

# Venezuela's Elections: Setting the Record Straight. Hugo Chávez's Legacy is At Stake on December 6

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Global Research, December 06, 2015

[Jacobin](#)

Region: [Latin America & Caribbean](#)

Theme: [Poverty & Social Inequality](#)

*Hugo Chávez's legacy is at stake on December 6*

*An opposition victory in Venezuela's National Assembly elections would undoubtedly fuel an anti-Chávez narrative that is both simplistic and deceptive, jeopardizing the deceased president's well-earned fame as a champion of the underprivileged.*

The opposition is poised to benefit from the country's ongoing economic difficulties. Venezuelans face hours-long lines to purchase some basic commodities and an inability to obtain others, as well as an annual inflation rate that for the first time since 1996 has reached three digits.

In the face of these real political and economic problems, which are partly due to plummeting oil prices, opposition forces are ratcheting up their attacks by harping on the unsustainable nature of Chávez's policies. The Washington-based magazine *Foreign Policy* titled [one article](#) on Venezuela's economy "The Curse of Chávez's Ghost." Similarly, the opening sentence of a Council on Foreign Relations [report](#) titled *Venezuela's Economic Fractures* reads "Hugo Chávez's transformative presidency left behind an economic model that has sown deep, heated divisions within Venezuelan society."

The basic argument here is that the chickens — in the form of Chávez's populist policies — have come home to roost, generating extreme hardship. Some anti-leftist writers such as Mexico's Jorge Castañeda even maintain that the social programs of leftist (or "populist") leaders such as Chávez (as well as Bolivia's Evo Morales and Ecuador's Rafael Correa) are inherently unsustainable.

According to these writers, the original sin of the Chávez government was not so much its socialism but its Keynesian-style intervention in the economy. Indeed, the allegedly unsustainable policies responsible for the nation's economic predicament — such as price controls and currency exchange controls decreed by Chávez in 2003 — were longstanding features of state interventionism in Venezuela.

Even Chávez's nationalization of basic industry carried out in 2007 and 2008 was a fixture of non-socialist political parties in Venezuela dating back to the 1930s and 1940s. Some of the industries that Chávez took over, including steel, telecommunications, and electricity, had long been state-owned only to be privatized in the 1990s.

Thus the discursive offensive against the Chavistas constitutes a broadside against state intervention in the economy even prior to Chávez's ascent to power, and a vindication of

neoliberal principles.

The arguments are based on a deceptive half-truth. It is true that certain policies Chávez enacted in his early years created patterns that generated problems further down the road. The implementation of those policies, however, has to be placed in a broader context. They were not the result of cheap populism, as the anti-leftists claim. Rather they were a logical response to dire circumstances, including politically motivated violence and economic disruptions.

To take just one example, Chávez responded to politically motivated shortages of goods and the price hikes that followed by implementing a system of currency exchange controls. Under the system the government sells artificially cheap dollars to importers to offset inflation.

This year the open market exchange rate for the dollar has skyrocketed. But with elections ahead, any increase in what the government charges importers for dollars would push prices up, and in doing so play into the hands of the opposition.

The opposition, too, is quick to dismiss even the most obvious gains of the Bolivarian Revolution. They deny the profound impact of social programs that facilitated educational opportunities and a sense of empowerment among [formerly excluded sectors](#) of the population. Since its founding in 2003, for instance, the makeshift “Sucre Mission,” with a budget far inferior to the established universities and which largely operates out of public school buildings at night, has taken in 700,000 students (370,000 of whom have graduated). The nation’s current university population of 2,630,000 represents a three-fold increase since 1998.

Yet the opposition belittles this achievement, saying they favor “quality over quantity.” And some anti-Chavistas vehemently question the qualifications of the graduates of the government’s innovative educational programs.

### **All or Nothing**

For years, the Venezuelan opposition has made clear that regime change is their principal goal. They have engaged in insurgent activity to overthrow the [democratically elected](#) Chavista governments — in an attempted coup in April 2002, a business-promoted general strike seven months later, and more recently during a [four-month period](#) of urban violence in 2014, referred to in Venezuela as the “*guarimba*.”

Even though the *guarimba* violence resulted in the death of six national guardsmen, the protesters counted on favorable international media coverage and the solid backing of the Obama administration to paint a picture of a nonviolent opposition movement being ruthlessly repressed. The opposition coalition Mesa de la Unidad Democrática (MUD) announced its decision to center its campaign for the December elections on the liberation of the “political prisoners” arrested during the unrest.

For opposition leaders, there is little attempt at compromise. In recent months, they have rejected President Nicolás Maduro’s call for a “Grand National Dialogue” to be held following this month’s National Assembly elections. Responding to the proposal, MUD head Jesús Torrealba snapped at the president, saying “Maduro: you are not qualified to convoke a dialogue.”

The opposition's aggressiveness and disruptive actions have had two opposing effects. On the one hand, they radicalized Chávez's government after each victory. Thus, for instance, after winning the 2004 recall election (whose results the opposition refused to recognize), Chávez proclaimed socialism as his government's goal. After winning the 2006 presidential elections by a landslide, he nationalized the telecommunications, electricity, cement, and steel industries.

But at the same time, the confrontational tactics and disruptions of opposition forces have pressured the Chavista governments into modifying some of its programs, and in some cases making concessions that resulted in backsliding. These revisions have included both pragmatic strategies to win over or neutralize sectors of the business class and populist initiatives favoring workers and other non-privileged sectors.

The cause-and-effect chain goes like this: radical changes, followed by hardened resistance from pro-establishment actors, and then government concessions to both privileged and non-privileged classes, agreements with non-leftists, and deviations from the original path.

### **Appeasing Business**

The Chavista government and the Venezuelan left have paid a price for these pragmatic strategies designed to sway or assuage hostile business interests and other conservative sectors. As far back as his first presidential campaign in 1997-98, for instance, Chávez proposed a negotiated moratorium on the foreign debt as a possible alternative to his previous call for the unilateral suspension of payments. At the same time he applied for a US visa (a request the Clinton administration denied), looking to address US business and political leaders and assure them of his good intentions.

However, the strategy of moderation during these years had negative political consequences for the Chavistas' progressive goals. It strengthened the position of the movement's conservative wing led by Luis Miquilena, who ended up defecting and accusing Chávez of violent repression in order to justify the abortive April 2002 coup.

Other strategies to ensure economic stability involved tacit or unpublicized agreements with an allegedly progressive or productive fraction of the business class, and in some cases with the main business organization, FEDECAMARAS. After FEDECAMARAS spearheaded a two-month general strike in 2002-03 (seven months after it led the April coup), Chávez announced that his government would extend preferential treatment to businesspeople who had refused to participate in the lockout. This policy gave rise to a group of emerging businesspeople who grouped in parallel organizations and maintained friendly relations with the government.

While politically useful given FEDECAMARAS' extremely hostile stance, the alliance with the emerging dissident business sector has had dubious economic effects. The 2009 financial crisis, for instance, implicated a group of capitalists that had collaborated with the government during and after the general strike (the Chávez government responded by arresting them and expropriating several of their banks).

Chavista activist Felipe Rangel of Puerto La Cruz commented to me: "When push comes to shove and the opposition is on the verge of returning to power, the so-called 'progressive' bourgeoisie will be the first to close ranks with the enemies of the revolution." Indeed, one of the most prominent members of the emerging pro-Chavista business group, Alberto

Cudemus, who controls much of the pork industry as a result of state contracts, has increasingly criticized the government's policies as a "throwback" to the pre-neoliberal era of state interventionism. Maduro, for his part, has harshly criticized Cudemus' statements.

In another example of the convergence of economic interests both old and new, several leftist think tanks have found currency fraud to the tune of \$20 billion that involves traditional and emerging business interests alike, in addition to multinational capital.

While Chávez spoke of a "strategic alliance" with so-called productive businesspeople, neither Chávez nor Maduro, who uses the same language, that term implies trust between both parties and common long-term goals. What is really at stake is a "tactical alliance" with the more limited objective of guaranteeing economic and political stability in the face of disruptions generated by an aggressive opposition.

For example, when the government met with representatives of FEDECAMARAS as part of a "[peace dialogue](#)" proposed by Maduro, the objective was to counter the *guarimba* violence. The political opposition turned down the dialogue offer.

Now the objective is to find solutions to the problems of inflation, scarcity, and the contraband of subsidized goods. Although many factors — including declining oil revenue — underlay these predicaments, part of the problem is what Maduro calls the "economic war" waged by members of the private sector. Throughout the period of Chavista rule, there has been ample evidence of business-induced, politically motivated scarcity of basic commodities.

The "peace dialogue" with FEDECAMARAS implies concessions that have diminished the effectiveness of the effort to combat the economic war. The government evidently gave in to FEDECAMARAS's demand that the jailing of businesspeople accused of price speculation, hoarding, and contraband not become, in the words of the organization's president Jorge Roig, "a media show." Roig expressed alarm that given the highly charged atmosphere in Venezuela, businesspeople in these cases would not be given a fair trial. He added, "we insist on the government's strictest adherence to the constitution and the law."

Over the course of 2014, the government ceased to reveal publicly specific information, including the names of those accused of engaging in the "economic war." The discretion has created skepticism even among Chavistas that the government is determined to face up to business, specifically to the perpetrators of the "economic war."

In short, the peace dialogue with FEDECAMARAS, though instrumental in defeating the *guarimba* campaign, came at a price.

### **Social Policies and Complicated Consequences**

Throughout their [administrations](#), Chávez and Maduro have prioritized social policy in favor of the poor and workers over economic objectives such as industrial development. Measures include highly reduced prices — or, in some cases, no charge — for commodities ranging from public housing to gasoline, books, electrical appliances, and laptops for students.

In addition, following the business-promoted general strike that threatened to trigger uncontrollable inflation, the government began to regulate prices for basic commodities and, in effect, subsidized imports. In October, Maduro announced that his government would set a price ceiling for all products.

The system of artificially low prices favors the underprivileged but also has a downside — namely the problem of scarcity, which over the last several years has reached an extreme. Scarce goods on the black market sell for two or three times more than the regulated price.

Once these and other popular policies were put in place, it was hard for the government to switch course when they ran into trouble. Subsidized prices create expectations among both the underprivileged and the middle class. The most obvious example is gasoline at virtual giveaway prices, a policy that some on the Left defend. The internal consumption of over 750,000 barrels per day represents about 25 percent of national production, thus depriving the nation of much-needed revenue.

Ultimately, the moderation of many Chavista policies and some of their negative consequences have to be understood in the context of the aggressive acts of the Venezuelan opposition, and the contradictions of populism. But the fact that they have been on the whole successful has kept the government in power. The [\*guarimbacampaign\*](#) to overthrow the government in 2014 failed because it did not spread from middle class areas to the barrios. The refusal of the Venezuelan poor to join the protests was a reflection of the political success of the government's social programs.

### **Timing Is Everything**

Yet despite this longevity, throughout the seventeen years of Chavista rule, the aggressiveness of the opposition has taken a heavy toll. Its tactics have pressured the government into an unholy alliance with a new business elite that is responsible for much of the nation's corruption.

If the destabilizing campaigns have had an adverse effect on the Venezuelan government, then the best time for it to address the negative effects of populist and pragmatic policies is when the opposition is weak. And the ideal moment is immediately following victories, when the enemy is discredited and demoralized.

Three goals can best be achieved by taking advantage of favorable circumstances: further radicalization, delivering additional blows to the enemy, and declaring war on corruption and bureaucratic lethargy. The third goal, which implies internal renovation, has proven to be the most elusive for the Chavistas.

In 2009, Chávez took advantage of the window of opportunity a string of electoral victories had provided by jailing corrupt bankers and expropriating financial institutions. In doing so, he helped undo the damage from the government's preferential treatment of the emerging bourgeoisie.

In contrast, Maduro has failed to take advantage of moments in which his government has had the upper hand. One missed opportunity was in the aftermath of the defeat of the *guarimba* campaign of violence. At that moment, he was in an ideal position to make difficult decisions in order to correct certain failed policies — such as increasing the price of gasoline.

The government today finds itself in a perilous position. The outcome of Sunday's elections may turn on whether discontented Chavistas stay home. Many Chavista voters place the full blame for the nation's current ills on the Maduro government. Certainly mistakes have been made, and certainly corruption is a serious problem, as Maduro himself recognizes.

But any objective analysis of current problems needs to bring their origins into the picture. And one sure conclusion is that the relative strength of the opposition — its resources, international backing, and electoral showing — has much to do with whether the Chavista government can advance toward its far-reaching goals, or whether it survives at all.

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