

# Beyond President Chavez Electoral Victory: Socialism in a Rentier State

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## Introduction

The successful re-election of President Chavez by a resounding 10% margin winning 20 of the 22 states, with a massive 80% turnout provides his government with a clear and decisive mandate to set the political and economic course of the country over the next six years.

To understand the opportunities and constraints which the government faces, it is essential to outline not only the positive strengths of the government but the complex and difficult structural features of 'transiting' in an essentially 'rentier economy and society' based on extractive enclaves, essentially a petrol economy. The socialist project faces an external environment with contradictory features, which include a highly globalized economy offering trade and investment opportunities and expanding economic partnerships via regional and global organizations ( OPEC, MERCOSUR, UNASUR, PETROCARIBE, ALBA) and political and military threats from its proximity to the North American imperial heartland.

While the institutional foundations and foreign policy initiatives of President Chavez have created a veritable 'fire wall' against any direct or proxy US or NATO military intervention - at least in the present conjuncture - similar to what has taken place in Iraq, Libya and Syria, the internal, especially socio-economic and political structures, are more problematical. And for that reason, Washington has refocused and is concentrating on exploiting the structural and political vulnerabilities of the Chavez regime to question and subvert his mandate. This 'readjustment' in US imperial strategy 'toward the inside' calls for an equally "strategic turn" for the Chavez government: to concentrate on consolidating changes realized and to move toward forms of socialist organization and practice.

## Post-Election Responses

The immediate terrain for future struggles, following Chavez's electoral victory, is evident in the responses by his US and domestic adversaries and by his Venezuelan supporters. The White House praised the electoral process, the peaceful and orderly participation of its citizens, but, unlike the felicitous response of Latin American Presidents, it failed to congratulate President Chavez - a clear sign of continued diplomatic hostility. Washington failed to recognize the relation between the peaceful 'process' and the substantive program of the Chavez government: given the immense popularity of his social programs and redistributive programs there was a general consensus (even among the majority of voters for the opposition) that violent disruption and a destabilization campaign would only further isolate Washinton's proxies, prejudice their electoral prospects in the upcoming elections in December 2012 and February 2013 and polarize the electorate in a highly unfavorable way.

The recognition of the legitimacy and integrity of the electoral process by both the defeated candidate Capriles and the White House is an indication that the prime focus of the opposition is on mounting a major electoral struggle to capture institutional control at the local, state and national legislative level over the next four months. The US is gearing up to pour millions of dollars into the opposition bases of support - above all to use funding to enforce "unity" among the dozens of antagonistic parties, sects, NGO's, trade unions and property owners associations. Splits and divisions among the opposition will undermine efforts to oust even vulnerable Chavista incumbents.

The pro-Chavez United Socialist Party of Venezuelan (PSUV) believes that the election provides the President with a 'mandate' to pursue his socialist agenda. The problem here is that many leaders, mass organizations, neighborhood groups and officials have important differences over what 'the mandate' means with regard to his socio-economic agenda. The problem here is that many leaders, mass organizations, neighborhood groups and officials have important differences over what proximate steps should be taken in pursuit of a "socialist transition".

The opposition will do everything possible to conserve their institutional power bases; and their US counterparts will certainly exploit to the fullest their access points in the political system. The opposition will oppose any changes in ownerships of the private banks, mass media and strategic economic centers which they dominate. They will promote changes in government policy, calling for budgetary restraint in social spending; support legislation, weakening state regulation; and call for legislative investigations of incumbent Chavista office holders. The neo-liberal opposition will focus on exploiting any mismanagement of public enterprises and claim authoritarian "persecution" if the government prosecutes private sector swindlers, money launderers, and illegal foreign exchange operations by bankers. Most of all both the US and the opposition will claim that "democracy" and 'freedom' are jeopardized if organized conduits for channeling US funds to so-called NGO's are closed down for failing to register as foreign agents. The US government funded NGO's are thinly veiled "front organizations" playing a major role in financing and propping up the opposition, providing training, advisers, electoral strategists and propagandists. Washington conditions funding to the segmented and divided opposition: unite forces and follow US directives.

The current US strategy following the electoral path does not exclude taking a more violent authoritarian direction in the future. In the aftermath of the October elections, with many access point's available , strong media and business-banking institutions in place and a relatively stable political environment, Washington believes this is an unpropitious climate for a coup. Washington is prepared to work through the electoral process with the intention of gaining and expanding institutional power to block the President's socialist agenda via congressional obstructionism. The US will revert to a violent coup strategy if and when it has sufficient institutional power to fabricate an "impeachment" proceeding or call for a referendum. The opposition would claim that Chavez has "exceeded" his constitutional powers, hoping to convert sectors of the "constitutionalist" military or National Guard to its power grab, an approach favored by the State Department in ousting the legally elected Presidents of Honduras and Paraguay. In other words the democratic posture adopted by Washington and the opposition today is compatible with an authoritarian seizure of power in the near future. In fact under present conditions, electoral tactics are a necessary compliment to a future violent strategic regime change.

### **Chavez in the Post- Electoral Period: Multiple Options**

President Chavez has articulated two apparently contradictory responses in the post-election period, each reflecting two distinct political moments. On the one hand he speaks of advancing the socialist agenda; on the other, of opening a dialogue with the opposition including the business/capitalist elite. The socialist position reflects the powerful mandate Chavez received as a result of his recent electoral triumph; the dialogue position is posed with an eye to the upcoming local, state and national elections.

In addition, Chavez faces internal pressures pulling him in both directions. Radical activists, social movement and a few political leaders are pushing for a new round of nationalizations, based on political, economic and ideological considerations. They argue that strategic sectors like banking, agro-business, telecommunications, oil-related industries and others will provide the government with the levers and resources to re-launch its stalled plans for rapid diversification of the economy and speed up growth. Politically they argue public ownership will weaken the financial base of the neo-liberal opposition and close-off channels linking US funding with the government's right-wing adversaries.

The 'moderates' argue that a mixed public-private partnership based on joint ventures will consolidate and broaden Chavez's appeal to the "middle classes" and prepare the ground for greater inter-governmental cooperation, especially if the opposition gains governorships and a near Congressional majority. The "moderates" argue that a 'dialogue' between Chavez and the opposition based on the idea of an alliance with sectors of the 'productive bourgeoisie', with specific investment targets, a major infusion of credit and investment in joint projects, will lessen polarization and facilitate a dialogue with the US, especially if Obama is re-elected. The 'moderates' are concentrated among senior officials, state governors, ministers, party leaders and among senior presidential advisors, many of whom have supporters among public functionaries.

The larger problems facing both the "radical" and "moderates" are twofold, one political and one economic. Politically, both factions contain officials who have not performed effectively in dealing with their popular constituencies and are facing near elections: they are looking for ways of remaining in office, either via radical promises or by coalescing with the opposition.

Economically both factions, face the deep seated and pervasive problem of trying to formulate a dynamic economic strategy in an essentially rentier state. Despite vast progressive socio-political changes, Venezuela still largely depends on petrol exports and revenues and a labor force looking to petrol earnings to increase personal consumption.

Which faction's position will influence President Chavez's decision? This depends on what tasks he prioritizes in terms of realizing the socialist agenda. Chavez seeks a set of political alliances to transform Venezuela from a 'rentier' economy and state to one with a productive, diverse economy, which is competitive in international markets.

### **Obstacles and Opportunities to a Socialist Transition**

Building socialism or a new productive capitalist economy is a complex and difficult journey in any rentier economy, including Venezuela .

Executives of public and privately owned firms have demonstrated very little capacity to innovate, invest in new technology, locate market niches and complete projects on time. Instead they rely on the rentier state for public contracts, subsidies, captive domestic

markets, easy low interest public loans or grants and political contacts. As a result the advocates of 'mixed', 'socialist', and 'neo-liberal' states each make telling criticism of their opposite number but overlook the same weaknesses regarding their own 'agency of development'.

Private sector operatives have for decades failed to perform as entrepreneurs, confusing their propensity for quick returns, leveraging differential interest and exchange rates and monopoly profits as a sign of their 'market magic'. In fact for decades, prior to the Chavez epoch, they chose to milk state rentier oil revenues in order to "invest" in consumer imports, overseas and domestic real estate investments and in a bloated backward service sector. The rightwing neo-liberal claim that the private sector's miserable track record in investment and innovation is a result of Chavez anti-business attitude doesn't stand up to the historical record. The same rentier anti-entrepreneurial behavior among the business, banking and agricultural elite pre-dates the Chavez decade. Rentier behavior has deep historical, cultural and economic roots. Venezuela 's bourgeoisie/long ago adapted to a rentier state and instead of fighting it, decided complicity was easier and more profitable; they latched onto oil revenues with phony 'development projects' which never came to fruition.

The recent campaign by the losing rightwing candidate Henrique Capriles'claim to be a follower of former Brazilian President Lula D'Silva, promoting private capitalist development with social welfare, is deeply flawed. Capriles overlooks the fact that Lula had the backing of the powerful Sao Paulo industrial bourgeoisie to forge his alliance between the poor and the rich. In contrast, Capriles would have to rely on an anemic rentier bourgeoisie with little competitive productive capacity.

The problem of 'rentierism' is not confined to the past and present private bourgeoisie; it is evident in the performance of the senior executives who run the nationalized enterprises. Their production and innovation record runs from mediocre to poor: low productivity, dependence on government subsidies and prone to miss deadlines and to cost over runs (in construction) and mismanagement. It is hard to see how the "moderate" Chavista model of a 'mixed economy' based on a joint public-private partnership, combining rentier mentalities, will lead to a 'productive dynamic economy' Chavez has very problematic human material to work with in transforming Venezuela away from a rentier economy.

Theoretical Marxist treaties critiquing capitalism and postulating "transitions to socialism" that do not take account of the profoundly 'clientelist' rentier character of Venezuelan capitalism have little relevance. The conversion from rentier "capitalism" to a modern productive economy with an effective public administration capable of delivering social services is a central consideration for the transition to 21<sup>st</sup> century Venezuelan social;ism.

Reaffirming the socialist objective of the Bolivarian Revolution as a strategic goal depends first of all making the Ministries and their sub-officials accountable to their constituents via empowered citizens councils and professionally trained oversight committees of 'users of the services'. Current abuses, corruption, inefficiencies, non-delivery of services are chronic, politically costly and mock the socially progressive projects promised by President Chavez. Periodic 'renovation' and replacements of Ministers, civilians by military, provide at best a temporary respite: but under conditions of unchecked power, the rentier culture and mentality promptly reasserts itself in the same dysfunctional behavior. Citizen oversight with the power to sanction errant officials provides a more permanent corrective.

The centrality of mal-administration has enormous political consequences; it probably accounted for over half of the minority popular vote which defected to the opposition. It is a mistake to attribute the 45% vote for the opposition as a call for a return to neo-liberalism: in fact it represents a protest vote of Chavez sympathizers against officials who mismanage funds and who appoint incompetent party cronies. It was a vote against Ministers who spend billions but can't keep the oil flowing, lights on and the water running. Above all the anti-Chavista protest vote was a response to the Ministers of Interior and Defense, civilian or military, who have failed to reduce the crime rate - in the streets, in the private suites and in the public offices.

Elections of citizens' oversight councils would represent a 'revolution within a revolution' - because it will result in greater accountability and the implementation of some of President Chavez's initiatives. The process may only result in incremental changes at the "micro-level" - improving public services and hastening the processing of public permits - but it certainly would be an improvement over ringing revolutionary proposals which are inconsequential (not implemented) and merely multiply the number of officials at the public trough. Increasing the number of officials only multiplies the tramites (signatures, rubber stamps, payoffs and delays) and increases the protest votes. The danger to Chavez and the PSUV does not come only from US destabilization via their local clients, but, at the barrio level. The erosion of the PSUV comes from the thousands of day to day abuses by local 'red shirted' officials who accumulate piles of citizen requests while they file their fingernails, enjoy two hour lunches (debating the "next stage in "the revolution" or the "consolidation versus radicalization strategies") while lines of petitioners circle their Ministries.

### **The Responsibility of the President**

President Chavez has done wonders in politicizing and inculcating a civic culture among Venezuelan citizens as was evident in the 80% voter turnout. No President in the history of Venezuela (or for that matter in the history of the United States ) has done more to create a sense of national identity. He has defended the country with valor and integrity. He has preserved and advanced democratic institutions against US and client attempts to destabilize and destroy the constitutional order. President Chavez has created an extensive social welfare net which has raised millions from poverty, eliminated illiteracy and provided a universal free public health system. Chavez has successfully engaged in consequential international economic aid programs, providing oil at reduced cost to poor countries in Central America and the Caribbean . But now in 2012 he faces new challenges : the battle for a revolution within the revolution in a complex and difficult context. Rentier economies pose numerous obstacles to developing a productive and participatory economy based on an active working class, an innovative and entrepreneurial managerial class, and a responsible and socially conscious middle class. The majority of the social classes in Venezuela support a socialist president but mostly on the bases of expanding individual consumption and social spending. Political militants in the street are ardent advocates of socialism but in office, their behavior is more like their neo-liberal predecessors.

Chavez must walk a tight line between on the one hand revamping the entire administrative system and transforming the rentier economy and on the other hand financing and implementing timely short term social impact programs to secure favorable electoral outcomes over the next four months in order to win the gubernatorial and Congressional elections. Defining the tasks for a rectification campaign are fairly straightforward, but implementing them carries a significant political cost.



To combat cronyism (including private and state cronies), corruption, inefficiency, authoritarianism and incompetence requires; (1) citizen oversight committees, (2) strengthening and training local communal councils, (3) establishing effective legal and judicial processes to investigate administrative malfeasance in a timely fashion, (4) establishing technical, entrepreneurial institutes to identify and design manufacturing and industrial projects which utilize local inputs linked to the oil industry, (5) creating petrol based industries (plastics, chemicals, fertilizers etc. (6) linking up with other productive sectors of the economy (agriculture, technical services). Chavez's policy interventions should give greater priority to national issues, like public security, economic efficiency and workers participation. He should give greater emphasis on linking social consumption with productive activity, popular power with effective co-operation in local law enforcement.

Above all, Chavez should look toward taking control over the strategic sectors of the economy - the commanding heights - most notably the financial-banking complex. The government's concern should be directed toward increasing investment in a vast array of petrol based new industries. The social bases of Chavista 'Bolivarian Socialism' must shift from 'consumer consciousness' to productive consciousness, from social welfare from above to workplace class solidarity and productivity from below.

Today some Marxists advocating greater working class management or control underestimate the limited economic consciousness which pervades the class - the desire to increase wages and social benefits independently of productivity. Workplace democracy must be linked with a broader mission of converting Venezuela from a rentier to a modern productive and diversified economy. Otherwise working class militancy, harnessed to the consumer - rentier mentality, will ultimately become a major obstacle to Venezuela's transition to socialism.

Socialism, as President Chavez understands the deepening and expansion of popular power, requires a shift from mega-projects - especially international and multi-national - to well managed and implemented multi micro-projects under worker-citizen oversight with strict and enforceable discipline and guidelines for completion.

The de-politization of appointments to highly technical posts means that effective vote getters are not necessarily the best economic administrators. Currently cost-effectiveness is not taken into account in building a billion dollar transport system or organizing an effective highway system if it helps elect a mayor or governor.

Socialization of the economy may deprive the opposition of strategic financial backing but that has to be weighed in light of how well the public enterprise or bank will function in improving the everyday lives, economic activities and employment of the public at large. A badly managed public enterprise - in the food sector, for example- can do more harm for a socialist strategy than a well regulated 'functional' privately owned firm. In other words, socialization should advance to the degree that the state has the capacity (or is in the process of developing the capacity) to run the enterprises.,as Lenin noted in his essay "Better Few but Better".

Integral to the development of socialism (and not an 'external' or marginal feature of it) is public and individual security including private property. Incalculable billions of dollars are lost every year because of crime: fear, intimidation, private security measures, limitations in movements and time, all have a price. So far Venezuela's security system has a very uneven record: generally, high marks for cross border security,containing external threats

and protecting democratic institutions; low grades with reference to street crimes, gang warfare, white collar crime and sabotage and or negligence of key oil and electrical installations.

Crime prevention involves converting the electoral multitudes into a national network of organized local community based crime fighters backed and protected by armed rapid response Special Forces trained in urban crime-warfare. Cuban intelligence advisers may be experts in fighting political terrorists but currently an extraordinary crime wave is ravaging the cities. This speaks to the need for greater intelligence operations against gang leaders and their business and political accomplices and money launderers. Jobs, schools, and welfare programs have not been enough to stop the upward crime spiral. Crime not only grows from social deprivation but from a rentier-like mentality in which high consumption, based on violence and seizure of economic resources is seen as the quickest route to social mobility. Most criminals prey on the working class. If the working class is the bases of a socialist transition, then putting the full power of the state behind law enforcement is an essential defense of socialism – and a positive step in winning over important sectors of the middle class. Crime in the streets is intimately linked to criminal accomplices in public office, including high police and judicial officials, some of whom claim to be “ardent Chavistas”.

No doubt a comprehensive ramping up of internal security will be exploited by the US backed mass media as indications of Chavez ‘authoritarianism’ (by the same opposition who currently cry out against ‘lawless crime ridden Caracas ’). But making the cities safe for its citizens, within constitutional procedures, will be immensely popular, and politically and economically profitable.

#### Final Notes in Place of a Conclusion

The Venezuelan transition to socialism is an ‘open process’ with enormous positive assets as well as formidable obstacles. Immense strength in the dynamic farsighted leadership of President Chavez and his vast army of popular supporters and committed militants; and severe challenges derived from the legacy of a rentier economy, embedded in the ruling class and to a certain degree in the populace at large.

As the government moves forward to socialism it is incumbent upon its leaders to spell out the criteria for the socialization of enterprises, to define the ‘rules of the game’ – namely what enterprises and economic sectors will not be expropriated; what profit margins are acceptable; what sectors are targeted for socialization, joint ventures, worker managed firms and private ownership.

#### Criterion for Socialization of Enterprises

Political Sabotage: owners who disinvest or who refuse to invest to meet demand, hoard, or deliberately run down operations in an effort to undermine public policy and create social discontent.

Social Conflict: Capitalist firms which refuse to abide by labor laws or engage in collective bargaining with trade unions or fire workers arbitrarily thus providing strikes and lock outs. These firms should be socialized under a management team of worker, consumer, and engineers.

Ideology: Firms identified with the opposition and collaborating with US front groups; firms

which pursue political over economic objectives could become targets.

Strategic sectors: Key sectors and firms which play a decisive role in the economy, such as banking, finance and foreign trade should be socialized providing public policy makers with instruments to capture the economic surplus to foment new growth sectors; socially strategic sectors and petro-industrial and food production. Innovative small and medium size firms should not be socialized.

These criteria do not exhaust the possible sectors but are a necessary part of a socialist transition, providing the state has the capacity to run the enterprises. Under no conditions should firms be socialized and turned over to mediocre, incompetent officials or trade union leaders who run them into the ground. Socialism is not a race to see how many firms can be nationalized in the shortest time. In case of limited state capacity there are several alternative options.

State intervention, regulation and taxation: to insure labor laws are followed, profits are equitably distributed; employers increase social consumption, technical upgrades and worker training.

Worker based production commissions: to 'oversee the books' of companies and provide employees with information for collective bargaining.

Joint ventures between public and private capital: to take advantage of marketing and technical skills of productive capitalists guided by the social criterion of public and worker managers.

Planning via compulsory and voluntary production targets: The private sector especially small and middle size firms should not be socialized especially those which provide vital services, recreation and leisure time activities for the mass of the people. Venezuela should not follow Cuba's disastrous 1968 policy of closing down thousands of private enterprises which the State had zero capacity to replace. Nor should Venezuela follow Cuba's 1970's policy of 'specialization' in commodity exports to restricted markets. (The Soviet bloc).

Venezuela needs to create public sector entrepreneurs and technocrats as well critical class conscious working class militants for the productive sector. Management is key to the success of a "socialist transition" because Venezuela is deeply immersed in the global marketplace, which offers great opportunities and pitfalls. The State should invest in management and technical schools which develop and apply socialist criteria for production, marketing, innovation, financing and accounting. It should eschew the use of 'models' based on free market orthodoxy found in US textbooks as well as Soviet era manuals. The goal should be to encourage texts which critically apply Marxist writings to the specificities of a rentier economy and to encourage transformative leadership, workers' participation in planning and the relative autonomy of enterprises.

### **The Big Picture: Challenges and Opportunists**

Transforming a rentier economy and society into an efficient productive and diversified socialist economy is a very difficult, complex and prolonged process. Rentier economies are generally high consumption enclaves drawing rents and surrounded by financial, real estate, and "compradore" capitalists (importers) and avaricious over-paid bureaucratic elites. Agro and industrial business elites transfer earnings from production to the dominant rentier



sectors retaining their backward character.

President Chavez has waged a successful political struggle in transferring a substantial proportion of the rents to mass popular social consumption and establishing a political framework and ideology to justify and extend programs of social consumption. He has also taken control over the key sector (petrol) of the rent generating economy. But the entire parasitic ensemble of economic sectors linked to it remain intact and have flourished: finances, bank, real estate and importers' profits have soared. Diversification based on creating a new set of productive enterprises linked to rent producers has yet to materialize. But their creation is the central task of anything worthy of the name of a socialist transition. Up to now the working class outside of the extractive sector is very limited in size and its militancy is linked to "consumer" rather than class consciousness.

Venezuela has promoted working class consciousness in search of a socialist working class – one not dependent on rent collecting, periodical electoral mobilizations and militant strikes over narrow demands. Currently the class struggle between the bourgeoisie and labor is over shares of the rent, and positions in the rent collecting state bureaucracy.

President Chavez has succeeded in gaining control over the rent-producing enclave and successfully mobilized the mass of citizens for over a decade of electoral victories. The biggest and most strategically important challenge now is to convert those political, economic and foreign policy successes into a productive participatory socialist political economy. One that requires a major transformation of the PSUV and the State from the bottom up. Venezuela must make a major turn toward technical , marketing and innovative competence and not rely on incompetent "party loyalists" and bureaucratic time-servicers.

The ideal is to create cadres who are 'red' and 'expert' rather than having to choose between one or the other.

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