

# Chavez versus Obama: Facing Presidential Elections in 2012

"Capitalist stimulus" versus "Socialist economic recovery"

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## Introduction

Two incumbent presidents are running for re-election in 2012, Hugo Chavez in Venezuela and Barack Obama in the United States. What makes these two electoral contests significant is that they represent contrasting responses to the global economic crises:

Chavez following his democratic socialist program pursues policies promoting large scale long-term public investment and spending directed at employment, social welfare and economic growth: Obama guided by his ideological commitment to corporate financial capitalism, pours billions into bailing out Wall Street speculators, focuses on reducing the public deficit and slashes taxes and offers government subsidies to business in the hope that the banks will lend, the private sector will invest.

Obama hopes the corporate sector will start to hire the unemployed. Chavez's economic strategy is directed toward increasing popular demand by increasing the social wage. Obama's strategy is directed toward enriching the elite, hoping for a "trickle down" effect. Chavez's economic recovery program is based on the public sector, the state, taking the lead in light of the capitalist market induced crises and the failure of the private sector to invest. Obama's economic recovery and employment program depends wholly on the private sector, utilizing tax handouts to stimulate domestic investments which generate employment.

According to the experts and politicians, the socio-economic performance of each President will be decisive in determining whether either President will be re-elected in 2012.

## Measuring the Performance of Presidents Chavez and Obama in the Face of the Economic Crises

Over the past three years, both presidents faced a deep socio-economic crises resulting in increased unemployment, economic recession and popular demands for political leadership in formulating an economic recovery program.

President Chavez responded via a large scale program in public spending on social programs. Billions were allocated in a massive housing program designed to create one million homes over the next several years. Chavez lessened military tensions and reduced frontier conflicts by negotiating a political agreement with the rightwing Santos regime in Colombia.

Chavez increased the minimum wage, social security and pension payments, increasing consumption among low income groups, stimulating demand and increasing revenues for small and medium size businesses. The state embarked on large scale infrastructure projects, especially highways and transport, creating jobs in labor intensive activities. The Chavez government sustained living standards by instituting price controls on food and other essentials, which sustained popular demand at the expense of profiteering by the owners of super markets. The Chavez government nationalized lucrative gold mines and repatriated overseas reserves in the course of financing its demand driven economic recovery program, eschewing tax concessions to the rich and bailouts of bankrupt banks and private businesses.

Obama rejected any large scale long term public investments to create jobs: his proposed "Jobs for America" proposal will at best temporarily reduce unemployment by less than five-tenths of one percent. In pursuit of policies benefiting Wall Street bondholders, Obama became deeply involved in deficit reduction, meaning large scale cuts in public spending especially in social expenditures. Obama, in agreement with the extreme rightwing, agreed to regressive proposals to reduce tax payments for popular Medicare, Medicaid and Social Security programs. His proposals to fund "Jobs for America" depends on cuts in the Social Security tax which ensures a reduction in payments and a deficit or worse, which would facilitate privatization – handing social security to Wall Street, a trillion dollar plum.

Obama ignores mortgage foreclosers of over 10 million families – increasing homelessness and habitation downgrades, in favor of bailing out banks and home mortgage swindlers.

Obama increased military spending, multiplying overseas combat troops, clandestine terror operations and the domestic spy apparatus, increasing the deficits at the expense of productive investments in education, technology skill upgrades and export promotion.

Unlike Chavez who makes a point of highlighting positive job and education policies for Afro and Indo-Venezuelans, Obama ignores the 50% unemployed big-city young (18-25) Afro-Americans and Latinos in favor of serving white Wall Street bankers.

In contrast to Chavez who pegged pensions and wages to inflation and enforced price controls, Obama froze federal salaries and social security payments resulting in a seven percent decline in real income over the past three years.

According to the latest US Census Bureau data (September 2011), under Obama over 46.2 million Americans live in poverty, the highest figure ever. Median household income dropped 2.3% between 2009-2010. The number of Americans in poverty increased from 13.2% in 2008 to 15.1% in 2010. Nearly one out of four children live in poverty in 2010, as over 2.6 million more US citizens were impoverished in a single year. In contrast, and in line with Obama's trickle down economic policies, the number of wealthy Americans – earning over 100,000 dollars – have suffered little or no impact: luxury specialty stores, like Tiffany's, report a 15% increase in sales.

The lowest 10% of the population suffered the most, a fall in income of 12.1% between 2009-2010 while the 10% with the highest income saw a decline of 1.5%. Of the 34 members of the OCED the US along with Mexico, Chile and Israel has the worst social class inequalities. Obama's top-down stimulus policies saved the bankers by sacrificing the working and middle class.

## Political and Economic Consequences of Top Down and Bottom Up Economics

The political and economic consequences of Obama's "top down" and Chavez "bottom up" socio-economic policies are striking in every respect. Venezuela grew 3.6% in the first half of 2011 while the US stagnated at less than 2%. Worse still, during the second half of the year Obama and his advisers expressed fear that the US is heading toward a "double dip" recession – negative growth. In contrast the President of Venezuela's Central Bank predicted accelerated growth for 2012.

While US unemployed remains above 9% and combined with underemployment rose to over 19%, Venezuela's vast public housing and infrastructure investments are generating jobs and lowering the numbers of un and under employed in the formal and informal labor market. Obama's pandering to Wall Street bankers and deficit reduction hawks and his vast increase spending on overseas wars and the domestic security apparatus, has bankrupted the treasury. In contrast, Chavez has nationalized lucrative private sector mines, banks and energy enterprises and decreased military tensions increasing resources for social programs such as food subsidies. Obama's deficit reductions have led to massive firings in education and social services.

Chavez social expenditures have augmented the number of public universities, secondary and primary schools and clinics. Millions have lost their homes as Obama ignored the forced evictions of the mortgage banks, while Chavez has made a start in solving the housing deficit via one million homes.

Obama lends at virtually no interest to private banks who fail to lend to productive enterprises to create jobs, preferring overseas speculation in overseas (Brazilian) bonds with higher interest rates. Chavez invests directly in productive labor intensive infrastructures programs, agricultural self-sufficiency projects and developing downstream processing plants, refineries and smelters.

As a result of the reactionary top down economics he practices and his overt threats to cut basic social programs like Medicare, Medicaid and Social Security, Obama's popularity has fallen over the past three year from 80% to 40% and heading downwards. Moreover, his pro-Wall Street fiscal and militarist policies – deepening an extending Bush and Rumsfeld's wars and terror operations – has turned the US political climate further toward the extreme right. As of the last quarter of 2011, Obama appears vulnerable to electoral defeat.

In contrast President Chavez, riding the wave of economic recovery, based on positive programs of social expansion and public investments, has seen his popularity rise from 43% in March 2010 to 59.3% as of September 7, 2011. The US backed opposition is fragmented, weak and unable to challenge the overwhelmingly positive popular perceptions of the housing and infrastructure projects benefiting the mass of workers, construction companies and contractors.

Chavez is vulnerable on issues of personal security, administrative corruption and inefficiency. But he is seen to have taken important steps to correct these problem areas. Graduates of a new police academy provide honest, efficient community linked policing, which, in pilot projects have reduced violent crime by 60%. Efforts to end bureaucratic corruption and inefficiency are still pending.

Conclusion

Comparing Chavez and Obama's presidency presents a sharp contrast between a successful bottom up socialist informed economic recovery program and a failed top down capitalist stimulus program. While the American public expresses its hostility to private banking's pillage of the treasury, government threats to the last remnants of the social safety net and Obama's failure to lower persistent high levels of un and underemployment, Chavez's popularity rises along with the positive "good feeling" among three-fifths of the electorate to his presidency. If the Chavez government continues and deepens his 'bottom up' economic stimulus program and the economy continues to expand and he recovers from cancer he will in all likelihood be re-elected by a landslide in 2012.

In contrast if Obama continues to truckle to the corporate and financial elite and slash and burn social programs he will continue his downward slide into well-deserved defeat and oblivion.

Venezuela's economic recovery via advanced social programs is a powerful message to the American people: there is an alternative to regressive 'top down' economic policies: it's called democratic socialism and its advocate is President Chavez, who talks to and works for the people as opposed to the con-man Obama who talks to the people and works for the rich.

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