been given title deeds and contracts for a total of 1,862,247 hectares.

[4] The agricultural sector accounts for barely 4.39% of GDP whereas in Colombia it accounts for 12.1%. The Latin American average is 6.22% of GDP.

[5] See Alexandra Angeliaume and Jean Christian Talet, « Mutation maraîchère et accompagnement institutionnel dans les Andes vénézuéliennes (1950-2007) » chapter 4 of the second part in Olivier Compagnon, Julien Rebotier and Sandrine Revet (eds), *Le*

Venezuela au-delà du mythe. Chavez, la démocratie, le changement social, Editions de l'Atelier/Editions Ouvrières, Paris, 2009, 238 pages

[6] The impact of the creation of the many farming cooperatives (and other cooperatives) has been rather mitigated in Venezuela (as has been the case for other countries that prioritized cooperatives over individual family farming).

[7] Michael Lebowitz, "De los subsidios agrícolas a la soberanía alimentaria", 2 February 2008, 7 pages.

[8] Hugo Chávez announced the launching of a debt audit when he met a hundred or so delegates of social movements from all over the world in January 2006 after the 6th edition of the World Social Forum, a polycentric forum held in Caracas, Bamako and Karachi. I attended this meeting, which was entirely broadcast live on public television. Chávez also made a commitment to audit the debt in late 2008, during an ALBA meeting.

[9] A first measure in this direction was taken in 2009 when Banco de Venezuela was nationalized.

[10] In this respect, see Victor Álvarez's proposals in the final part of his document mentioned earlier.

[11] Roberto López, a professor at the University of Zulia, criticizes a process "where private company sectors, which are not necessarily those trying to overthrow the government, but private sectors allied to the Bolivarian bureaucracy, have become multimillionaires during this period. An analysis should be made of these private groups and of their relationship with the economic assets of many leaders and prominent figures of the process. There seems to be a new Bolivarian bourgeoisie associated with business circles. For instance, a fact I heard about almost directly concerned subcontracting companies that had just been nationalized, expropriated, in the region of the Eastern Coast of the Lake and in almost all of them there were leaders who had participated in the coup (the military coup d'Etat of April 2002), in the oil lockout, and all were associated with PSUV leaders, revolution leaders, members of Parliament, Bolivarian governors, etc. " See <http://www.aporrea.org/actualidad/n136767.html>

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