

Venezuela: Divisions within the Chavista Leadership and the “Right Wing Offensive”

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The publication of a document highly critical of the government of Venezuelan President Nicolas Maduro, authored by one of the longest-serving ministers in former president Hugo Chavez’s government, has triggered an unprecedented debate among Venezuelan revolutionaries.

Jorge Giordani dropped the bombshell on June 18, a day after he was replaced as planning minister. This was preceded by his dismissal from the boards of Venezuela’s Central Bank and state oil company PDVSA, the state oil company. He had held the post almost uninterrupted since Chavez first came to power in 1999

Many view Giordani as a principal architect of the Chavez government’s economic policy and representative of a “more orthodox Marxist strand” within cabinet.

His removal has been portrayed as evidence of a widening rift between “pragmatists” and “radicals” in the government.

Giordani’s testimony

In [the document](#), titled “Testimony and responsibility in front of history”, Giordani highlights what he views as the three key achievements of the Bolivarian revolution.

These are:

- the dramatic cut in poverty;
- the dismantling of power relations that allowed foreign and domestic capital to control the state, in particular the state oil company PDVSA;
- and the creation of a public sector that now dominates key economic sectors.

But Giordani says these gains are at risk due to a “new path taken” after Chavez’s death last year.

Combined with the impact of a right-wing offensive and a president “who lacks an ability to project leadership”, he said this has led to “a power vacuum in the presidency”.

Giordani said this resulted in “its concentration in other centres of power, thereby destroying the work of institutions such as the Ministry of Finances and the Central Bank, and consummating the independence of PDVSA from the government”.

Giordani said that capitalist interests had succeeded in pushing the Maduro government

down the “path of re-installing capitalist financial mechanisms that would facilitate attempts to recapture oil wealth”.

This is in reference to attempts by the Maduro government to gradually replace strict currency controls (of which Giordani has been a strong advocate) with more market-orientated mechanisms.

Few have come out in complete support of Giordani’s statements, but at least two former ministers and high profile leaders of the governing United Socialist Party of Venezuela (PSUV), as well as the Communist Party of Venezuela, have said the document raises important issues that need to be debated.

Left versus right?

Unsurprisingly, Chavismo’s harshest critics have described Giordani’s letter as a falling out among thieves.

On the right, former opposition presidential candidate Henrique Capriles wrote that the letter simply “confirmed the level of corruption that exists within the government”.

He said the government’s handling of the economy was dictated not by the needs of the people, but by “personal interests and those of a political party”.

On the other side of the political spectrum, former vice-minister under Chavez and leftist dissident Roland Denis [wrote](#) that Giordani’s letter was evidence he is part of “a leadership that is in conflict with itself”.

“Without a doubt,” Denis, said, “our friend is a typical example of the moral and political bankruptcy of a state leadership that knows full well the mess that it is in, but does not want to assume full responsibility ... he tries to appear as the person least involved in corruption, even if he let it all happen.”

Most commentators, however, have viewed Giordani’s sacking as the latest step in an ongoing pragmatic shift by the Maduro government.

Francisco Rodriguez, a former head of the Office of Economic and Financial Advisory of the Venezuelan National Assembly, wrote an [analysis piece](#) for the Bank of America less than a week before Giordani was removed as minister.

In it, he described Giordani’s recent ousting from the Central Bank and PDVSA boards as a “strong sign of the waning influence of the radical Marxist wing on economic policy issues”.

Taken with the government’s moves towards softening currency and price controls, Rodriguez said it was “a strong consolidation of the pragmatist wing’s control of economic decision-making”.

The view that Maduro has been gradually steering the government in a more moderate direction has also been voiced by some left sectors within Chavismo. One example is Marea Socialista, a small internal current within the PSUV.

In February, Marea Socialista [said](#) Maduro’s bid to initiate dialogue with business sectors,

and the government's decision to grant private business easier access to US dollars, but at a much higher rate than the official fixed exchange rate, represented important concessions.

Seemingly adding weight to this argument was the appearance, less than two weeks before Giordani's removal, of an article by Temir Porras, a vice-minister under Maduro when he was foreign minister. Porras had also been appointed by Maduro to preside over the national development fund, FONDEN, and national development bank, BANDES.

He did not last long in these positions, as he was removed after clashing with some of Giordani's allies within these institutions.

Porras wrote that a "change in the strategic path" is needed as soon as possible if the revolution was to not lose its achievements. In the economic sphere, he called for more "pragmatism".

Not all, however, are convinced that Giordani's ouster is a sign of a struggle between pragmatists and radicals, nor that Maduro is pursuing a fundamentally different path to the one charted by Chavez.

Neftali Reyes, a regular contributor to the pro-revolution website Aporrea, [notes](#) that many of the concerns Giordani raises can be traced back to Chavez's presidency.

Reyes points out that Chavez also called meetings with business sectors and initiated mechanisms to periodically free-up the flow of dollars to the private sector.

Similarly, the fact that Rafael Ramirez has been reaffirmed as vice-president for the economy and PDVSA president (a post he has held for the past decade), is a sign of continuity in the government's economic team. Ramirez also has a long history of involvement with Marxist groups.

Victor Alvarez, an ex-minister of basic industries, [wrote](#) that Giordani's exit signified, at most, the speeding up of the dismantling of the current exchange rate regime already underway.

This regime, said Alvarez, has greatly contributed to the country's economic problems by benefiting importers with overvalued bolivars, punishing local producers, stimulating scarcity and stoking inflation. In this way, he said, it has greatly contributed to the country's economic problems and was "the principal incentive for corruption and speculation".

This process, which so far has led to the creation of an official three-tiered exchange rate system, was begun under Giordani.

The main tier of the system, which is used for 80% of Venezuela's foreign trade, continues to be fixed at 6.30 bolivars. It is administered by the state-run National Centre for Foreign Trade, which provides dollars to companies that import basic goods.

The second tier, SICAD I (which Giordani acknowledges in his letter was originally his proposal), came into effect in July last year.

Under this mechanism, companies involved in specific industries are invited to bid in a weekly auction for access to US\$220 million at a rate that fluctuates between 10 and 12 bolivars.

In March, the government announced a third tier with the creation of SICAD II. This mechanism allows PDVSA, the Central Bank, banks and private entities to buy and sell dollars at a free-floating rate. The Central Bank reserves the right to intervene, however.

SICAD II has operated at a rate that has hovered around 50 bolivars.

Finally, there is the “black market” rate, which has fluctuated around 60 to 70 bolivars in recent months. It essentially operates as an unofficial fourth tier.

Popular control

Alvarez said any real change in the direction of economic policy would require unifying the existing rates within a limited, free-floating system.

Ramirez [says](#) this is precisely what the government is working towards.

Those who argue that a shift away from strict currency controls is a move towards pragmatism have generally not explained why one flows from the other.

Writing on the debate over Venezuela’s currency controls and economic policy, Mark Weisbrot, a US economist invited to Venezuela by Chavez on many occasions, [wrote](#): “The majority of the media tends to view changes in policies — particularly in a country like Venezuela, so disliked by the business media — through a binary prism. Changes are either ‘pro-market’ or favor greater ‘state control’.

“Many on the left have a similar opinion, but with an opposing preference: the market is bad, while state influence is good.”

Yet, as Weisbrot notes, neoliberal economists and the International Monetary Fund have supported fixed exchange rates in certain situations.

Moreover, currency controls have at times bred instability — contributing to speculation, corruption, capital flight and the rise of a black market.

Few doubt that Venezuela’s existing system of currency controls have distorted the economy.

Giordani himself denounced the existence of fictitious companies that illegally acquired about \$20 billion via state regulated channels in 2012.

This is just one example of how the controls fail as a viable mechanism for controlling the flow of dollars.

However, simply removing the controls could end up further complicating the situation.

Until now, the government has sought to control currency exchange, but had little say over what happens after than. To change this situation, Venezuela economist Manuel Sutherland, among others, has proposed nationalising all of Venezuela’s international trade.

He notes that Chavez first suggested three years ago, with the former president saying: “Create a state corporation for imports and exports to end the bourgeoisie’s hegemony over imports. We look like *pendejos*[idiots, wimps] giving dollars to the bourgeoisie. They import, overcharge, buy whatever is desired for one dollar and charge five dollars here...”

Increasing state control would also have to go hand in hand with intensifying the struggle against corruption. A first key step in this direction would be dealing with those responsible for the US\$20 billion that Giordani said was stolen in 2012. Greater state control would also have to be accompanied with greater popular participation.

For example, any move to unify the existing exchange rates will establish an exchange rate somewhere between the current fixed rate and the black market rate. Private businesses would undoubtedly use this to justify further price hikes, claiming they are due to the official devaluation.

Yet it has been demonstrated time and again that most private businesses have been using the system by importing goods at the lower exchange rate and selling them as if they had been bought at the black market rate.

The best way to stop this would be to allow workers and communities to monitor how private business set their prices.

Similarly, greater worker participation might stimulate production and help clarify whether the shortage of imported parts is due to a lack of dollars or corrupt practices (by business owners, state officials or both).

Legislation for such actions already exist but has not been fully implemented.

These are further examples of why greater popular power over production and distribution is vital to ensuring that any loosening of control over the exchange rate does not lead to a loss of control over the future of the country's oil wealth.

[This is the first of two articles on the fall-out from Giordani's sacking and open letter. The next will deal with the different approaches to the issue of public criticism.]

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