



VENEZUELA

OIL AND DEMOCRACY IN VENEZUELA

Part I: "Sowing the Petroleum"

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Venezuela has the highest per capita product of any underdeveloped economy in the world. Its gross national product per inhabitant in 1956 approached \$800, a level similar to that of the average of the industrialized nations of Western Europe. Even measuring this product in terms of expenditures within the national boundaries—thus excluding surpluses in international trade—a per capita figure of \$650 is reached, which is comparable with such highly developed countries as West Germany and double the Latin American average. Nevertheless, Venezuela presents all the structural characteristics of an underdeveloped economy. These characteristics of the Venezuelan economy are much more accentuated than in many other American countries with much lower levels of per capita income. Such characteristics involve the structure of production and of occupation of the labor force; the great disparities in productivity between different economic sectors; the very unequal distribution of income between urban and rural areas and between social groups in the same zone; the low consumption patterns of the great mass of the population and the high rates of illiteracy, etc. Celso Furtado, Representative in Caracas of the United Nations Economic Commission for Latin America, 1957.

Because of its limited capacity rationally to absorb large inflows of new capital, Venezuela is entering a period of economic and political crisis that has much to do with the success rather than the failure of its nationalist oil policies over the past generation. Until recently the world's leading petroleum exporter and the second oil-producing nation (after the United States), Venezuela has hugely increased her oil revenues by obtaining both higher prices and a higher share of industry profits through greater taxes and royalties from the oil companies, while oil production itself has stagnated and is now declining. In the face of these production declines, the population and budgetary pressures behind "populist" economic policies are severely straining government financial resources arid, almost by definition, are threatening the Survival of the new and still shaky constitutional democracy that was installed just 15 years ago. Because of the economic surpluses needed to support these populist policies, the future of oil and democracy in Venezuela seem to be, for now, closely bound together.

The linkage between oil and democracy in Venezuela began with the populist pressures that burst forth at the end of the long dictatorship of Juan Vicente Gomez (1908-1935), a traditional Andean caudillo who had granted generous concessions to the foreign oil companies when the industry began operations in Venezuela a half-century ago. General Gomez sired more than 90 illegitimate children, ruled what was then a sprawling, primitive country with an iron hand, and died in bed at a ripe old age. Although the next two Venezuelan Presidents were also Andean generals, the following decade (1935-1945) saw a persistent liberalizing trend in terms of both politics and social expenditure. This relatively peaceful evolution was interrupted by the "October Revolution" of 1945, in which a group of younger army officers joined with the populist Acción Democrática Party (AD) to overthrow the liberal regime of General Isaias Medina Angarita. The 1945 political turnover

was a convulsive break with the past, installing a provisional AD regime that radicalized Venezuela's nationalism in dealing with the oil companies- pioneering the "50-50" principle of equal sharing of the industry's profits between the government and the foreign interests- and used the new oil revenues to finance expanded social programs. But AD's Trienio ended with a military coup three years later that established a dictatorship that lasted a decade. Although the 1948-1958 period of military rule brought no major initiatives either in social policy or in changing the character of Venezuela's relations with the oil companies, the democratic era that began in 1958 and continues today has generated an increasingly nationalistic oil diplomacy and ambitious social programs in education, health, housing, land reform, and other fields. These new programs have been financed by steadily rising oil revenues and, in turn, have engendered new pressures for money from the oil industry. The nearly four decades since the end of the Gomez dictatorship-excepting the 1948-1958 decade of military rule-not only have been years of escalating political populism and economic nationalism, but they also have embraced a rush of peasants into the cities at one of the world's highest rates of urbanization. The urbanization process has compounded the effects of the demographic explosion. Both have enormously inflated the overhead costs of economic development and political stability, while the productivity of the non-petroleum sector of Venezuela's economy remains low.

As the distinguished Brazilian economist Celso Furtado wrote in the above-quoted document of the United Nations Economic Commission for Latin America (ECLA), Venezuela and West Germany had roughly the same per capita GNP in 1956. Since then, however, West Germany's per capita GNP increased from around \$650 in 1956 to \$1,300 in 1960 and 53,034 in 1970, while Venezuela's has remained largely stagnant, rising to \$1,043 by 1960 but then actually declining to \$979 in 1970. This stagnation in Venezuela's per capita income is all the more striking when one considers that her oil revenues-accounting for nine-tenths of the country's foreign exchange earnings and two-thirds of government income-grew at an annual rate of 9 per cent during the 1960s (from 2.64 billion bolivars in 1960 to 6.20 billion in 1970) while oil production was increasing at only 3 per cent. In the 1965-1969 period, boom years for Venezuela, per capita income grew annually by only 0.4 per cent, compared with 4.0 per cent for West Germany. Even before we consider the cultural and structural barriers to higher productivity, Venezuela's intense population growth looms as a limiting factor. As ECLA observed in 1960:

It might appear that, in view of its profitable petroleum industry, the problems of Venezuela are definitely soluble, despite all the weaknesses in the economy, and that-in this sense-Venezuela is a rich country. But one main complication is the rapidity of population growth. During the past decade the birthrate has increased while the death rate has fallen, so that the natural rate of growth of the population, already fast, has accelerated to over 3.5 percent per annum. Since immigration was also heavy in certain years, it is likely that the total population rose by about 50 percent in the 1950s. Assuming that recent fertility rates continue, that there is a further moderate decline in death rates, and that immigration is somewhat lower in the decade ahead than in the 1950s, it can be estimated that the population will grow by another 40 percent in the 1960s, so that by the end of 1970 it will probably be over 10 million, or more than twice what it was in 1950..... The demographic explosion poses considerable tasks for the economy.

Furtado's unpublished report on the Venezuelan economy was written on the eve of the overthrow in January 1958 of the Perez Jimenez dictatorship (1948-1958) and the beginning of a new era of electoral democracy. After having led the October 1945 military coup that brought Acción Democrática to power, Col. Marcos Perez Jimenez executed another coup three years later that ousted the AD government of President Romulo Gallegos, which had been elected only seven months before. Having operated from behind the scenes for four years, the bespectacled artillery officer assumed full dictatorial powers for the period roughly spanned by the fraudulent presidential elections of December 1952 and December 1957.

These were extraordinary years for the Venezuelan economy, perhaps unrivaled in modern economic history. Between 1950 and 1958 the value of petroleum exports doubled, and personal consumption doubled between 1951 and 1957-at a gross annual rate of 11 per cent, or 7 per cent in per capita terms. Between 1948 and 1957 the petroleum industry yielded \$7 billion in government revenues, a sum "greater than the whole previous total of public revenue since the colonization of the country by Spain." However, as Furtado pointed out, this tremendous liquidity was not enough to absorb a satisfactory proportion of surplus labor owing to the low productivity of the nonpetroleum economy. Furtado continued:

When the great oil boom began in Venezuela, the mean level of productivity of the pre-existing economy was very low. A great part of the population lived at the subsistence level and practiced rudimentary agriculture. The petroleum expansion, increasing the national product, inevitably raised the mean level of productivity of the whole economy. But this raising of productivity is simply a statistical item without any relation to the physical productivity of the rest of the economy. A real increase in overall productivity would only be achieved slowly, to the degree that public investments modify the occupational structure and create external economies for the nonpetroleum sectors. However, while the raising of physical productivity and the absorption of surplus labor has been slow, the impact of the oil boom on the capacity to import has been rapid and of profound importance.

Nearly half the nation's private income was received in 1957 by inhabitants of Caracas, though Only one-sixth of Venezuela's population lived there. Yet it was the population of Caracas, rich and poor, that suddenly and unexpectedly revolted against the Perez Jimenez dictatorship, leading to the dictator's predawn flight into exile on January 23, 1958.

Why? The chief source of new wealth for the Upper classes and government insiders was land speculation and the construction industry; the value of construction activity doubled between 1951 and 1957. The bubble burst after the central government and its autonomous agencies had run up a public debt of nearly \$1.5 billion in short-term paper, a reflection of the close ties between government officials, the construction industry, and building materials suppliers.

Although the Perez Jimenez regime had received roughly \$700 million from the oil companies in 1956-57 for granting them new territorial concessions, it mysteriously began to default during 1957 on some of these outstanding short-term notes. While this failure to pay has never been fully investigated or explained, it appears that so much money had been entering the treasury in those years and so many projects initiated and contracts signed-often by autonomous agencies-that the government simply lost track of its commitments. When it ran short of money the balloon began to deflate. The anger and fright generated among wealthy Venezuelans was enough to start some of them conspiring against the dictator in late 1957. The economic crisis became a full-fledged political conflict and insurrection following the dictator's fraudulent "plebiscite" for re-election in December 1957. The Maracay Air Force Base revolted unsuccessfully on January 1, 1958, and this sign of deep discontent in the military establishment gave new impetus to street demonstrations in which the Venezuelan Communist Party played a key role under the banner of the Junta Patriotica. Three weeks later the dictator fled in the face of a mass uprising spearheaded by a military rebellion and a general strike.

Since those days some important political and economic developments have taken place. First, Presidents Romulo Betancourt (1959-1964), Raul Leoni (1964-1969) and, in all probability, Rafael Caldera (elected in 1969 to serve until 1974) have become the first elected civilian rulers in Venezuelan history to finish their constitutional terms of office, thus interrupting a depressing chronicle of dictatorships, military coups, and civil wars. The survival of these constitutional regimes involved a broad popular consensus-at least initially-

in favor of the new democratic system. which had to overcome a series of rightist and leftist armed insurrections that lasted nearly a decade. Secondly, this new institutional order has been buttressed by an economic bonanza in the late 1960s and early 1970s thanks less to a growth in oil production-which generates roughly 20 per cent of GNP-than to a constantly expanding government share in the industry's profits from around 50/50 in the mid-1950s to more than 80/20 today; to price increases negotiated jointly with the oil companies by OPEC (Organization of Petroleum Exporting Countries); and to higher tax reference prices decreed unilaterally by the Venezuelan government. While Venezuelan oil production is now declining, this increased oil income reflects not only a radical expansion of world demand for petroleum, but also the weakened bargaining position of the seven multinational "majors" of the industry when faced with increasing competition from the newer "independents" and an opposing cartel of producing nations: the decade-old OPEC.

The stagnation of Venezuelan oil production led the United Nations to report that since the early 1960s "the chief economic impetus is no longer provided by the external sector, but rather by government spending and investment in import substitution." Nevertheless, government spending as a generator of economic activity remained heavily dependent on large annual increases in oil revenues. For example, government oil income for the six-year 1967-1972 period (about \$8.6 billion) was roughly 43 per cent of all government oil income for the entire history of the oil industry in Venezuela since 1917.

Between 1960 and 1970 consolidated public spending-including state and local governments and some 70 autonomous agencies-rose at an annual average rate of 8.6 per cent, from Bs.7.6 billion in 1960 to Bs.17.5 billion in 1970. With less than one per cent of the labor force working in the highly productive oil industry, the oil income at the disposal of the nonpetroleum sectors-distributed mainly through the public budget-generated a demand for goods and services that far outstripped the nonpetroleum economy's productivity. Indeed, one gets the impression of an economy inundated by liquidity, with one of the world's largest per capita accumulations of gold and foreign exchange reserves and an overvalued currency that tends to suck in luxury imports and to make Venezuelan agricultural and manufactured goods uncompetitive in foreign markets. As in the cases of Spain in the sixteenth and seventeenth centuries and Peru during its nineteenth century guano boom, one also sees the sad spectacle of a backward nation squandering immense financial resources because of its inability rationally to absorb large infusions of monetary capital. Despite programs of economic diversification it has become more and not less dependent on oil income.

For more than three decades now Venezuelan politicians have been talking about "sowing the petroleum" (*sembrar el petroleo*). The phrase gained currency shortly after the end of the Gomez dictatorship, having been coined by the writer-politician Arturo Uslar Pietri in an editorial in the newspaper *Ahora* of July 14, 1936, a few months after the dictator's death.

"Sowing the petroleum" originally signified an agricultural development program. It has come to mean-through the tumultuous decades of Venezuela's urbanization-diversification away from total economic dependence on petroleum, the product that by itself has generated Bs.29 billion of the Bs.31 billion that has entered the Venezuelan Central Bank since large-scale oil production began in 1922. This attempted diversification has embraced large and heavily publicized investments in three main areas: building a modern infrastructure for Venezuela in the form of highways, bridges, aqueducts, and dams for irrigation and hydroelectric purposes; diversification of production by reviving the declining agricultural economy and by creating new industries such as petrochemicals and steel as well as expanding traditional manufactures by import-substitution; and enlarging the capacities of the Venezuelan people through social programs such as agrarian reform and enormous expansions of education and health facilities.

The fruits of these huge investments have been very modest. While successive presidential messages and four-year plans have been full of self-congratulation about "sowing the petroleum," the political and scholarly literature of the past two decades is full of

accusations of waste and extravagance. In his sympathetic study of Petroleum in Venezuela, Edwin Lieuwen wrote in 1953: "On no point is the record so black as on the government's investment of its huge petroleum revenues. Though tremendous tax wealth has come in, the program of 'sowing the petroleum' has accomplished surprisingly little." Two decades later Anibal Martinez, a geologist and historian of the Venezuelan oil industry, wrote of "hundreds of lost opportunities, squandering, flight of capital, serious investment errors and mistaken policies." According to Juan Pablo Perez Alfonzo, twice Minister of Mines and the leading architect both of OPEC and of Venezuela's nationalist oil policies over the past generation, "there exists a relatively fixed capacity to usefully employ new capital. When this capacity is exceeded, economic growth fails to correspond to the greater sums of capital employed." In this context Perez Alfonzo—who was personally responsible for the largest increases in the government share of oil profits in the postwar years has become an outspoken critic of the squandering (despilfarro) of Venezuela's oil reserves and revenues by both Perez Jitnenez and the democratic governments of the past decades.

This waste occurs because a historically weak institutional structure has lacked the skilled manpower and the political stability needed for rational absorption of sudden and massive infusions of new capital. Despilfarro has occurred under both dictatorial and democratic governments, but democratic regimes have been much more dependent for survival on expanding oil revenues because they must compete with other factions for popular consent and must be responsive to rising populist pressures for social expenditure. It is the business of the democratic politician to promise more.

As a result of new legislation passed in 1943 and 1948, government oil revenues increased more than tenfold during the 1940s, and future high revenues were assured by the 50-50 principle that was written into the 1948 tax law under Perez Alfonzo's stewardship. This new oil income generated an important surge of economic development during the 1940s. "By the end of the 1940s," according to ECLA, "the output of livestock products and sugar was rising; iron mining was being developed— though mines were not yet in production; a group of manufacturing industries, including petroleum refining, textiles, cement, rubber and brewing, was being expanded; plans were being prepared for the establishment of new industries such as steel, petrochemicals and vehicle assembly; a large construction industry was emerging; and commercial activity was growing under the stimulus of the rising volume of transactions in other sectors. As a Corollary of these developments, small but important nuclei of entrepreneurs and skilled workers had appeared. The decade of the 1940s may be judged by future historians as the takeoff period of the Venezuelan economy." However, some disturbing rigidities in industrial growth were reported in 1952 by The Economist of London:

In recent years production has declined in several branches of the economy. Thus, between 1947 and 1951, output of butter, biscuits, cigarettes, finned milk and soap fell off, and textiles, although benefiting both by heavy protection and by a large share of State investment, fell off by a full 50 percent. These setbacks must be seen against the background of a general economic expansion which has greatly exceeded them in volume. Their importance should not be exaggerated. But they serve to show that the mere application of State aid, however generous, is not enough to ensure a swift and universal development of industry and agriculture in circumstances of this kind. . . . On the one hand [Venezuelan industry] is geared to the present intensive activity in construction and transport, and to the consumption demands of a people whose standards of life are rising rapidly but from a very low base; on the other, it is acutely restricted by lack of raw materials, heavy equipment and trained men. The unbalance in its structure emerges clearly from the fact that of the increase of Bs.96 million (at 1947 prices) in the volume of industrial production between 1945 and 1949, 56.7 million represented beer.

The pattern of industrial growth has remained essentially the same. The "great fortunes" and "economic empires" generated since the oil boom began were formed by men who, in most cases, began as small merchants branching out later into real estate and banking operations and large-scale importing. Their involvement in manufacturing has largely been a subsidiary

activity for them, confined to traditional consumer industries and a few others-such as construction materials and agricultural supplies-that feed directly on public spending. Because both personal consumption and government spending have increased radically in recent decades, vast fortunes have been accumulated in a very short time.

This private consumption and accumulation was eased because government oil revenues have gone through a series of quantum jumps in recent decades: the average yearly revenues for the 1940s were seven times those of the 1930s; those of the 1950s were four times those of the 1940s; and those of the 1960s were twice those of the 1950s. The government share per cubic meter of oil produced rose from Bs.2.80 for the 1917-1930 period to Bs.14.80 in 1948 to Bs.28.81 in 1970. It seems that after the heartening economic growth of the 1940s, however, Venezuela began to show increasingly acute symptoms of economic indigestion. The massive infusions of oil revenues into the treasury began to be siphoned off into speculative rather than productive investments, partly because of the scarcity of technical and administrative cadres to manage development programs, and partly also because of the sheer volume of new funds each year that placed personal enrichment within easy reach. As ECLA pointed out in 1960, "revenue was wasted because tender prices for Government contracts were often the higher for excessive profits and administrative irregularities; the techniques of construction were generally extravagant, and costs were at times further increased by rushing projects. ... Government development expenditure went mainly into superhighways, office buildings, hotels, apartment blocks and monuments. Nearly all this expenditure was poured into areas already most highly developed. The petroleum was 'sown' but the seed was not scattered either widely or prudently."

That was during the Perez Jimenez era. With the huge increases in oil income produced by the 1948 tax law, the government's ambitious road construction program had swung into high gear. Expenditures for construction of highways and bridges increased from Bs.18 million in 1948 to Bs.104 million in 1949, setting in motion what was to be Venezuela's most important and readily visible. public works investment. Over the next 20 years highway expenditures totaled Bs.7.6 billion, expanding the country's all-weather road network from 1,800 miles in 1938 to 5,400 in 1951 to 23,250 in 1970, with the length of paved highways doubling in the 1960-1969 period to about 10,800 miles in 1970. However, as a World Bank mission observed in 1959, "the cost of building roads in Venezuela is extremely high. In the mission's view, administrative deficiencies contribute significantly to such inflated costs. The labor component in Venezuelan highway construction is very large despite the capital-intensive techniques employed."

Nearly one billion dollars has been invested since 1956 in building petrochemical complexes at Morón and El Tablazo, without significant benefit so far to the Venezuelan economy. The same World Bank study observed that the Bs.600 million invested in the caustic soda/chlorine and fertilizer plants at Morón was "far above the expenditure that should be required-perhaps three or four times higher." The United Nations later reported that by 1968 the total investment had risen to Bs.975 million, but sales for that year were only Bs.77 million, which led to an operating loss of Bs.29 million. The huge El Tablazo project, still under construction, has experienced repeated delays, to the extent that some technicians have voiced concern that some of its key installations may be obsolete by the time the complex is completed.

Since the fall of the Perez Jimenez dictatorship in 1958 the level of administrative corruption seems to have declined somewhat, and the program of "sowing the petroleum" has been expanded to carry out major social investments in the fields of education, health, and agrarian reform. While Bs.1.7 billion had been spent on roads and bridges in the 1954-1958 period, only 117 million went for capital expenditures in education. But this gap was to be closed: the education budget actually exceeded public works spending in the proposed 1973 budget. Current expenditures for education have increased from Bs.202 million in 1956-57 to Bs.1.2 billion in 1968 to Bs.2.5 billion in 1973. At the same time, enrollments in the decade preceding 1968 doubled in primary schools, quadrupled in secondary schools, and increased eightfold in the universities. One is nevertheless impressed by the inefficiency

of this investment. On the one hand, the effective expansion of primary schooling has been marred by antiquated teaching methods and a high and wasteful dropout rate, while secondary and university education over the past decade repeatedly have been paralyzed by political convulsions. A report published by the Education Ministry in 1968 noted that almost half of all entering school children, "upon finding themselves in a class with 50 or more students, with teachers many cases without experience and with a difficult student body, disappear between the first and second grade." The report calculates the cost of primary school education through the sixth grade at \$414 per capita. A 75 per cent dropout rate over the first six grades from an entering class of 400,000 students results in a loss to Venezuela of approximately \$124 million. In a thoughtful article in the Jesuit magazine SIC, Padre Ricardo Herrera-Velarde recently pointed out that population pressures on the expanding school system have been so great that, despite dramatically enlarged enrollments, roughly one-fifth of primary school-age children remain outside the classroom and three-fifths of those in the 14-19 age group. He then observed:

The crisis of the school system is made more evident when not even a super-rich nation like Venezuela has achieved total matriculation of those school-age children seeking access to primary education. . . - The grave quantitative deficiencies are piled upon mediocre teaching based on obsolete methods and norms-the present primary curriculum has been used since 1944. The attention of the Education Ministry has been focused on the urgent problems on school matriculation, and has left on a secondary level the need to design a different and more creative school. The self-congratulation with physical growth, the mistaken identification of schooling with education, the urgencies of demographic pressure and the lack of new educational methods will influence decisively the education by which Venezuela of the 1960s prepares for the next decade... . We should denounce the voracity with which the political parties use the educational system for influence-peddling, thus politicizing the Education Ministry and the principal teacher organizations. . . . In 1969 the new Government [of President Rafael Caldera] had to deal with a general strike of teachers; in 1970 it sent troops into the university and closed it for a year; in 1971 political convulsions and riots shook the secondary schools, forcing the government to shorten the school year.

Described here is the porosity of underdevelopment. Politicization and a high dropout rate are fairly common to rapidly expanding educational systems in underdeveloped countries, and Venezuela is no exception, despite its high per capita income and heavy educational investments. One might suspect, however, that Venezuela's oil wealth may have aggravated these problems by having cushioned their economic consequences. Nevertheless, the porosity of these social development programs, and their perversion to conform to the preexisting social structure, can be no better illustrated than by Venezuela's investment of more than \$2 billion in agrarian reform in the 1960-1971 period. In an appraisal of the program in 1971, the former director of the Instituto Agrario Nacional (IAN) reported that of 162,000 land parcels purportedly given to peasant "beneficiaries" over the past 12 years, only 95,320 were still occupying and working on these land reform sites. Of these 95,320 remaining peasants, more than 80 per cent had never received titles or were squatting illegally on lands previously ceded to other peasants.

In a penetrating series of articles in the Caracas newspaper El Nacional called "La Cosecha del Fracaso" (The Harvest of Failure), the veteran investigative reporter German Carías recently drew a detailed picture of how the agrarian reform had wasted much of the huge investment over the past decade. The overall cost for the 95,000 peasant families still occupying land reform parcels averages more than \$20,000 each for the 12-year period, yet the program has fallen short of its basic objectives of improving the productivity and well-being of Venezuela's peasant population and of slowing its migration into the cities. Only about 20 per cent of these peasants presently receive supervised credit and, according to Carías, many of the 1,500 settlements have been abandoned, "full of dead houses, with their parcels covered with weeds and their classic cemeteries of materials and machines." At La Morita, the land reform settlement in the Valley of Aragua where Presidents Kennedy and Betancourt handed the first titles to peasants in 1961, most of the "beneficiaries" abandoned their parcels when it was discovered two years later that the soil was highly saline. One of

the remaining peasants told Carías: "This is a shady operation. What you see is business deals and commissions everywhere. There were even unexplained increases in the cost of building the land reform houses, which was originally calculated at Bs.5,500 and then rose to Bs.20,000 per house. There were also shady deals in the construction of the church."

The economic benefits of land reform have shifted steadily away from the peasants to large landowners and IAN officials. Landowners were paid extravagant indemnifications for expropriated haciendas, "thus enabling many owners of unproductive land and their lawyer to get rich through the agrarian reform," Carías also wrote. In a major study of land reform on three continents, Dóreen Warriner reported an interview in which a high IAN official explained to her that in expropriating estates "the aim is to reach agreement as to the purchase price on a friendly basis." Miss Warriner herself then observed:

Since funds are available, agreement is easily reached; estates are purchased at their market value. . . .Up to mid-1965 the total cost of the reform amounted to Bs. 511 million. Of this total, 60 percent had been used for the purchase of land (at market values), livestock and farm equipment for the former estates, and the remainder used for new investment. Obviously the amount of new investment per family could not be large, after deduction of the cost of the land; it is in fact extremely small. It is commonly asserted, by people who know, that the landowners themselves encourage [peasant] syndicates to invade their estates, or to petition for purchase and division, in order to dispose of their property at a good price. . . . Of course there is nothing wrong in buying out landowners at good prices or settling people at high cost, though it is unusual, because few countries can afford to spend so much. But it seems that the landowners have gained more than the campesinos. To a far greater extent even than in the other three Latin American countries visited, the landowners are shifting their interests into urban building and speculation in urban land values; so that it must often be convenient to sell a derelict estate, and with the proceeds build a sky-scraper apartment block in Caracas.

In his *El Nacional* series, Carías reported "barefaced sales commissions and bounties paid by agricultural supply firms to IAN technicians who sell machinery and fertilizers to the peasant cooperatives, with some public officials getting commissions of from 10 to 20 percent." Unfortunately, many of the infrastructure investments for the agrarian reform have also been wasted. Carías writes of the big land reform center of Las Majaguas in Portuguesa State, where "Bs.500 million were spent to build a large dam and irrigation canals-government posters called it 'the largest irrigation system in Latin America'-as well as for infrastructure on the settlement itself. Today most of the canals are clogged, the peasants are losing their crops and, paradoxically, cattle are dying in the summer drought for lack of water. The immense dam is cared for by dozens of IAN functionaries, yet its only use now is by sportsmen on Sunday outings from Caracas or Valencia who use the dam to practice water-skiing." An even more serious perversion of the land reform program has been what Carías calls "the reconstitution of latifundia (large estates) as a direct consequence of the instability of land tenure... through the grabbing up and [illegal] sale of parcels and improvements." Although sale of land reform parcels is illegal, this is done through the old ruse of transferring "improvements" (*bienhechurias*) assertedly placed on the land by the peasants. The respected former IAN director, Victor M. Gimenez Landinez, described the process as follows:

Research has shown that 80.26 percent-or 76,504 of the 95,320 occupants of 2.5 million acres distributed by IAN live there without titles and through either squatting or illegal transfers of improvements. This represents a regressive process, since in many cases this means That a single person has been able to grab up many parcels previously distributed to peasants, who in turn have moved into the belts of misery that surround the cities, or reverted to their past lives as *conuqueros* [nomadic practitioners of slash-and-burn agriculture] in the mountains. What is worse, many have remained to work as peons for the agricultural firms organized on the lands which the peons received from IAN and still legally own. In the Trujillo State, a survey showed that, of 83,000 hectares acquired by IAN for peasants, 50,000 are in the hands of persons not subject to the agrarian reform.

The difficulties of the agrarian reform illustrate some of the obstacles to effectively "sowing the petroleum" as well as the depth of the institutional crisis which Venezuela seems to be entering. The most obvious sign of this crisis has been the widespread and increasing disenchantment with the performance of the politicians and parties of the post-Perez Jimenez era. The economic boom of the late 1960s reinforced the apparent consolidation of the democratic system, which nevertheless received a major blow in the results of the December 1968 general elections. The incumbent Acción Democrática Party (AD) of Presidents Betancourt and Leoni was succeeded in power by the much more narrowly based government of President Rafael Caldera and his Social Christian Party (COPEI), which had won the election with just 29 per cent of the popular vote, a plurality of less than one per cent over AD and less than one-fifth of the seats in Congress. Beyond this, the big surprise of the 1968 election was the sweeping victory in Caracas of ex-dictator Perez Jimenez who not only won in all but one of Caracas's 16 parishes, and in his native Andean state of Táchira, but also swept his hastily organized followers, running on his coattails, into Congress and into city councils and state legislatures throughout the country. The former dictator's election triumph was all the more dramatic because he had run in absentia from his exile in Madrid, in an anemic campaign costing less than \$15,000, just a few months after his release from five years in jail in Caracas on charges of illicit enrichment. A bald, pudgy man with little personal charisma, Perez Jimenez attracted essentially the same kind of "antisystem" vote as did George Wallace in the northern United States the same year. Although the ex-dictator's two senatorial elections-in Caracas and in Táchira- were nullified on a technicality, these stunning victories were widely interpreted as expressions of discontent with the "politicians" of the democratic system.

Perez Jimenez's new popularity cuts across all sectors of Venezuelan society, but he drew the most votes in 1968 in the same squatter and working class districts of western Caracas whose inhabitants poured into the streets to overthrow his dictatorship ten years earlier. Like other fallen dictators- such as Argentina's Perón and Columbia's Rojas Pinilla...who have become the object of revivalist cults in recent years, Perez Jimenez represented a vague idea of a "strong man" capable of imposing order and evoked blurred memories of the easy prosperity of the mid-1950s. After the ex-dictator announced his presidential candidacy in the December 1973 general elections and, according to several polls, would be a leading contender, the two major parties, AD and COPEI, recently introduced in Congress a constitutional amendment designed to disqualify the Perez Jimenez candidacy. Yet Venezuelan democracy remains in crisis and the "anti-system" syndrome will remain a major force in Venezuelan politics, largely because of the undercurrents of instability that run through all of Venezuelan history, the extreme volatility of social change in recent decades, and the especially controversial nature of the three interrelated and pressing questions that will face the new government when it comes to power in 1974: (1) Venezuela's future relations (if any) with the foreign oil companies in view of declining production and reserves; (2) reconciliation of expanding public expenditures needed to maintain political stability with stagnating oil revenues during the 1970s, and (3) the need to settle the politically sensitive territorial dispute with Columbia which for the past five years has halted oil exploration and production in the Gulf of Venezuela, the most promising of Venezuela's prospective oilfield.

The pressures for accommodation or open rupture of the system will intensify as Venezuela approaches 1983, when most of the concessions to the foreign oil companies are scheduled to revert to the state. While populist economic policies have followed roughly the same historic trajectory as the huge increases in oil revenues in recent decades, the prospect for the 1970s is for an intensification of population pressures at a time when oil production is declining. Rising oil prices may help Venezuela somewhat. But to compensate for declining production in the traditional oilfields of Lake Maracaibo, new reserves will have to be discovered and brought into production. Although large untapped reserves are believed to exist in offshore areas, any major exploration program would have to be preceded, almost inevitably, by politically sensitive negotiations and agreement between the oil companies and an increasingly insecure democratic regime. These negotiations, moreover, would take

place amid radical changes in the world oil market and the structure of the petroleum industry, and would expose any elected government to severe criticism by the political opposition. Significantly, a major study of Venezuelan elites recently showed that, in a ranking of national priorities, "the consolidation of democratic practices through the stabilization of elections uniformly ranked last for every group sampled." It seems, then, that the symbiotic career of oil and democracy in Venezuela is reaching a crossroads beyond which any elected path is full of jeopardy.

Part II: The Marginal Man

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