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Contours of Alternative Policy Making in Venezuela

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Abstract

The economic policies of the Venezuelan government in the last decade represent a significant departure from neoliberal orthodoxy. This departure consists of a focus on greater national autonomy, a return to some of the macroeconomic policies of earlier eras, and increased state involvement in the economy through interventions and social programs. While these policies have resulted in improved social indicators, they also have provided space for a set of "transformative" initiatives, including experiments with worker co-management, cooperatives, and participatory planning, all of which seek alternatives to the capitalist organization of the economy. Although the Venezuelan experience could be considered *sui generis*, especially with the economy's dependence on oil, a critical evaluation of the policies implemented in Venezuela would contribute to discussions on the alternatives to both neoliberal policies and capitalism in general. This paper provides an analysis of the break with neoliberal economic policies and of the transformative initiatives, as well as an evaluation of their achievements together with a discussion on their likely future path.

JEL codes: P2, P3, O54

Keywords

political economy, alternative economic policies, Venezuela, 21st-century socialism

1. Introduction

Latin America has been one of the favorite playgrounds for neoliberal economic policy experiments since the late 1970s. These policies presumed that by leaving economic decisions to markets, economies could overcome the problems created during the state-led developmentalist era and achieve international competitiveness, economic growth, and development. The collapse of the Soviet Union further contributed to the predominance of this approach, and in the early 1990s some were celebrating the end of the "potential for social revolution and progressive reform" and saluting the beginning of an era in which "conservative, pro-business, often democratically elected and pro-US technocrats [were] holding office in many of these countries" (Castañeda 1993: 3). However, as neoliberal policies failed to fulfill their promises and instead led to various

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financial and social crises, left-oriented movements took power in Latin America and began, to varying degrees, seeking alternatives to neoliberal orthodoxy, which was believed to be the major culprit of dismal economic performance and increasing poverty and inequality.

Much of the policy formulations of these movements were informed by Latin American neo-structuralism, which sought to replace "market fundamentalism" and humanize "savage capitalism" imposed by the neoliberal policies of recent decades (Leiva 2008: xvii).[1] Among these, one case stood out in particular, partly because of the fierce and radical rhetoric adopted by its leader, Hugo Rafael Chávez. Since coming to power in 1999, Chávez's rhetoric evolved from an anti-neoliberal, nationalistic approach to include strong anti-capitalist tones. Paralleling this, the economic programs in Venezuela, both on paper and in practice, became radicalized over the years (Lebowitz 2007; Harnecker 2005; Wilpert 2007; Ellner 2010a, b).

This paper analyzes the economic policies of the Chávez government. These policies mark, in general, a significant departure from neoliberal orthodoxy with a focus on greater national autonomy, a return to some of the macroeconomic policies of earlier eras, and increased state involvement in the economy through interventions and social programs; and these have resulted in improved social indicators such as declining poverty rates, increased literacy rates, and declining unemployment. These policies, at the same time, provided a space for a set of "transformative" initiatives, including experiments with worker co-management, cooperatives, and participatory planning, all of which seek alternatives to the capitalist organization of the economy, even though these "transformative" attempts so far have been limited in terms of scope and success. Although the Venezuelan experience could be considered *sui generis*, especially with its dependence on oil and the resultant *rentier* economy and culture, a critical evaluation of the policies implemented in Venezuela would contribute to both discussions on the alternatives to neoliberal policies as well as to the question of what shape a 21st century socialism could take.

The remainder of this paper is organized as follows. In the next section, I discuss the break with neoliberal economic policies and analyze different aspects of the macroeconomic policies implemented so far. Then I turn to a discussion of the transformative initiatives of the Chávez government. The last section concludes with an evaluation of these policies and a discussion on their likely future path.

2. Break with Neoliberalism

The Venezuelan economy is highly dependent on oil production and revenues, and oil and related industries account for a large share of the GDP: 80 percent of exports, and over 50 percent of government revenues. This dependence has been a critical hindrance to industrial development and has led to an economy in which oil is exported and most other products are imported. The specialization in oil production has resulted in the dismantling of agrarian structures and created dependence on imported foodstuffs. The economy went through an oil bonanza in the 1970s which came to an end in the early 1980s.[2] Afterwards, especially under the Carlos Andres Perez government of 1989, neoliberal orthodoxy started dominating economic policy making. A sharp decline in international reserves, increased budget deficits, difficulties of balance of payments, and foreign debt problems led the government to collaborate with the International Monetary

[1]Latin American neostructuralism, whose beginnings can be traced to ECLAC's publication of *Changing Production Patterns with Social Equity*, recognized the primacy of the markets but argued that state intervention was necessary to generate economic growth and development. It was based on the premise that this kind of approach was the only viable alternative to neoliberal policies and posited that "entertaining more radical alternatives that challenge the power of transnational capital is not only unwise and unfeasible but also ultimately unnecessary for achieving growth with equity" (Leiva 2008: xxiv).

[2]For a detailed discussion on the place of oil in the Venezuelan economy see Di John (2009).

Fund (IMF) and implement a structural adjustment program.[3] The 1990s were characterized by radical trade and financial liberalization and partial privatization of state-owned enterprises, especially in the banking, telecommunications, steel, and transportation industries. In this period, the growth of the manufacturing sector collapsed, the number of large manufacturing enterprises declined sharply, and investment and productivity growth slowed down. High inflation and capital flight persisted following the banking crisis of 1994 (Ellner 2008: ch. 4). All of these developments, occurring in the context of historically low oil prices and neoliberal policies' utter disregard for the poor, resulted in immense poverty and inequality. In 1998 per capita income was 34.8 percent lower than 1970 levels (Heston *et al.* 2002). By 1997, the percentage of the population living under extreme poverty had reached 20.3 percent, the official unemployment rate stood at 15 percent, and the rate of inflation approached 60 percent.

Chávez was elected within this climate, with a strong anti-neoliberal rhetoric. He argued against privatization and elimination of price controls, called for a reversal of neoliberal policies and a partial moratorium on foreign debt, and promised to humanize Venezuela's economy and put an end to poverty (Pena 1998; Cooper and Madigan 1998; Gutkin 1998). However, the departure from neoliberal policies was uneven, long, and scattered during the government's tenure. As Ellner (2008) points out, this process included three stages: during the first period (1999-2000), priority was given to political proposals such as a new constitution, while socioeconomic objectives took a backseat. The second period (2001-2004) witnessed a radicalization and direct confrontation with the opposition. The last period marks the discussion of a new economic model that began to take priority as the opposition was weakened and the government's hand was strengthened with increased oil revenues.

The initial years focused on political issues rather than economics, and some economic legislation perpetuated neoliberal orthodoxy, such as the 1999 Law to Promote and Protect Private Investment (*FUNDELEC*) and the 2000 General Telecommunications Law (*TSJ*). The new constitution, the drafting of which was one of the first acts that the government undertook, guaranteed economic freedom and private property (articles 112 and 115) and recognized Central Bank independence (articles 311 and 318). However, the new constitution also included articles that designated a larger role for the state in the economy, as well as articles promoting transformative economic policies, as discussed below. The 2001-2007 development plan included sections about creating a social economy outside the private and public sectors composed of cooperatives and such, and proposed to achieve economic growth through private investment together with state presence in strategic industries, which reflected a rejection of free-market fundamentalism (Lebowitz 2006: 91). On the economic front, the government's priority was to gain control over the state and the state oil company *Petroles de Venezuela* (PDVSA). In 2001, the government introduced 49 special laws, including laws on cooperatives, microfinance, land reforms, fisheries, and oil. The break with orthodoxy was perhaps most evident in the oil policy and involved the state's re-appropriation and re-distribution of oil rents.[4]

[3]*El Caracazo* of 1989, the massive public uprising and ransacking, was a direct response to the implementation of these policies.

[4]These 49 laws triggered the well-known attempts to unseat Chávez leading to a coup attempt. Lebowitz (2006) argued that these reforms could have been absorbed by the system and they could have even brought more stability to society. However, as a whole "these new laws – oriented toward meeting human needs and integrated through this specific ideology – *were* an attack on capital as such. And capital grasped this. Both local capitalists and imperialism, with its particular interest in the continued domination of finance capital and the previous trajectory toward privatization of the oil industry, understood that this articulated package of reforms represented the assertion (implicit and explicit) of an alternative rather than mere isolated changes" (95).

2.1 Redistributing the oil wealth

Given the dominant role of oil production in the economy, it is not surprising that the first large-scale changes took place in this industry. The fact that the state has historically played a central role in appropriating and distributing oil rents to the rest of society has led to inherently more interventionist policies and political institutions (Grinberg 2010). While domestically increasing state control over the oil industry, internationally the government sought to strengthen OPEC in an effort to increase oil prices. Increased OPEC coordination and adherence to production quotas that were previously not followed by the PDVSA in an attempt to target market shares rather than prices contributed to an increase in the price of oil (Lander 2008: 13).

In 2001, oil royalties were increased from 16.6 percent to 30 percent. This was a significant increase given that most foreign oil companies had previously negotiated rates even lower than the nominal 16.6 percent. Especially following the failed April 2002 coup and the 2002-2003 shutdown of the oil industry, the PDVSA increased its control over the oil sector. In 2005, private companies with operating agreements with the PDVSA were transformed into joint ventures in which the PDVSA would have a majority stake, with the exception of Exxon Mobil who refused to participate in this transformation and whose fields were as a result entirely taken over by the PDVSA (Wilpert 2007: 96). In 2007, the Orinoco Belt joint ventures were turned into PDVSA controlled projects, and in 2009 the PDVSA further integrated subcontracting companies into its body in an effort to strengthen state control in the oil industry.

Increased control over the oil industry resulted in a greater share of oil wealth flowing into the coffers of the PDVSA. A new hydrocarbons law aimed to use the income derived from oil to fund social projects in health and education and to allocate part of the income to a macroeconomic stabilization fund. The redistribution of this wealth to the poorest sections of the society was a priority for the Venezuelan government, given the widespread poverty and immense inequalities. This redistribution took the form of various extensive social programs, called missions, in health, education, provision of basic consumption goods, and so on. These social programs were directly funded by the PDVSA's oil revenues in order to bypass the state bureaucracy as the government considered the state to have inefficient administrative capabilities which could not be quickly reformed and it deemed these social programs urgent.

By 2009, there were 25 different missions operating, among which health, education, and food missions dominated. *Mision Barrio Adentro*, which began in April 2003, brought 20,000 Cuban doctors to around 1,600 medical offices scattered in poor neighborhoods to make essential health services accessible to everyone. Over time, this program expanded to bring more advanced health services and to train Venezuelan doctors to replace the Cuban doctors.[5] Education missions included pre-school (*Mision Simoncito*), literacy programs (*Mision Robinson 1*), primary education (*Mision Robinson 2*), secondary education (*Mision Ribas*), higher education (*Mision Sucre*), and vocational training and job creation programs (*Mision Vuelvan Caras*). Other examples of these social programs include programs for peasant welfare (*Mision Zamora*), mining communities (*Mision Piar*), indigenous populations (*Mision Guacaipuro*), and food distribution (*Mision Mercal*). *Mercal*, one of the most ambitious of these programs, is a state-run food distribution network. It is estimated that 40-47 percent of the population buys food through this program at prices that are on average 41-44 percent lower than market prices (Datanilisis 2006). According to the National Statistics Institute's numbers, households that buy at least one item from *Mercal* constituted 54.21 percent of total households. A large number of programs sought to provide infrastructure services such as water distribution, electrification, transportation, and housing. The combination of all these missions was to become the "Christ" mission whose central aim was defined as eradicating poverty by 2012.[6]

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[5]See Muntaner *et al*. (2006) for a detailed overview of this program.

[6]For details on these social programs, see http://www.gobiernoenlinea.ve/miscelaneas/misiones.html and D'Elia and Francisco (2008).

These social programs contributed to declining poverty rates, increased literacy and schooling, and improved health indicators. In addition to these, oil revenues have been used in many different areas, including supporting industrial initiatives, sponsoring the formation of cooperatives, and financing nationalization projects. Part of oil rents was distributed to other countries in various forms, including donations and the lending and selling of oil with advantageous financing terms. For example, through PetroCaribe, a 14-country energy agreement launched in 2005, "Venezuela provides \$9.7 billion worth of oil to member-states, of which \$3.7 billion is financed over 25 years at 1% interest. This guarantees supply for countries with small economies" (PDVSA 2010).[7]

2.2 Macroeconomic policies

Fiscal policy Recapturing a larger portion of the oil rent enabled the government to follow an expansionary fiscal policy without increasing the budget deficit. Since 2001, the size of fiscal spending has been over 25 percent of GDP. Increases in the public sector and contractors' wages as well as in social spending constituted a significant part of the spending, although a large portion of the social spending continued to be financed not through the central government budget but through PDVSA funds as the government wanted to bypass the inefficient and corrupt bureaucracy and directly transfer resources to the poor. However, this resulted in two problems. First, many functions of the state were doubled, through PDVSA funded missions and regular public spending channels. Second, this led to some unrest among the middle classes – teachers, doctors, etc. – who thought the poorer sectors of the society were being supported at the expense of the programs that supported them. More recently, as the effects of the global crisis impacted the country, the government attempted to maintain the expansionary nature of fiscal spending while also announcing certain expenditure cuts with a view to minimize the impact of these cuts on low-income classes. Furthermore, two funds, the National Development Fund (Fonden) and the joint China-Venezuela Fund[8] kept spending high through investments in various areas including public works and housing, energy, basic industries, and mining and agriculture (BCV 2009: 57). However, all in all government spending declined, creating a fiscal policy that was pro-cyclical in appearance (Vera 2011).

On the revenue side, tax collection has historically been problematic in Venezuela and reorganizing the country's tax system has become one of the main goals of fiscal policy in this era. As a result of increasing oil royalties, the share of oil revenue in total revenues has increased from around 25 percent in 1998 to almost 40 percent in 2008. SENIAT (Integrated National Service for Customs and Tax Administration) utilized new legislation and forced many companies such as McDonalds, GM, and H-P to pay taxes (Ellner 2008: 126). A "Zero Evasion Plan" together with a "Banking Debit Tax" and a tax on financial transactions were also introduced. While in 1998 tax revenue was 10.33 percent of GDP, by 2005 this ratio went up to 14.63 percent. Income taxes on citizens and companies increased from 2 percent of GDP in 1999 to 3.2 percent in 2006, representing an improvement. The sales tax, a regressive form of taxation, continued to constitute a rather large portion of the overall tax revenue, and it was increased in 2009 from 9 percent to 12 percent to compensate for a reduction in public resources (BCV 2009: 57). Nonetheless, compared with other Latin American countries, the tax burden in Venezuela, standing at 13.6 percent of GDP, was 1.4 percentage points below the average of the region as a whole (BCV 2009: 165).

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[7]A portion even went to the United States through the CITGO-Venezuela Heating Oil Program which "provides heating oil at discounted rates to individuals and communities in need, started in 2005 after the disaster of Hurricane Katrina. In 2009, the program was expanded to serve 202,000 households, 245 homeless shelters, and 250 Native American communities in 25 states. Some 49 million gallons of discounted heating oil was distributed" (Embassy of the Bolivarian Republic of Venezuela to the US 2010).

[8]This fund was established as part of the strategy to diversify and increase trade partners. China contributed to the fund through loans granted by the Development Bank of the People's Republic of China and in return Venezuela agreed to deliver 100 thousand barrels of oil per day over three years (BCV 2009: 69).

No radical steps were taken in terms of the external debt aside from cutting off ties with the IMF after paying off all the debt owed to the fund. The external debt was paid in full despite some initial debate on this issue, and this allowed the government to use the bond market when it needed to raise funds. Moreover, an increase in the interest paid on domestic borrowing as a percentage of GDP can be observed throughout this period. In 1998, domestic interest payments were a mere 0.7 percent of GDP while it increased as much as 3 percent of GDP in 2003 and 2.1 percent the following year, only to decrease to 1998 levels in 2007. This has been one of the factors that contributed to the growth of the financial sector by 37.0 percent in 2004, by 34.6 percent in 2005, and by 39.2 percent in 2006. To put these numbers in perspective, the growth of the public sector was only 12.5, 4.1, and 2.9 percent in those respective years (Weisbrot and Sandoval 2009).

Monetary policy The changes in monetary policy during the Chávez administration have been slower, as central bank independence was recognized by the new constitution and bank administrators used this autonomy to follow a contractionary monetary policy with the aim of reducing inflation and maintaining high levels of reserves. After 2003, the policy aimed to decrease interest rates in order to augment aggregate demand while price controls were introduced to control inflation. The prices of basic consumption items, especially foodstuffs, were subjected to price controls while government subsidies through *Mercal* also helped keep prices low. The regime of price controls, introduced in February 2003, covered around 37.6 percent of the basket of goods and services of which the consumer price index (CPI) is composed (BCV 2009).[9] In 2009, 30 percent of the CPI basket was under price controls (BCV 2009). However, the inflation rate, although on average lower than the earlier period, still remained high, hovering between 15 and 35 percent. Two main forces kept inflation high in this period. First, the limited availability of foreign currency for non-essential imports (as discussed below) which led importers who could not legally acquire foreign currency to use a parallel foreign exchange market where the dollar trades, on average, almost 3 times higher than the legal rate. Various studies have shown the significance of pass-through effects for price increases in Venezuela (Mendoza 2007). Second, private enterprises, most of which were monopolistic, regularly increased prices to appropriate more revenue and at the same time to force the government's hand. At times, enterprises either reduced output or began hoarding to increase prices by creating artificial scarcity. The government responded to this by taking over some factories or firms.

As part of the new monetary policy, rules on credit allocation and limits on interest rates were introduced in order to support certain sectors. In 2009, commercial banks had to allocate 21 percent of their gross portfolio to the agricultural sector, 3 percent to microcredit, 10 percent (6 percent long term and 4 percent short term) to housing, and 3 percent to the tourism sector (BCV 2009). Interest rates were also regulated according to the economic sector. For example, in 2009 the rates were set for credit cards at 28.6 percent while for agriculture it was 12.8 percent, and mortgage rates were set at a low 12.3, probably as a token gesture to the middle class (BCV 2009: 188). In the last couple of years, the crisis led the Central Bank to adjust interest rates downwards in order to counter the decline in economic activity by increasing domestic credit. In fact, the National Assembly passed a new law at the end of 2009 that increased the Central Bank's powers to create financing for programs considered to be a priority by the government (BCV 2009: 57-8). Manufacturing was promoted, and the highest rate that banks were allowed to charge for credits to companies in the manufacturing sector was 19 percent while banks had to allocate at least 10 percent of their portfolio to this sector (BCV 2009: 60).[10]

[9]Maximum retail prices were set for basic products including sugar, milk, cheese, corn oil, white rice, coffee, and precooked corn flour.

[10]On the other hand, the Central Bank also uses standard tools to deal with the overall needs of the economy. For example, in the face of the crisis it took measures to deal with the lack of liquidity in short-term money markets by reducing the required reserve ratio (BCV 2009: 58).

Exchange rate policy Introduced primarily to deal with capital flight, capital and exchange rate controls were also used to allocate currency to much needed imports of necessities and to limit the imports of luxury goods. It is estimated that around the time of the April 2002 coup, 1.6 billions of dollars of capital fled the country (Gracia and Reyes 2008: 30). In March 2003, under the *Comision de Administracion de Divisas* (*CADIVI*), a new regime of foreign exchange management was introduced. This commission is responsible for the management and coordination of the exchange rate regime as well as the allocation of foreign currency to different sectors of the economy.[11] In order to acquire foreign currency for imports, firms had to prove that there was either no domestic production of the item to be imported or that domestic production was insufficient. CADIVI published two lists, one that included products that required a certificate of insufficiency or lack of domestic production, and another one that included products which do not require a certificate. In 2009, the number of products that did not require a certificate was reduced (BCV 2009: 68).

There were two devaluations, in 2004 and in 2005, that were 20 percent and 12 percent respectively, and in 2010 a dual exchange rate system was introduced, similar to the one that existed in the 1980s.[12] Priority imports such as food and medicines, technological equipment for industrial and agricultural production, imports made by the public sector, payments to students studying abroad, and pensions for citizens living abroad were paid for at a rate of 2.60 *bolivars* per dollar, while a rate of 4.30 was to be used for the remainder, such as imports of automobiles, beverages, tobacco, cell phones, computers, home appliances, and textiles.

The latest devaluation and the introduction of the dual exchange rate system are likely to have three effects in the short run. First, the government will be able to increase its revenues through the dollars it obtains from oil exports. Second, it will also increase repayment of the public debt, more than half of which was drawn up in dollars. Third, given the large import component of consumption, the cost of living will also increase. The government hopes that this last effect, in the long run, will promote import substitution as imports now cost 20 to 100 percent more. This is expected to improve the position of local producers who might then start producing what was formerly imported to strengthen the industrial and agricultural base of the economy.

Trade policy While domestic policies increasingly deviated from their neoliberal precedents, the government abandoned free trade policies as well. Venezuela announced its withdrawal from the Free Trade Agreement of the Americas (FTAA) and embarked on a series of new international unions with the aim of diversification of foreign investment and trade and promoting Latin American integration. These policies, while involving political aims such as establishing a counterweight to U.S. hegemony in the region, also introduced a new framework for international

[11]In 2009 “most of the liquid foreign currency, 68.1 % was earmarked for the private sector through exchange operators, for a total of USD 21,290 million, down 39.8 % from 2008. Of this amount, the sectors that posted the highest participation were imports of goods and services (70.1%) and credit card expenses (15.7%). The share of the allotted amount for foreign investment fell from 4.3% in 2008 to 2.5% in 2009” (BCV 2009: 65).

[12]In fact, even before the introduction of the formal dual exchange rate system, the fixed exchange rate system created a black market and in effect a dual exchange rate in the economy. Its efficacy in preventing capital flight was debatable as other methods were developed within this system to transfer funds: “In December 2007, the Venezuelan Minister of Finance declared a critical level of 2,300 millions of dollars reached for capital flights by way of the external travel quotas and the purchases on the web thanks to a system of pre-paid cards, but it announced simultaneously that this system by cards would be ended at the end of 2007” (Nakatani and Herrero 2008: 17). Errors and omissions in the balance of payments were around 2,864 million in 2006 and 1,981 million in 2007. Furthermore, the government and the PDVSA issue bonds in dollars and sell these to domestic banks at the official exchange rate, and banks can then turn around and sell these dollar-denominated bonds in international markets and make a profit as well as contribute to capital flight. In fact, this possibly further contributed to the above-mentioned growth of the financial sector.

trade. The establishment of the Bolivarian Alliance for the Americas (ALBA) in contrast to the FTAA brought about a new understanding of, and further closeness between, Latin American countries. The ALBA, led by Venezuela, Cuba, and Bolivia, seeks a new structure for trade and economic cooperation and the creation of a regional protected and integrated trade zone. The ALBA experiment can be seen as a "middle-ground strategy of group delinking" (Hart-Landsberg 2010) through which the participating governments aim to provide the necessary protection for their economies. At the same time, by acting together they aim to provide their domestic enterprises with the larger markets they need both for economies of scale and also to access resources and technology. So far, ALBA initiatives have included bilateral trade agreements between state enterprises through which exchanges of goods and technical and financial support for investment, oil, and social services take place. ALBA also created a Regional Monetary Council with its own currency, *sucre*, and plans to establish a financial structure that would involve a central clearing house, a monetary council, and regional reserve and emergency funds.[13]

There has also been a movement towards bilateral trade agreements around specific exchanges in which oil trade has been tied to specific investments in Venezuela or to the import of capital goods to expand industries, especially in agreements with Brazil, China, and India. Preferential terms for oil, together with low interest financing, were extended to Latin American countries. One significant example of the new trade framework was the oil exchanges with Cuba, where the direct bartering of oil with medical services, education, and pharmaceuticals represent a planned approach to trade.

State involvement and nationalizations Returning to the domestic economy, we observe that through various nationalizations state involvement in the economy has continuously increased. The largest nationalizations took place in the oil sector and reinforced the state oil company as the main controller of oil in the country. Initial nationalizations included the local operations of the oil joint ventures of BP, Chevron-Texaco, Conoco-Phillips, ENI, Exxon Mobil, Statoil, and Total. Later, nationalizations in related activities were carried out, including companies that provided services to the PDVSA.

Furthermore, the large-scale privatizations of the neoliberal era were reversed through nationalization of the telecoms provider CANTV, the electricity providers *Electridad de Caracas* and CMS Energy. Companies in industries that were deemed necessary for certain social policies were taken over, especially in cases where the companies refused to fully comply with the government's requirements. For example, cement companies were nationalized in an attempt to direct cement production to the domestic market and contribute to government housing projects. A recent priority of the government has been nationalization of strategic companies in food production, processing, and the distribution sector, including producers of aluminum and cardboard food packaging. For example, in August 2009, the army occupied the plants of *Fama de America* after it was declared that the company was responsible for coffee shortages, and later in 2010 Exito and Cada, two major food retailers, were nationalized. In 2010, the glass producer Owens-Illinois, which produced bottles for foodstuffs, was nationalized. As part of the broader aim of guaranteeing food security and decreasing import dependence, the lubricant and chemical company Venoco, the fertilizer company Fertinitro, and the agricultural supplies company Agroislena were nationalized as they were all accused of price speculation. In the case of Agroislena, product prices for such items as such as fertilizers, agrochemicals, and seeds were brought down.

[13]Hart-Landsberg (2010) summarizes the developments in this regard thus far: "several countries have . . . deposited agreed upon amounts of their respective national currencies into a special sucre fund. These monies are then converted into sucre. At this point, the sucre exists only as a virtual unit of account, with an exchange value of $1.25, and is being used only for targeted trade of specific commodities. The first sucre-denominated transaction, involving Venezuelan rice exports to Cuba, occurred in January 2010. Bolivia, Nicaragua, and Ecuador also have plans to engage in sucre-denominated trade. ALBA's long-term goal is for the sucre to become an international reserve currency much like Euro" (5).

In some cases pressure from workers was effective in pushing the government to nationalize a firm. For example, Venepal, a paper company, was the first firm taken over "in the public interest" in 2005 after being occupied by workers (Lebowitz 2006: 103). In the case of the iron and steel company SIDOR, a company that was privatized under a previous government, nationalization was a response to the demands of the workers in a situation in which a serious dispute between the workers and the company occurred in 2008.

As Vice-President Jaua commented in 2010, government interventions were not against the "private" sector but against "monopolistic elements" of the economy (Reardon 2010), and the owners were compensated at market prices. One of the main reasons for paying generous compensations was to avoid legal penalties for not abiding by bilateral treaties on investments signed by the country. If Venezuela were to withdraw its signature from bilateral treaties on investment and leave the World Bank's tribunal on investment issues, the International Center for the Settlement of Investment Disputes, its assets (especially PDVSA's assets abroad) could be seized in retaliation. In fact, in 2008 Exxon Mobil tried to seize 126 billion dollars of PDVSA assets through Dutch and British courts when parts of its operations were nationalized in Venezuela.

2.3 Land reform

Land reform, once a popular project in Latin America which nonetheless failed in most cases, was placed at the center of the new government's policies through a law introduced in November 2001. While land reforms in Venezuela date back to the 1960s, these were generally not implemented and about 75 percent of private agricultural land remained in the hands of only 5 percent of landowners, while 75 percent of smaller landowners owned only 6 percent of the land (Wilpert 2007: 110). The land reform law was not particularly radical in its reach as it essentially targeted idle agricultural land and land that was acquired illegally or illicitly and did not ask for an immediate redistribution; and it stipulated that the current owners of idle land would first be asked to put the land to agricultural use and in cases in which they failed to do so, they would be compensated at the market value of the land. This stipulation indicates that one of the major aims of the reform was to increase the agricultural use of land in an attempt to increase food production and agricultural security, given that a very large portion of foodstuffs is imported. In the process, the other aim was to provide landless poor peasants with means of production for their survival. With the help of the *Mision Ezequiel Zamora*, 1.5 million hectares of land was turned over to peasants in 2003. By the end of 2005, three million hectares were distributed to more than 130,000 families (Wilpert 2007: 112). The *Mision Campo Adentro* was also designed to help peasants with education, obtaining credit, and agricultural machinery. Most of the land redistributed in this period included state land while occupations by landless peasants prompted more and more expropriation of estates. More recently, attempts were made to accelerate land reform through new nationalizations. In 2010 the National Assembly approved a change in the initial Land Law that made it easier for landless tenant farmers to acquire land (Suggett 2010b). However, land reform still faces two main problems. First, there is direct resistance by landlords. According to news reports, more than 200 landless peasant leaders were killed by hired gunmen while they organized to occupy land and get titles. Second, many difficulties arise at the level of implementation due to such issues as personal or institutional rivalries and complex laws (Bruce 2008: 75).

3. Socialism and Transformative Experiences

As the Chávez government increasingly deviated from neoliberal policies, a more radical rhetoric was adopted. Whereas in 1999 he had declared "our project is neither statist nor neoliberal; we are exploring the middle ground, where the invisible hand of the market joins up with the visible hand of the state: as much state as necessary, and as much market as possible" (Gott 2000: 172), in 2005 he announced that “it is impossible for capitalism to achieve our goals, nor is it possible to search for an intermediate way… I invite all Venezuelans to march together on the path of socialism of the new century” (Forrero 2005). In contrast to previous socialist experiences in which central planning and abolition of private ownership of the means of production took center stage, the socialism project in Venezuela was deliberately left vague. Harnecker (2005) notes that the process is ideologically undefined, especially on the economic front, as it does not assume Marxism as the guiding ideology but rather Bolivarianism which, while politically speaking of Latin American integration, does not propose radical economic transformation. Ellner (2010a) remarks that “although all revolutionary movements are divided over conflicting aims, the Chavista movement is particularly characterized by the lack of clear priorities. Indeed, the Chavista official discourse of ‘21st century socialism’ is admittedly ill-defined” (94), and goes on to explain that this is partly because of the immense inequalities which led to the prioritization of social goals among many Chavistas.

While many, especially those in the opposition camp, have argued that the government was trying to turn the country into a copy of Cuba, Azicri (2009) points out that “in contrast to Castro, Chávez is not a communist, but he is not an anticommunist either. As he has admitted, his knowledge of Marxism is superficial. His support for twentieth-century socialism is not based on Marxist-Leninist values and practices. His socialist vision anticipates vaguely a system ‘based in solidarity, in fraternity, in love, in justice, in liberty and in equality’” (103). The two projects contrast with each other in many aspects. Instead of a massive modification, social transformation in Venezuela has been limited. The state did not assume overall socioeconomic control but took partial steps to control strategic industries. The institutional structures of the economy and politics also significantly differ as Venezuela assumes political and economic pluralism in contrast to the single-party system and the state-controlled economy of Cuba, and similarly the extent of the state’s control of social and cultural life has remained quite limited compared with Cuba’s all-inclusive control system.

In any case, four major changes in this context can be identified: first, the constitution and certain legislation have introduced goals concerning the creation of an alternative productive model. Second, establishment of cooperatives as an alternative form of production constitutes a search for a non-capitalist organization of the economic system. Third, initiatives such as the establishment of community councils and participatory budgeting experiences have attempted to transform the system by increasing participation by the masses. Last, there have been various experiments and debates concerning worker co-management in nationalized enterprises.

Even though some articles of the new constitution are in continuity with the free-market view of the economy, they also include many progressive elements, a reflection of the balance of power among different sectors when the constitution was drafted. As such, the constitution guarantees “economic, social, and cultural rights” and emphasizes the need for universal social policies aimed at achieving social equity and overcoming political inequalities as well as cultural exclusions with an eye towards participation and social inclusion. It includes articles on overall human development of the citizens to be achieved through “strategic, democratic, participative and open planning.” Lebowitz (2006) summarizes this as follows:

> In Article 299’s emphasis upon “ensuring overall human development”; in the declaration of Article 20 that “everyone has the right to the free development of his or her own personality”; in the focus of Article 102 upon “developing the creative potential of every human being and the full exercise of his or her personality in a democratic society”; in Article 62’s declaration that participation by people is “the necessary way of achieving the involvement to ensure their complete development, both individual and collective”; in the identification of democratic planning and participatory budgeting at all levels of society; in Article 70’s focus upon “self-management, co-management, cooperatives in all forms” as examples of “forms of association guided by the values of mutual cooperation and solidarity”; and in the obligations, as noted in Article 135, that “by virtue of solidarity,

> social responsibility, and humanitarian assistance, are incumbent upon private individuals according to their abilities" – the elements of a socialism of twenty-first century are there in ideal form. (72)

Cooperatives Promoting and protecting cooperatives was one of the stipulations of the constitution and a new law in 2001 required the state to provide free training and extended credit for cooperatives. One of the key ideas was that cooperatives could respond to the needs of related persons better than capitalist enterprises. While cooperatives provide a means to include large numbers of unemployed and underemployed citizens, they are also considered beyond that to be an essential part of the new economic model whose "*raison d'être* is collective well-being rather than capital accumulation" (MINEP 2005: 12). Pineiro (2009) notes that the promotion of cooperatives reflects the administration's presumption that:

> democratic, egalitarian, and solidaristic principles that define it serve not only to replace the wage-labor relation with that of associated workers within enterprises, but also transcend the capitalist logic of the Venezuelan economy with one in which human beings and their needs for development are at the center. [Therefore] several public programs and regulations, and especially the discourse of the governmental institutions aim at motivating cooperatives to produce not just for the benefit of their members, but also for the satisfaction of local community needs as well as those of Venezuelan society in general. (310)

In 2004, the Ministry for Popular Economy (now called Ministry of Communal Economy) was created in order to coordinate the "social economy" which was to include cooperatives and microbusinesses. Its main task was to provide assistance and infrastructure to cooperatives and microbusinesses, ensure markets for the products of cooperatives, and help manage contracts with institutions and state companies through business summits. Furthermore, "endogenous development zones" were to be composed of cooperatives and supported by the infrastructure established by the ministry. From 2004 onwards, the government began using part of its oil revenues to encourage formation of worker cooperatives. Some cooperatives were created through a program run by the ministry and *Mision Vuelvan Caras* which trains people from marginal sectors, and helps them create cooperatives through financial, technical, and advisory support. In fact, this program helped the establishment of many cooperatives by the poor who had little experience in the formal economy. While before the year 2000 there were about 2,500 registered cooperatives,[14] by 2006 100,000 cooperatives with about 1.5 million members had been formed. Of these, 52 percent were in the service sector, 32 percent in production, and 10 percent in transportation (Lucena 2007). These cooperatives include artisans, agricultural producers and peasants, local neighborhood committees for infrastructure maintenance, and subcontractors for PDVSA and other public institutions.

The success of this experiment was debatable. According to SUNACOOP (2009), out of 262,000 registered cooperatives about 60,000 were active. Others estimate that the survival rate of cooperatives was much lower, around 30,000 active cooperatives. Historically, there have been two main concerns about cooperatives. First, it has been debated whether cooperatives can be efficient and productive enough to be able to compete and survive without external support such as large state subsidies. Most cooperatives remained dependent on the state for support and contracts, while deficiencies in administrative and technical skills also led to problems. Second, the issue has been raised about to what extent cooperatives neutralize members' ability and will to struggle for more fundamental social change, as they may be transformed into separate units of capitalist production competing with each other with a mind for profit and market criteria. In

[14]Venezuela has a history of cooperatives, and in the 1960s cooperatives in Lara were promoted extensively by Jesuit priests and the U.S. Alliance for Progress in order to undermine support for the guerillas that were based in the mountainous region (Martinez *et al.* 2010: 311).

this period, many cooperatives were established that competed with each other for inputs and clients. Some cooperatives, in order to raise prices, preferred selling their products to capitalist distributors and intermediaries instead of supplying local markets where there was a demand, or selling them to *Mercal* (Pineiro 2009: 317). A significant portion of the newly established cooperatives included about 5 members, which was the legal minimum required by law, and they were family members. They also refrained from accepting new members. In some cases, cooperatives were formed only to acquire the start-up capital provided by the government and/or the advances on contracts granted by the public sector. In the worst cases, existing small companies were transformed into cooperatives only on paper in order to take advantage of subsidies, tax exemptions, or preferential treatment in the awarding of public sector contracts. Some of the failures resulted from state bureaucrats preferring private enterprises for contracts instead of newly formed cooperatives on the grounds that the cooperatives did not have the expertise, experience, and capital needed (Ellner 2010b: 74). Some of these failures led even those who initially supported the formation of cooperatives and advocated using them for social transformation to later dismiss the cooperative idea or at least to be more cautious and skeptical about the whole experience. Consequently, SUNACOOP and other state institutions have sought ways to increase controls. For example, cooperatives are now required to get a "certificate of fulfillment of responsibilities," have their balance sheets approved by a certified accountant, and demonstrate that they engage in work within their communities. While these new requirements might help with some of the problems, at the same time they create more bureaucracy and potentially higher costs for cooperatives.

Clearly this huge experiment demands more research and discussion in order to assess the desirability and viability of cooperatives in forming an alternative economic organization, especially in terms of work incentives, management, and social contributions of cooperatives.[15] It seems like both the successes and failures of cooperatives and the way they were supported and coordinated could shed light into possibilities for organizing forms of production that significantly differ from capitalist enterprises. Despite all these problems, Lebowitz (2006) suggests that a combination of state industry and cooperatives could underlie a new productive model in which large state companies could incorporate modern technology and speed up economic development while cooperatives could be clustered around and articulated with these as suppliers and processors (110).

Community councils By 2006, the focus of the government's discourse as well as priorities shifted from cooperatives to community councils. A new legislation passed in 2006 led to the formation of over 20,000 community councils in Venezuela (MINPADES 2007). Community councils were thought of "as a way of introducing participation in the drafting and implementing of local policies." They were established through neighborhood assemblies, based on 200-400 households in cities and 20 households in rural areas. These councils diagnose community needs and priorities, decide on and design projects for their neighborhoods, and receive funding from the public sector at national, state, and municipal levels. In 2006, about 12,000 community councils received 1 billion *bolivares* and in 2007 about 6 billion *bolivares* (MINDAPES 2007). The relationship between the community councils and municipalities has remained sensitive as many mayors were opposed to power changing hands for fear of losing control over economic decisions. Moreover, community councils also led to political mobilization and this has been an essential element in the Chávez government's survival in many elections (Ellner 2010: S&S 68). It has been argued that, like cooperatives, community councils also face problems of inefficiency and misuse of funds. On the plus side, again similar to the cooperatives, they provide large numbers of the poor with participation, skills, and empowerment (Ellner 2010b: 68).[16]

Worker co-management Another radical experiment in this era has been with increased workers' participation and control in the workplace. The impulse for worker's control was provided by

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[15]For detailed studies on the cooperatives, see Pineiro 2005, 2007, and 2009.

[16]For a very detailed study of the participatory planning experiences in the Torres municipality of the state of Lara, see Harnecker (2008).

the nationalization of several companies that were taken over by workers during the nation-wide lock-out staged by the opposition in 2002-03. In one of the leading examples, a veteran leftist leader, Carlos Lanz, was appointed as the president of ALCASA, an aluminum company, in order to promote workers' participation in decision making. In an interview, Lanz pointed out that "this was not the kind of co-management . . . that European social democracy and even Christian democracy has promoted, especially in W. Germany in the post-war period which came down to handing out shares and a few seats for workers representatives on the board. . . . We see co-management as tied to workers' control of the factory, as a proposal for transition towards socialism, towards another system of production" (Bruce 2008: 106). Accordingly, the aim was to transform the organization of production by giving workers control over all types of decisions.[17] Similarly, worker participation structures emerged in an oil refinery during the lock-out, in El Palito. However, this experiment was cut short the following year as it was deemed too risky to experiment with worker participation in strategic sectors of the economy, and worker participation was eliminated and the appointment of Lanz was reversed.

The other two primary examples include two nationalized companies, INVEPAL, a large producer of paper which was occupied by workers prior to nationalization, and INVEVAL, a valve company. In the first case, workers formed a cooperative that owns 49 percent of the company, and it still maintains wage differentials and also hires wage labor. In the second case, instead of stock ownership workers formed a factory council which serves as the decision-making unit in which all workers participate. Wage differentials were also eliminated in order to avoid tensions and improve workplace democracy (Ellner 2010b).

However, in some cases these experiments did not receive the full support of state bureaucrats. In an interview, the secretary general of the INVEVAL union stated that bureaucrats did not cooperate with them in their efforts to acquire basic components while PDVSA management did not grant them contracts for their products. The workers attempted to overcome these obstacles by carrying their case to Chávez, who ordered the creation of a state-owned fund to supply the company with the parts they needed (Ellner 2010b). In another example, in *Fama de America*, a coffee producer that was nationalized in 2009, state management opposed worker councils. In *La Gaviola*, a sardine factory that was nationalized in May 2009 and was taken over by workers who refused entry for management which was seen as responsible for a drop in production, an agreement was reached when management agreed to certain demands (Sugget 2010a). Ellner (2010b) points out two issues in this regard. First, some bureaucrats together with some "unethical" Chavista politicians still favor private business groups. Second, some Chavista officials and politicians have expressed fear that experimental decision-making forms, such as worker participation or community councils, would undermine their own authority.

The future of worker management in Venezuela seems uncertain. In 2009, following a meeting with workers in the Guayana region where state-owned heavy industries are located, the government responded positively to workers' demands for increased worker participation and co-management structures. A year later, a group of directors chosen by workers was sworn in at the Venezuelan Corporation of Guayana (GCV) (Pearson 2010). Lebowitz (2006) points out that there are two main issues in regards to worker management, and these are not particular to Venezuela. First, there is the issue of whether co-management is possible in strategic industries. Second, there is the question of whether worker management can go beyond worker self-interest to achieve solidarity within society. Ellner (2010b) adds, "Organized discussion on worker management schemes would confront such essential issues as whether to prioritize socialist values and social objectives as opposed to economic output, and whether to insert the company in the market economy or depend on the state for both raw materials and sales" (74).

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[17]See Bruce (2008: 111-119) for an overview of this experience.

5. Which Way Forward?

The disappointment resulting from neoliberal policies has led to a search for alternatives in many Latin American countries and strong social movements have opened the way for alternative policies. Venezuela went further than other countries in the region, not only by significantly reversing neoliberal policies but also by introducing initiatives that seek to transform capitalism into what at times has been referred to as 21st century socialism. Two questions arise in this regard. First, do the alternative economic policies introduced within the last decade represent a viable and desirable alternative to neoliberal orthodoxy? Second, do these policies together with transformative initiatives represent a transition to a new type of socialism or are they likely to create just another type of capitalism, capitalism with a human face? These questions do not seem to have straightforward answers, as we are talking about an ongoing process and more detailed research and discussions are required to assess the success and failures of the Venezuelan experience so far. However, we can outline some tentative conclusions and speculate about the likely path of the economic process in relation to the political process.[18]

Table 1 summarizes major economic and social indicators for the last 10 years. This table shows that apart from the years of political turmoil when a coup attempt and a prolonged capital strike took place (2002-03), the economy recorded high rates of growth with a high rate of gross fixed capital formation which started to slow down around 2008. The dependency on oil makes the Venezuelan case *sui generis* and we observe that this dependence still prevails despite attempts to diversify economic activity through the implementation of policies, as discussed above. The relatively small decline in the share of the oil sector in the economy has not been matched by an increase in manufacturing; instead, the sectors that grew were services and finance. In this regard, the effectiveness of the fiscal, monetary, and exchange rate policies needs to be considered. While expansionary fiscal policy was accompanied by a monetary policy that aimed to direct credit towards priority areas, including the manufacturing sector, the fixed exchange rates led to an overvaluation of the domestic currency, undermining the effects of these policies on investment. On the other hand, while the unemployment rate is below previous levels, at 7.5 percent it still is high and the recession that started in 2010 is likely to exacerbate the problem. Similarly, even though the inflation rate was brought to a level lower than the earlier era, it still constitutes one of the highest rates of inflation in the world, and when compared with the wage index it can be seen that despite regular increases in wages, they cannot keep up with inflation, leading to a real income loss for workers. The price controls are either ineffective in this regard, or their effect is limited.[19]

Perhaps the most successful policy has been about social programs. As a result of massive spending through *missions* aimed at tackling poverty head on, poverty rates were brought down significantly, even though poverty has not yet been eradicated. Households living under poverty constituted 43.9 percent of all households in 1998 and 23.8 percent in 2009. Those living under extreme poverty were 17.1 percent of all households in 1998, and 5.9 percent by 2009. The results of these social programs can also partly be observed through the improvements in the Human Development Index. There has also been some improvement in income distribution through a small redistribution from the richest 20 percent to the rest of the population.[20]

[18]This discussion focuses on economic issues. Clearly, many other factors will affect the outcomes of the process and there are many other issues such as high crime rates (which are usually considered to be one of the most serious problems in the country), housing shortages, and corruption and clientelism, as well as the sharp political divisions within society and the over-reliance of the process on Chávez's leadership.

[19]For more detailed analyses of the macroeconomic performance of Venezuela during the Chávez years, see El Troudi (2010), Weisbrot *et al.* (2009), Weisbrot and Ray (2010), and Bilbao (2008).

[20]For a more detailed look at social achievements, see MPD (2008). Nonetheless, some argue that the Chávez administration did not really prioritize the well-being of the poor. See the debate between F. Rodriguez and M. Weisbrot (Rodriguez 2008a, 2008b; Weisbrot 2008; Weisbrot and Rosnick 2008).

Table 1. Economic and Social Indicators.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP growth rate (a)	0.3	6.0	3.7	3.4	-8.9	-7.8	18.3	10.3	9.9	8.2	4.8	3.3
Public	-2.1	-5.2	3.0	-0.6	-11.1	-1.3	12.5	2.8	2.7	7.4	16.3	0.9
Private	1.1	-6.9	4.2	4.9	-5.8	-8.9	17.2	12.9	11.3	7.5	-0.1	-4.5
Sectoral composition of the GDP (as a percent of total) (a)												
Oil sector	18.74	19.18	18.91	18.13	17.07	18.15	17.45	15.59	13.91	12.31	12.04	11.55
Non-oil sector	72.15	71.43	71.78	72.20	74.49	74.75	73.35	74.60	75.27	76.30	76.55	77.53
Mining	0.65	0.60	0.67	0.67	0.76	0.79	0.76	0.71	0.70	0.65	0.60	0.55
Manufacturing	17.36	16.60	16.82	16.87	16.08	16.24	16.68	16.80	16.56	16.44	15.92	15.41
Electricity and Water Supply	2.05	2.13	2.15	2.18	2.45	2.64	2.42	2.44	2.33	2.12	2.14	2.31
Construction	7.27	6.39	6.41	7.04	7.07	4.64	4.91	5.34	6.34	6.77	6.71	6.95
Trade and Repair Services	8.21	8.26	8.42	8.51	8.08	7.92	8.61	9.44	9.94	10.73	10.71	10.15
Transport and Storage	3.51	3.16	3.43	3.27	3.21	3.21	3.38	3.51	3.66	3.83	3.79	3.59
Communications	2.48	2.73	2.69	2.81	3.16	3.26	3.11	3.45	3.88	4.30	4.85	5.50
Finance and insurance	2.39	2.16	2.06	2.05	1.93	2.34	2.72	3.37	4.51	4.86	4.42	4.46
Real estate	9.95	10.09	9.80	9.81	10.69	10.89	10.23	10.00	9.88	9.67	9.47	9.60
Community and personal services	4.48	4.69	4.56	4.50	4.95	5.35	4.94	4.85	5.14	5.28	5.51	5.88
General government services	10.64	10.77	10.68	10.59	11.57	13.16	12.36	12.10	11.35	11.08	11.14	11.80
Other	5.71	6.10	6.19	6.10	6.62	6.97	6.32	6.45	6.08	5.91	5.95	6.14
Gross fixed capital formation (real annual change) (a)	5.5	-15.5	2.6	13.8	-18.3	-37.0	49.7	38.1	29.5	25.3	-3.3	-8.2
Inflation rate *(a)	29.9	20.0	13.4	12.3	31.2	27.1	19.2	14.4	17.0	22.5	31.9	26.9
Wage index (annual change) (a)	20.4	21.5	20.2	14.7	7.8	12.0	19.8	16.8	17.8	23.7	20.5	21.6
Private	26.7	22.4	15.6	12.7	8.8	12.1	14.2	14.5	13.7	21.4	23.1	22.2
Public	0.8	19.0	37.6	22.1	5.3	11.7	36.1	22.7	26.9	29.2	15.4	20.2
Unemployment rate(b)	11.0	14.5	13.2	12.8	16.2	16.8	13.9	11.4	9.3	7.5	6.9	7.5
Official exchange rate(a)	546.55	604.69	678.93	722.66	1158.93	1596.00	1915.20	2144.60	2144.60	2144.60	2.14	2.14
Poverty(b)												
Percentage of households living under poverty	43.9	42.0	40.4	39.0	48.6	55.1	47.0	37.9	30.6	28.5	27.5	23.8
Percentage of households living under extreme poverty	17.1	16.9	14.9	14.0	21.0	25.0	18.6	15.3	9.1	7.9	7.6	5.9

(continued)

Table 1. (continued)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Income distribution (b)												
GINI Coefficient	0.4865	0.4693	0.4772	0.4573	0.4938	0.4811	0.4559	0.4748	0.4422	0.4237	0.4099	0.40676 *
poorest 20	4.06	4.36	3.95	4.45	4.40	4.01	3.53	4.63	4.73	5.09	5.41	6.01 *
Quintile 2	8.49	9.10	8.62	9.93	7.94	8.83	7.60	8.35	9.35	10.40	10.54	9.97 *
Median	13.02	13.22	13.53	13.07	12.64	12.96	12.94	15.87	14.45	14.24	15.06	15.24 *
Quintile 4	21.07	21.41	21.63	23.00	20.88	21.37	21.15	18.78	22.09	22.56	22.26	23.23 *
Richest 20	53.36	51.90	52.28	49.55	54.13	52.83	54.77	52.36	49.37	47.71	46.73	45.56 *
Human Development Index	0.7828	0.7835	0.7836	0.7958	0.7933	0.7880	0.8007	0.8102	0.8180	0.8253	0.8277	
Fiscal Expenditure (as a percentage of GDP) (c)												
Total	0.21	0.20	0.22	0.25	0.26	0.28	0.26	0.26	0.30	0.26	0.26	0.27
Education		0.03	0.05	0.05	0.05	0.05	0.05	0.04	0.06	0.05	0.05	0.06
Health		0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.02	0.02
Social security and welfare		0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.04
Indirect tax revenue as a percentage of non-oil tax revenues(a)	80.30	81.40	80.60	77.20	78.20	79.80	80.60	79.00	73.20	70.00	69.90	67.80

*For Caracas metro area

Sources: (a) Central Bank of Venezuela (http://www.bcv.org.ve/c2/indicadores.asp)

(b) National Statistics Institute (http://www.ine.gov.ve/)

(c) Ministry of Finance (http://www.mf.gov.ve/)

The economic policies in Venezuela certainly do not constitute a planned transition to socialism, but are rather shaped by the outcomes of an often conflictive nonlinear process. Although the break with most neoliberal policies is visible and the policies put in place often clash with certain capitalist interests, there is no clear break with capitalism as such. Furthermore, the experiments with cooperatives, worker co-management, and community councils, despite their limited implementation and success so far, constitute a significant political challenge for capitalist interests. These initiatives also speak to debates on socialism and alternative ways of organizing production, work incentives, participative democracy, and workplace decision making, and as such require further in-depth research and discussion to assess their viability and desirability.

All in all, there is nothing inevitable about whether or not the Venezuelan process will lead to a radical transformation of the economy or turn out to be a new variety of capitalism with some populist characteristics. Among the most important factors that are likely to determine the future path of the Venezuelan experience are the degree of support by the masses, the internal composition and conflicts of the Chavista movement, and the international context. While it is widely acknowledged that the Chávez administration empowered the masses both through economic and political processes, continuous improvement in macroeconomic conditions and living standards seem to be a crucial ingredient for securing this support. In fact, the opposition parties, which previously were inattentive to the needs of the poor before, realizing the significance of the promise not to do away with social programs designed for the poor, have argued that they would be better qualified to run such programs. Moreover, the internal dynamics of the Chávez administration and the Chavista movement in general will be the other major significant factor in determining the future path of this process. The Chavista movement itself is not a homogenous entity. Following Ellner (2008), two major strands can be identified within the movement: a soft-line current and a hard-line current. While the former considers the government's economic and political achievements so far, especially the social programs, to be sufficient and argues for consolidating these rather than seeking a deeper structural change, the latter current envisions more fundamental changes which involve not an immediate break with capitalism but a long (maybe decades long) process in which capitalism would gradually be replaced with a mixed economy centered around state companies together with small- and medium-sized cooperatives, which would then challenge capitalist entities.[21] Similarly, Lebowitz (2006) points out that within the movement there are leaders who have supported social programs and the redistributive policies of the government thus far but are opposed to a more radical transformation toward socialism (115). A reflection of these tensions sometimes can be observed in the rhetoric of Chávez himself, as well:

> I am obliged to slow down the pace of the march. I have been imposing a speed that is beyond our collective capacity… I accept that has been one of my mistakes… we cannot allow ourselves to be dragged along by extremist currents… we have to seek out alliances with the middle classes, even with national bourgeoisie… we haven't abandoned socialism. Under capitalism, a minority is very rich, the majority is poor or very poor. Only by way of socialism [can we improve the situation] little by little. The terrible inequality created during 100 years of capitalism will not be removed in 1 year or in 10. [It will not take] as much as 100 years, but at least several decades [will be necessary]. (*Alo Presidente, 6 January 2008*, quoted in Gott 2008: 490)

No matter which way the process evolves in Venezuela, its significance already goes well beyond the country as it has showed that it is possible to break with neoliberal policies and put the discussion on socialism back on the map. As such, the experiences in this process are certain

[21]See Ellner (2008), especially chapters 6 and 7, for a thorough discussion of the Chavista movement and its internal composition.

to continue attracting the attention of scholars and activists alike and lead to further in-depth analyses and discussions. It is hoped that this paper may provide some contribution to these endeavors.

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