

## The Path Toward Socialism of the 21<sup>st</sup> Century in Venezuela: Strategy, Prospects and Pitfalls

[Public Lecture, IDS Visiting Speaker program, Halifax: Saint Mary's University, November 20, 2015.]

Michael A. Lebowitz

In thinking about the title that I was assigned, I was reminded of a presentation I made a few years ago at the Havana Book Fair on the occasion of the publication of a short book, *Socialism does not fall from the sky*. This talk, reprinted in my most recent book, *The Socialist Imperative*, was called "Socialism: the goal, the paths and the compass". I began by setting out the concept of socialism for the 21<sup>st</sup> century as it had emerged in Venezuela. This was a concept of socialism as an organic system, a combination of production, distribution and consumption which Chavez called "the elementary triangle of socialism": social ownership of the means of production, social production organized by workers, and production for social needs and purposes. That vision, I proposed, was the goal. And I argued that we need that vision because if we don't know where we want to go, no road will take us there.

Of course, it was understood that getting to that goal was a process, a process which could not possibly be realised overnight. And, that process would necessarily differ in different countries. Some might be able to get there more or less directly, and some might come up against obstacles, forcing them to step back and try another route, switchbacks. The question I asked, though, was that if your path is not going directly to the goal, how you avoid getting lost? And I answered that some would say that there is no problem as long as we have a compass, and that the party is that compass. The party can point you in the direction of the goal when obstacles have temporarily forced you to go in the opposite direction.

However, I proposed that the party does not stand outside society; sometimes it does not point to the true North. At this point, I gave the example of Vietnam from which I had recently returned, and I proposed that the party in Vietnam had in fact been increasingly absorbed by capitalism and was not functioning as a compass which could lead back in the direction of a socialist goal. Of course, I never mentioned Cuba but every Cuban present knew exactly what I was talking about.

So, thinking about that talk, I wondered, "well, what can I say about Venezuela? Well, the goal was this concept of socialism for the 21<sup>st</sup> century as articulated by Chavez. But there was no compass. There was only a guide who was functioning more or less intuitively without a compass and navigating by looking at the stars (or one might say getting inspiration from the heavens). And this guide was followed immediately by a group of aides (who we could call lieutenants), some of whom had no desire to go to that particular goal but who recognized that unless they followed the guide they would be lost. And, then there were others in this group of aides who agreed with the guide upon the goal but not on how to get there. So they were constantly attempting to convince him to go their way. Finally, further back, there was a large number of those who agreed entirely with the goal articulated by the guide and were determined to follow him in the hope that he would bring them there. This last group, it may be added, was devoted to the

guide but did not trust the lieutenants at all. Well, you know the next part of the story: the guide died.

So much for metaphors. Let's begin by looking at the guide. But first consider Venezuela before Chavez. In *Build it now: Socialism for the 21<sup>st</sup> century*, I stressed the enormous gap between the ostentatious wealth and consumerism of a rent-capturing minority on the one side and the overwhelming poverty of the vast majority of people on the other. This was a society where, given the Dutch disease (which I will come back to) flowing from oil exports and the restructuring of multinational corporations as they moved away from the branch plant model, the chosen subjects of 20<sup>th</sup> century socialism (the industrial working class and the peasantry) had virtually disappeared.

As Fernando Coronil, described it in his excellent book, *The Magical State*, in this society oil rents flowed to the state, and the state accordingly became the supreme object of desire--- it was (and remains) a society permeated completely by a culture of clientalism and corruption which, of course, does not disappear overnight with the election of a different President. Indeed, in contrast to the standard Marxian concept of the State as resting upon the social classes, Coronil proposed that in Venezuela where the state received all the oil rent, social classes rested upon the state.

Since the money was in the state, control of the state was essential and could never be left to the masses. Accordingly, the democratic parties (the social democrats and the Christian Democrats) fashioned a pact to ensure that the state, power, jobs, and money would remain safe hands (i.e., theirs). I'm sure everyone knows how this came to an end. With oil prices falling, international capital began to pressure Venezuela to adopt neoliberal measures which had been adopted elsewhere in Latin America. A social democrat (Carlos Andres Perez) who had previously been president in a period of expansion pledged to fight this neoliberal demand, to fight against austerity, was elected on this basis president in the late 1980s.

No sooner was he elected president, however, than he immediately began to follow the demands for austerity from the IMF. However, unlike what was happening in the rest of the world, in February 1989 the Venezuelan masses rebelled – a rebellion which began when people protested against the increase in the prices of public transit. They began by overturning buses and this spread into a general rebellion that involved seizing goods from the stores. Known as the *caracazo*, this uprising was brought to an end brutally by the Army that proceeded to kill thousands of people.

That event and the role played by the Army accelerated the plans of a secret group within the Army led by Chavez which had been building a force with the goal of overthrowing the government. In 1992, Chavez led what was to be a civic- military rebellion (although many of the civilian parties ultimately backed off). That rebellion won its objectives in some centers but failed in other critical ones. And so Chavez managed to convince the government of the time that only he could prevent further bloodshed by calling upon the military rebels to give up their victories. In an example of the cunning of history, Chavez went on television and said, “we take responsibility for this” and “we have failed in our objectives *por ahora*” (for now). Overnight Chavez became a national hero to the masses because of that phras “*pora ahora*”. People realised that the objectives were to be followed at some later point--- that the struggle was not over.

So, Chavez went to prison and like so many before and after him, prison became a time to read. And not only to read in general but specifically to work on a Master's degree which he did under the direction of Jorge Giordani, planning professor (who became a father figure to Chavez). Giordani, the almost permanent Minister of Planning and the Economy once Chavez was elected, later introduced him to his own close friend Istvan Meszaros who he had come to know when studying at the Institute for Development Studies at Sussex University in the UK, and this became a link which would be very important at a later point. During this period Chavez was reading Negri and Rousseau among many others and developed a strong critique of the parliamentary democracy that characterized Venezuela. As he wrote in 1993 from prison, "the sovereign people must transform itself into the object *and the subject of power*. This option is not negotiable for revolutionaries".

Once out of jail, Chavez began to tour the country calling for a new constituent assembly to rewrite the Venezuelan Constitution. Although he rejected for some time the idea of running for office himself under the existing constitution, with the general discontent about the government and the discrediting of both governing parties (the Christian Democrats and the Social Democrats), Chavez ran for President in the 1998 elections, and was elected as an outsider. Immediately he moved to fulfill one of his promises – the call for a constituent assembly which would rewrite the Constitution and change the rules of the game.

That constituent assembly was filled with representatives of social movements, and the constitution they wrote reflected that. For example, one of its most significant aspects was Article 88, which says "work within the household creates value"; this was result of a group of feminists who had been in Beijing a few years before and who were determined to get this into the constitution. But this is only one aspect. If you read that Constitution, you will be struck (as I was) by its emphasis upon human development and its argument that the complete development of people, both individual and collective, is only possible through their own practice and protagonism.

Chavez shared this stress upon human development and protagonism with the social movements involved in the Constituent Assembly (in particular, that of the Causa R, a party drawing upon the thoughts of Alfredo Maneiro who had left the Communist Party in the 70s and who also influenced Chavez). Very simply, the underlying concept running through the constitution was Marx's description of revolutionary practice: the simultaneous changing of circumstances and human activity or self change. People transform themselves as they transform circumstances.

Right from the outset, then, characteristic of the Bolivarian Revolution was the emphasis upon revolutionary democracy, a concept which went well beyond representative democracy to focus on people as protagonists. This has been a continuing central aspect of the Bolivarian model. However, that perspective coexisted in the Constitution and in the early policies of the government with the idea that you could have this *and* capitalism. It was the concept of the "Third Way" that Chavez explicitly initially embraced, the idea of a good capitalism. So, alongside this emphasis upon collective protagonism was the definite importance assigned to private industry and the *sine qua non* of neoliberalism, autonomy for the central bank (which means no democracy for the people)

In short, there were contradictory tendencies right from the outset in the Constitution because it was a snapshot of the process at that moment. And the initial conception of the economy reflected this hope for a good capitalism—one in which the state would play a greater role, a state that would encourage cooperatives and the building of the social economy (initially seen as something that would create a new class of entrepreneurs). The economy would be redirected to achieve food sovereignty and to diversify industry. So, in place of the model of exporting oil and importing everything else, the emphasis would be upon endogenous development--- a concept that Chavez drew from Osvaldo Sunkel in his book on neo-structuralism---the idea of production for the home market encouraged by the state, a structuralist perspective.

As the Bolivarian government, however, proceeded to try to introduce its program, the opposition to it from the usual suspects (including the US government) grew stronger as well as opposition from within the Chavez coalition itself. The problem was that they didn't want Good Capitalism; they wanted the capitalism they had. Chavez's response was to call for the formation of Bolivarian Circles. Those early organizations of government supporters in the cities, the communities, the hills then would be absolutely critical when the opposition moved in April 2002 to overthrow Chavez. If you've seen the classic documentary, "The Revolution Will not be televised", you know that the overthrow of April 11th was reversed by the movement of the masses and the demands they made upon the Army on April 13th. In Venezuela, this produced the slogan, "every 11<sup>th</sup> has its 13<sup>th</sup>"—i.e., you have setbacks but there is the possibility of overturning those setbacks.

Often the reversal of the coup is seen as the real starting point for the Bolivarian Revolution. However, it wasn't. Chavez returned to office and was very conciliatory, trying to win over moderates in the opposition. He removed several ministers (including Giordani) who were seen as antagonistic to the business community and brought in others who were seen as more friendly. However, the opposition supported by the US went to Plan B, and that was the Bosses' Lockout – the shutdown of industries and in particular the state oil company [PDVSA] run by state officials who were independent and not subordinate to the state. Starting in the beginning of December 2002, the basic wisdom of the time was that "Chavez will be gone by Christmas". He can't possibly last because, for one, we've cut off the oil money, the revenues to run the state. Private businesses told their workers not to worry as it would only be a short period of time and they would be paid for all the time that they were not working.

Well, the bosses' lockout failed. People mobilized for three months, organizing the distribution of gasoline. Retirees came back to work at PDVSA; blue collar workers, supported by the army, kept the oil flowing; people organised the distribution of food, opened the closed stores, etc--- and they won! And the consciousness of their victory in this period far exceeded what happened in the reversal of the coup.

The masses were radicalized by this experience, and so was Chavez. Thus, 2003 was the real beginning of the Bolivarian Revolution. As the income from oil was being restored, it was now earmarked to make substantial changes in the lives of the masses--- immediately in health and education. Doctors from Cuba were brought into the barrios for people who had never seen one; Cuban doctors settled in these areas, in places that no Venezuelan doctor would stay, through *Mision Barrio Adentro* (Into the Neighbourhood)

Similarly, literacy programs were begun, and these ranged from basic literacy (in what was called *Mision Robinson*) as well education programs at higher levels up to the university level. Because even though there were public sector universities, they were essentially universities for the elite. To get into them, you had to have all these qualities, all this previous good education. The poor were largely excluded from the elite semi-autonomous universities -- their access was to expensive private universities.

This is the context in which the Bolivarian government moved to create Bolivarian Universities. As it happened, I was present at the inauguration of the first of these in 2003. PDVSA had built a large new building for its staff in Caracas. However, since 30,000 white collar workers and technicians were fired for their political act to force out Chavez, now this beautiful new PDVSA building was empty. So, this building became the first campus of the Bolivarian University of Venezuela. All the buses, buses for PDVSA, now were used to go up into the hills where the poor lived to bring them to university and to bring them home after their classes.

In 2003, too, Chavez began to teach people about capitalism. Every Sunday, in his "Alo Presidente" programme, Chavez gave a teach-in; he entered into a long discussion which might go on 5 or 6 hours. For example, on 14 September 2003, he did one devoted to the social economy. In that programme, he declared, "the logic of capital is a perverse logic. It doesn't care about destroying the rivers, destroying Lake Maracaibo, about putting children to work, about the hunger of workers, about the malnutrition of their children. It is not interested in labor accidents, if workers eat, if they have housing, where they sleep, if they have schools, if when they get sick they have doctors, if when they are old, they have a pension. "No. The logic of the capital cares nothing about that, it is diabolical, it is perverse."

Compare that, however, to the social economy. What is its logic? "The social economy bases its logic on the human being, on work, that is to say, on the worker and the worker's family, that is to say, in the human being." And that social economy, too, does not focus on economic gain, on exchange values; rather, "the social economy generates mainly use-value". Its purpose is "the construction of the new man, of the new woman, of the new society."

Throughout 2004, Chavez was talking about the social economy but it was clear that he was talking about socialism. He just didn't use the word. But the word was certainly being used in the new Ministry for the Social Economy. In 2004, I became an advisor to Nelson Merentes, the minister, and we talked about socialism all the time. In fact, what I did principally was teach the people in the ministry about Marxism and socialism and occasionally to provide the Minister (subsequently Minister of Finance and then President of the Central Bank) with speakers' notes. In December of 2004, though, Chavez signalled a change: at an international meeting of intellectuals in Caracas, he said "we must not be afraid to use the word, socialism." This was the first time I heard him use the word. Remember, too, this was at a time when everywhere else in the world, people (including academics) were running from the term.

Chavez followed this up dramatically the next month in January 2005 "We have to re-invent socialism," Chávez declared in his closing speech at the 2005 World Social Forum in Porto Alegre, Brazil. "It can't be the kind of socialism that we saw in the Soviet Union, but it will emerge as we develop new systems that are built on cooperation, not competition." And, he added, "capitalism has to be transcended if we are ever going to

end the poverty of the majority of the world but we cannot resort to state capitalism, which would be the same perversion of the Soviet Union. We must reclaim socialism as a thesis, a project and a path, but a new type of socialism, a humanist one, which puts humans and not machines or the state ahead of everything.”

Much occurred in 2005. There were major developments in worker management. For one, a number of factories which had closed down (because the companies that engaged in the lockout went bankrupt) were occupied by workers demanding the wages they had been promised. They occupied them to ensure that equipment was not removed and sold by the bankrupt owners. In some of those cases, the companies resumed production with fifty-one percent state ownership and forty-nine percent belonging to cooperatives formed by the occupying workers. In other cases, they became cooperatives and received significant support from state banks. Similarly, worker-management experiments were begun in state industry (eg., a state aluminum company and in the state electrical distribution firm) All these experiments were known as co-management (which is not to be confused with the German practice of a few workers sitting on the board of directors of a corporation). In Venezuela, co-management meant an implicit contract between the state and the working class

Reflecting this perspective, the Mayday march of 2005 took as its central slogan, “without co-management, there is no socialism” – a slogan that Chavez endorsed from the podium. Several years later, he would return to this theme, saying “what we have is state capitalism; without workers control, you can’t have socialism”.

Similarly, 2005 was a year in which there was significant local decision-making occurring, and it was at this time that the model of communal councils which had been introduced in the city of Cumana was brought to Chavez’s attention by Marta Harnecker (acting at the time as his assistant), and it became the model established nationally in the following year. These communal councils, composed of 200 to 400 families in the urban areas and 20 to 50 in the rural areas, became the major decision-making bodies for local projects. Their basic decisions were made by general assemblies as they were small enough to permit this. They would elect a council, representatives for health, sports, defence, etc--- drawing upon existing neighbourhood organisations (health committees, etc)—but these representatives were not like representatives as in a parliamentary democracy. Rather, they were called *voceros*—voices of the community, spokespeople for the community (who had to come back to the community to ensure they were truly speaking for the community.)

These communal councils became the major sites of revolutionary practice. It was exciting to visit them and to see how people were transforming themselves by changing circumstances, how they were developing a real sense of pride and dignity and strength because they were making decisions that were changing circumstances. growing in strength and a sense of pride and dignity. This now became the central thrust of the Bolivarian Revolution, cheered on by Chavez, who subsequently called the communal councils the cells of the new socialist state.

And the logic was clear: communal councils, which after all had a limited geographical scope, would work together with other communal councils to deal with larger problems (eg., problems with water systems, sewage, etc). And communal councils working together would come to form communes (bringing within their scope local economic activity). And the communes in turn would join together to form communal

cities. This was Chavez's vision of how the new state would emerge. And it continued to be his vision. As the communal councils were established, he stressed the importance of the next step—the formation of the communes. In one of his last public addresses, a televised cabinet meeting in 2012, when he was clearly already very sick, he complained at the lack of progress in this process of developing communes. In a speech called the *Golpe de Timon* (change the rudder, that is, change direction), which can be found translated into English on the Monthly Review website, he asked “Where are the communes? Why aren't they playing more of a role?” And he said to Nicholas Maduro, his vice president at the time, “Nicholas, I entrust to you my life and the communes.” “Comuna o Nada” Without the communes, nothing.

So, we see here the central elements of this strategy for socialism for the twenty first century. It was a process certainly of using resource revenues to foster human development – both by eliminating the social debt in the form of inadequate healthcare and education and housing and in this way investing in the future. But also investing in the future by developing the institutions and means by which people develop their capacities through their protagonism.

Consider Chavez's focus on human development. His idea of human development went far beyond a populist perspective, far beyond simply increasing social welfare by using resource revenues to provide gifts from above. Yes, education expenditures were up; yes, health care expenditures were up, housing expenditures were up. While these measures serve as proxies for human development in the Human Development Index, they do not, however, measure human development. For Chavez, practice was an essential element in human development and in the model of socialism for the 21st century; practice is how people develop their capacities. As he said in his *Alo Presidente* broadcast of 27 March 2007, “socialists have to be made. A revolution has to produce not only goods and services. It also has to produce, more importantly than all of these things, new human beings, new men, new women.”

Communal councils and communes in this context involved not just local decision-making but especially the production of new human beings. They were central aspects of the new society, and they point to the emergence of a new state from below, a new society from below. But, of course, this new state and the new social economy do not drop from the sky. The emerging new state and the old state will coexist for a long and indeterminate period of time. (I talk about this in an essay on the state and the future of socialism in my new book, *The Socialist Imperative*.) The two states interact. But they also mutually deform each other. That inevitably will occur. But think of what this new state from below was interacting with in Venezuela! That rentist, corrupt and clientalist old state! How could that not deform the new state? How could that not deform socialism for the twenty first century?

Return to the concept of the socialist triangle in Venezuela. Production was certainly oriented toward meeting social needs. Activity focused upon improving education, health, housing (including much housing construction), support for the poor through subsidized necessities, etc. were all a very important part of the Bolivarian Revolution. These activities involved expenditures by the old state. But not by itself. Those expenditures incorporated local activity. For example, health committees were involved in every step of the way in the local communities dealing with the Cuban

doctors and the few Venezuela doctors who subsequently were trained in Cuba to come work in the neighbourhoods

Similarly, local facilities and cooperatives were making their premises available for the education programs introduced by the old state. Mision Robinson was carried out in local production units, indeed every place you could find for the classes. Water tables were organized locally for technical matters on water issues. And the initiative in many cases came from the communal councils that would identify projects to satisfy local requirements, would secure funds from the central state and then would carry out these projects themselves.

A good example of this combination of the old state and the new state from below relates to that section in the Constitution that indicates that work within the household creates value. How do you make that real? How do you create an organic law, the laws that become part of the Constitution, in order to facilitate this? Well, this was not easy to work out. They started by saying we have to have pensions for women who have worked in the household. But how would that be organized? By a law from above? What they did was to introduce an organization called “mothers of the barrio”—women organized in each community to ensure that women throughout the community were in fact able to have the income to be able to function independently.

Another side of the elementary socialist triangle was that of social ownership of the means of production. Certainly, there was a very substantial increase in nationalization – the ending of and reversal of the privatization of state firms that occurred in the neoliberal nineties. There was nationalization in resource industries, nationalization in communications, nationalization of banks etc. But it’s important to understand that this was not ideologically driven. Certainly, there were some who, reading the Good Books, were saying we have to nationalize all the banks, we have to nationalize all industry etc. based upon their reading of the Marxist Classics. But this was not a significant factor shaping decisions in Venezuela. What was happening was a combination of pragmatism and audacity.

For example, take SIDOR, the steel company. This was a state company that had been privatized and that came under the control of a consortium headed up by Argentine capitalists. Conditions were allowed to run down, and there was a constant struggle with workers who were demanding higher wages and better working conditions. In that context, an extended strike began in which workers were calling for the renationalisation of the company. And, this strike was very serious because that firm produced many things needed for the housing program (eg., rebarbs); the strike was holding up the production of critical inputs. Chavez, though, was very hesitant to move. (Partly it’s been suggested that the Argentine government of the Kirchnerss was pressuring him not to move against this company because of the Argentine capitalists involved.) However, Chavez ultimately sent his vice president to sit in on the negotiations between the workers and the company. And, soon after, the vice president called Chavez and said, “the company is intransigent, it’s not moving at all, and it’s not prepared to negotiate.” Chavez immediately said: “nationalize them; we cannot accept this kind of thing”

The same pattern was true in relation to the cement industry. Cement firms were owned by multinationals. Cemex, for example, was a Mexican cement- producing firm that was shipping cement out of the country rather than making it available within Venezuela for housing construction. So, what happened? They were nationalized because



they were interfering with the government commitment to build housing. Or take the case of electricity. The electrical distribution firm was broken up in the period of the nineties into a number of firms, some of which were privatized and others that were being run down with no investment for the purpose of privatizing. In fact, what happened in these conditions was a great difficulty in creating a national grid for electricity; for that reason, the government moved to incorporate the privatized firms, to nationalize them and to begin to organize the grid on the basis of a fully state owned company. Or look at the communications sector (cell phones etc). Here again privatisation was reversed in order to build up a modern communications sector.

In each case, the attempt to satisfy social needs came up against obstacles created by private capital. Then you had two options: one was to retreat from reaching that goal of satisfying social needs and the second was to remove the obstacles. So rather than retreat, characteristic of Chavez was audacity, audacity – a willingness to act to remove those obstacles. The choices were give in or move in.

Consider now the third side of the triangle: social production organized by workers. Here was one of the tragedies, I would say, in Venezuela--- both in the state sector and also in recovered factories, factories that had been closed by their owners and then recovered by workers. I mentioned before that co-management was the focus in 2005 as crystallised in the theme: without co-management, there is no socialism. The problem, though, was that there was great resistance to worker management and, in fact, sabotage of this side of the Bolivarian revolution, i.e., sabotage in this respect of socialism for the 21st century. And this was a product of a combination of patterns from capitalism and also from the left---in particular, from vanguard tendencies (both of which enforced a top-down perspective).

Certainly, worker decision-making is a break with capitalist practices. It is so because that separation of thinking and doing characteristic of capitalism means that workers don't develop their capacities. Worker decision-making is also, however, a break with vanguard relations. (I talk about this in my book, *Contradictions of "real socialism": the conductor and the conducted.*) Not only was this model characteristic of the Soviet Union and other examples of "real socialism" but that tendency was present in Venezuela.

There are many examples of the top-down orientation that thwarted development of capacities from below. A very significant one occurred in the state oil firm, PDVSA. The president of PDVSA and Minister of Oil and Energy was Rafael Ramirez, who was absolutely opposed to any worker- management. He came from a pre-Chavez revolutionary group, *Esperanza Patriótica* (patriotic hope) and proceeded to place on the PDVSA payroll members of his group who functioned as propagandists opposing worker management. They wrote a regular column circulated and financed through PDVSA called *Un Grano de Maiz* (a grain of corn) which, among other things, stressed that Cuba didn't have worker management. Indeed, Ramirez actually brought Orlando Borrego, one of Che Guevara's assistants in Cuba to speak to the National Assembly to talk about how Che did not believe in worker management and hated the Yugoslav model. (Not mentioned was the fact that Che did not reject worker involvement and worker decision-making but, rather, the focus upon self-interest which infected the Yugoslav model.). In fact, Ramirez was so opposed to any suggestion of worker management that at one point in his role as regional vice president of the party, PSUV, he went around the state of

Merida attacking me , arguing that I was in favour of the Yugoslav model and what a tragedy Yugoslavia was.

Another example of opposition from above to worker management occurred with respect to the electrical firm. One of the most advanced group of workers and very oriented toward worker management was FETRAELEC, the electrical workers federation. They had worked out a relationship with the management of the state electrical distribution company to develop a whole step-by-step process of workers assuming more and more decision-making. This process, however, reached an impasse; and my wife Marta Harnecker and I then functioned as marriage councillors mediating between the company officials and the union in trying to work out ways in which they could reconcile their differences. The president of the company ultimately agreed to a process. And then suddenly he never came back. What had happened was that the Minister of Oil and Energy, Ramirez, had rejected the idea.

Some of the cooperatives trying to introduce worker management were also sabotaged. In some cases, this involved the appointment of a president from above and a resulting dismantling of the structures and practices developed by the workers themselves. And there were other challenges. One dramatic case of sabotage occurred in Inveval which had been a private firm that produced valves for PDVSA. After its occupation and nationalisation, Inveval was established with the formula of fifty-one percent state ownership, and forty-nine percent for the workers' collective. As an indication of the political consciousness of the workers, after extended discussions they said, we don't want to renew our cooperative contract---"we want 100% state ownership, 100% workers control". Unfortunately, though, they weren't able to sell anything to PDVSA. Although they were tooled up to produce the same valves PDVSA had always purchased, PDVSA refused to purchase these. The general speculation (indeed understanding) was that this occurred because this company and many cooperatives were not willing to bribe the officials of the state firms in order to get contracts.

The top- down orientation could be seen in many state companies but it was not limited to industry. It also showed up in the Ministry of Communes, which was dominated by a members of a group called Frente Francisco de Miranda, a group largely trained in Cuba. They were entirely top-down, and the basic model that they followed was to instruct the communes on everything they had to do in order to be officially recognized: you had to have a war room, you have to have a particular relationship with the local communal bank, you had to sign here and meet these requirements. And what was the result? The most advanced communes that had developed organically from below refused to do any have anything to do with the Ministry of Communes. So, there were really two commune movements-- the official communes and the communes from below.

We should always understand that a conflict between the state from above and a state from below is to be anticipated. But there were unique characteristics of the old Venezuelan state. That old state was permeated by opponents of Chavez and the Bolivarian revolution. This reflected in part the reign of the previous governing parties. The Social Democrats (Accion Democratica) and the Christian Democrats) had worked out a nice cozy arrangement whereby if one party was elected and replaced the old party in government, all the people who were hired by the old party would in fact retain their jobs. Ironclad security in the public sector was introduced in order to avoid political

firing. So, anti-Chavists were protected after Chavez's election. Add to that the pattern of compensation in the state sector: there were very low starting salaries when you began to work for the state. However, every year salaries increased according to seniority. Those hold-overs in the state sector, hired on the basis of clientalism and their politics, were never going to leave state employment because their salaries were higher than anything they could get elsewhere. They came to work and often did very little. This is one of the important reasons why the Bolivarian Revolution proceeded to bypass the existing state to create missions. They moved to create a separate state structure in order to deal with the inefficiency and political opposition within the existing state.

But there was another side of this situation (which I have never seen mentioned). When the Bolivarian government wanted to hire people to work on projects, Chavists committed to the project, they could only offer them regular jobs within the normal structure, that is, at very low salaries-- salaries on which you couldn't maintain a family.. So rather than getting people who were experienced and committed at these low levels, Chavists were hired under contracts---on contracts outside the normal state structure, without pensions, seniority and job security. So, when there was a downturn in oil revenues the individual states which depended on the federal state revenue had to cut back on their budgets, and the people they could lay off were the Chavists hired on contract. The opponents of the government remained in employment.

Let me turn to a few other problems, problems in relation to the economy that, as an economist, infuriate me. Many of the current problems related to the Venezuelan economy, which is in a horrible state at this point, are due to the fall in oil prices which is not only affecting Venezuela. But the problems go much deeper in the case of Venezuela. I mentioned the problem of the 'Dutch disease' where rising oil exports produce substantial increases in the value of the currency, which makes importing cheap and easy. All other things equal, the tendency (which characterised the Dutch economy) is the disappearance of local non-oil production--- thus, the hollowing out of the economy leaving exports of oil and the importing of everything else.

Venezuela suffered from this very problem. As the result of its oil exports, it was importing food despite the fact that it had abundant and good land; so, most of the peasants had left the countryside to live in the hills surrounding the cities. Similarly, locally-oriented industry, developed in a period of import-substitution industrialisation, had declined. That was precisely what the Bolivarian government wanted to reverse--- to obtain food sovereignty and diversification of industry (with a programme of endogenous development).

But this is exactly what did not happen. The problem got worse, and it was more than the effect of the Dutch disease. It was a case of a terminal, self-inflicted, autoimmune deficiency. The Bolivarian government introduced currency and capital controls in order to avoid the outflow of capital at a time of crisis. The expansionary policy of the government, though, led to higher inflation than outside and, to keep the country in balance, Venezuela needed to devalue regularly (which they did for a number of years under Chavez). That, of course, tends to make imports more expensive but it is consistent with a programme of encouraging food sovereignty and a diversified economy. However, the government decided to stop devaluing on a regular basis and to simply to hold the line with a vastly over-valued currency (which became more and more overvalued every year).

Consider the mechanism for importing. At a fixed rate of 6.3 Bolivars, the government made US dollars available to approved importers of necessities (broadly defined). All others seeking US dollars would need to exchange at the market (or street) rate (10 Bolivars, then 20 then in the hundreds). By over-valuing the Bolivar in these official transactions, the presumed goal was to keep down the price of necessities (although, once imported, those goods often sold at prices as if the street rate had applied). What a wonderful opportunity for corruption! Who got access to the 6.3 rate?

Venezuelans have lots of initiative. There was a pre-Chavez slogan which was “don’t give us the money, show us where it is.” That is, real men know how to steal; they don’t have to be given anything. So, who got the US dollars for 6.3 Bolivars? One of the things that has been revealed is that there were fake companies, companies that would promise to be importing certain types of goods but never did. These became known as “briefcase companies”; they didn’t exist but apparently got about twenty billion dollars in this process.

In short, there was an enormous opportunity for corruption, for bribing officials making the decision as to who would get this particular right. Why did this continue? I argued (and I certainly wasn’t alone in this) for a state monopoly on importing; they already had a state monopoly effectively with the exports of oil which generated the dollars for imports. Rather than giving these gifts to the private companies to engage in importing, the state could directly control the whole process of importing and exporting itself. When it comes to errors and absurd policies, they aren’t accidents or the result of stupidity when they continue. Always ask in whose material interest was it that such situations continue? Who was gaining by it?

The over-valued currency, as I mentioned, destroyed any serious efforts at reaching the original goals of food sovereignty and the diversification of industry. But it also affected the state budget. If the state had devalued, making each dollar obtained from oil exports worth more Bolivars, this would have reduced the deficits in the state budget. Given the deficit, how was it financed? By turning to the central bank to effectively print money-- an inflationary process that added to the tendencies generated by an expansionary policy.

As long as oil prices were high, the government had a cushion to carry out existing policies. With the serious fall in oil prices, however, that came to an end. Now, the result was significantly rising state budgetary state deficits and reduced dollars to support imports. Giordani (Minister of Economy and Planning from the beginning except for 2002 and 2008,) apparently opposed devaluation because it would reward people in the opposition who had all those dollars outside the country because this will be a windfall gift to them. Further, the cost of imported necessities would rise and this would affect particularly the poor.

But there were other ways to support low income people other than by keeping the price of necessities down through an over-valued currency. Subsidized goods were available in the state markets like Mercal and the supermarkets. But they disappeared from the shelves. There was a saying, “goods come in the front door and then go out the back door.” Those subsidized goods were quickly sold in the black market at much higher prices by the *buhaneros*, people selling on the street, or they went over that porous border to Colombia. And those shortages in the stores were extreme when oil prices had fallen and the government was reducing the quantity of dollars made available for

imports at the privileged rate (which meant more imports occurred at rising street rates because of the demand for dollars and meant rising prices for those products).

Certainly, as well as undeclared war by the US, there was an internal economic war. Import-processing companies were hiding their output and hoping that the prices would rise-- at which point they would bring them to the market. There were caches of supplies of processed imports (imports that had been purchased at the subsidised rate). They were able to do this because of the lack of controls and enforcement. However, there was a much more serious problem generating shortages that was the result of government policy failures.

Venezuela was not the first country that faced the problem of trying to subsidise necessities to avoid market prices from injuring those least able to pay. What did capitalist countries do during World War II? And what was done in Cuba given the shortage in the subsidized necessities? In neither case were market prices the way necessities were distributed. The answer in both cases was subsidise and *ration*. In the United States, people received coupons which entitled them during the war to get so much sugar, so much coffee, so much of these various goods (and there was a side market where people could trade coupons that they did not themselves need). But there was a limit to how much any individual could receive. The same was true in Cuba with the *libreta* which indicated the quantity of various subsidized goods individuals were entitled to: a chicken, so much pasta, rice, beans, cooking oil, etc. The combination of subsidisation and rationing determined how much goods were distributed and ensured fairness in that distribution.

In Venezuela, however, there was no check at all. One could go into a supermarket and get, eg., ten packages of toilet paper, so much toothpaste etc. and then go on to the next store and buy the same. You (or a person who financed this) could then ship these goods to Colombia where the prices were much higher or sell it on the street or you may have done this because you anticipated that there would be a shortage of these things in the future. And that, of course, was a self-fulfilling prophecy because this process of hoarding goods by individual consumers generated shortages themselves. You cannot subsidize with no controls and with an open border. Allowing everyone to buy whatever they could ensured shortages--- a recipe for disaster.

All these things were inherited by Nicholas Maduro, and his low popularity in the polls reflects this combination of shortages and inflation. I think Maduro has done some very good things (which I did not anticipate). One was the removal of Giordani who, after having been the central figure in the planning of the economy for so many years, immediately, wrote an open letter denouncing Maduro as an economic idiot and a betrayer of Chavez. Unfortunately, Maduro didn't entirely change Giordani's policies.

Another was the removal of Ramirez from the oil company. This was a very delicately handled matter. Maduro first took Ramirez who had dealt with international ministers etc. on oil, and he made him Foreign Minister. That was not quite a demotion but it did remove him from his power position. He subsequently took Ramirez and made him the delegate to the UN. That's where Ramirez is now and there's recently been a major controversy about Ramirez's wealth, his love of fine wines etc.

But, I think the most significant move Maduro made was with respect to the communes. He replaced the people from the Frente Francisco de Miranda from their position of power at the Ministry of Communes with a new minister of commune who

had been associated with the communes from below. So, you have a tendency then for an ending of the division between the communes from above and the communes from below. In this respect, Maduro is following Chavez's plaint, comuna or nada.

Certainly, Maduro is not Chavez. He lacks the charisma, the audacity and the vision of Chavez and the strength relative to those around him in what one advisor to Chavez (General Alberto Muller-Rojas) called "a nest of scorpions". In this situation, with a worsening economic crisis, it is generally believed that in next month's elections, the opposition will trounce the Chavists and may even get a two thirds majority of the National Assembly, which would create a very disastrous scenario. It poses the possibility that the opposition would be able to prevent Maduro from governing.

There is, on the other hand, the possibility that before the new legislature takes power, an "enabling law" passed by the lame duck Chavist National Assembly would allow Maduro to rule by decree for 18 months despite a loss in the December elections. (Enabling legislation is a peculiar Venezuelan measure, which predates Chavez and was used by Chavez on a few occasions to bring in very substantial reforms that he wanted to move on quickly). Complicating the picture, too, is another Venezuelan legal provision (brought in as part of the Bolivarian Constitution) that makes all elected officials subject to recall halfway through their term of office. The prospect if the opposition does win the upcoming election may be, first, enabling legislation and secondly the move by the opposition to recall Maduro in the coming year. And, if the latter is successful, what will this mean for the Bolivarian Revolution?

Given the economic crisis, we can expect moves away from production for social needs; it is already declining. And, we can expect moves in the direction of privatisation rather than social ownership of the means of production. Add to that the fact, noted earlier, that the third side of the socialist triangle, social production organised by workers, was sabotaged in industry. So, what's left of socialism for the twenty first century?

The communes. In the communes and the communal councils, we can see the effect of practice in the building of capacity, both individual and collective. It is precisely what Chavez stressed in his comment, comuna o nada. Where are the communes, Chavez complained? And a friend of ours, a person very active in the communes from below immediately wrote a public letter which said, Comrade Chavez, if you want to know where the communes are, ask the people. Don't ask your politicians, don't ask your minister of communes, don't ask the mayors. Come and see the communes yourself.

The communes, at this point, are what is left of socialism for the 21<sup>st</sup> century in Venezuela. Comuna o nada.

## POSTSCRIPT

When the new is dying and the old can not yet be reborn, only struggle by the masses can prevent a succession of increasingly morbid symptoms....