

Sowing Conflict in Venezuela: Political Violence and Economic Policy¹

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I. Introduction: Venezuela's Shifting Exceptionalism

From the 1960s through the 1980s, Venezuela was lauded as the paragon of democracy and stability in South America. While throughout the region, military leaders toppled democratic regimes, installed prolonged military authoritarian rule and repressed dissent with a previously unknown ferocity, Venezuelan democracy appeared to survive relatively unscathed. Yet by the end of the 1980s and into the early 2000s, Venezuela had become one of South America's more conflict-ridden countries. This paper seeks to explain the shift in Venezuela's level of conflict and internal violence relative to others in the region, with particular attention to the effects of economic conditions and policies on shifting levels of social conflict.

First, it is important to note that lower political violence *relative to others* in the region at any point of time does not mean low political violence *per se*, or even lower than at other times within that particular country. Venezuela did, in fact, experience various forms of political violence during the 1960s, including military insurrection, guerrilla warfare and state repression. During the turbulent 1960s and 1970s, however, the "norm" for political violence within the region was relatively high; the political and intellectual climate in Latin America favored guerrilla movements,

as well as virulent state responses to popular insurrection. Venezuelan exceptionalism during this period stemmed from the fact that, unlike most South American countries, it did not experience military rule during the 1960s to the 1980s—a predominantly authoritarian period in the remainder of the region—or the level of repression that generally accompanied those regimes. The severity and duration of the guerrilla challenge would also appear to have been relatively less than later movements in neighboring Andean countries, especially Colombia and Peru. In contrast, by the end of the 1980s through the early 2000s, the level of social conflict appeared higher than in other Latin American countries during this time period. The 1989 end of the Cold War and the "Third Wave" of democracy (Huntington 1993), mostly beginning in the 1980s in Latin America, created a new era of political inclusion, depriving would-be guerrillas and coup-leaders alike of the motivation and external support for the use of political violence.

What then explains Venezuela's experiences with relatively lower and higher levels of conflict during these periods? The potential for social conflict emerges from a range of factors, including: political exclusion (especially either increasing exclusion, or increasing awareness of exclusion, as a consequence of social modernization); policies that emphasize divisions within society (economic, ethnic or other); mounting intensity and/or salience of social cleavages; and deteriorating economic conditions, either generally or for a particular subgroup.² Social tensions are not automatically expressed through violence: non-violent contentious action can also be an indicator. However, the combination of deteriorating conditions, salient social cleavages, and perceived or increasing political exclusion enhance the likelihood of overt conflict and violence. Consequently, I suggest that the economic policies which are most likely to lead to violence are those which exacerbate divisions within society, either

immediately or eventually, especially those that distance the government from significant sectors of society; those that rapidly increase transfers from one sector to another; and – often more difficult to identify—those that may lead to overall economic decline. Such policies not only reduce what groups of people may actually have, but highlight their relative loss compared to those sectors placed in a more privileged position. The counterpart to this is that those economic policies that minimize costs to most sectors of society and alleviate differences—without imposing extensive relative losses by other sectors—would help support a peaceful society. The problem is that the state spending required for this approach may eventually become unsustainable, forcing painful policy reforms. This is especially the case if, as in Venezuela, spending is based on volatile energy exports rather than more consistent productivity.

Peace and Conflict in Venezuela

In Venezuela, the relatively peaceful—in regional terms—Punto Fijo period was characterized by such difference alleviating policies as those mentioned above, while the Chávez period is characterized both by policies that intensified latent cleavages within the society, overtly identifying winners and losers, and—not surprisingly-- by more conflict. To clarify these patterns and illuminate which conditions and policies may have helped support relative peace or triggered periods of violence, this paper thus looks at three major periods: the “Punto Fijo” period of relative democratic stability, which began in 1958; the decline of democratic stability, from about 1989 to 1998; and Hugo Chávez’ “Bolivarian Revolution,” from 1999.

In comparison to conditions elsewhere in the region, the Punto Fijo period in Venezuela was, overall, a relatively peaceful and stable democratic period. To be sure, during the early 1960s, not long after the 1958 transition from military rule to democracy,

the country experienced military insurrection, guerrilla warfare and state repression as government troops sought to counter the guerrilla threat. Yet, unlike in most of Latin America at this time, the Venezuelan government succeeded in containing the threat from military rebels, and countering guerrilla insurgency within the framework of democracy. The preservation of democracy prevented both the expansion of guerrilla warfare—since revolutionary movements find more justification under authoritarian regimes than democracies— and the scale of state repression. In Venezuela, the number of people killed by government forces is generally estimated to fall in the hundreds (Wickham-Crowley 1990:204), in comparison to thousands or tens of thousands in other South American countries. During the 1970s, when violence peaked in countries like Argentina and Chile, Venezuela experienced very little political conflict; the battles of the transition period appeared to be resolved. The Punto Fijo two-party democracy began its struggle to maintain legitimacy and control once the economy began to slide, starting noticeably in the early 1980s. This period concluded with a confusing episode in 1988, in the border town of Amparo, in which the military killed fourteen Venezuelan fishermen, accusing them of being guerrillas.

For most observers, however, Venezuela’s transformation from the region’s model of democratic stability to a crisis and conflict-ridden model of democratic decline began in 1989. In 1989, in an episode that became known as the *Caracazo*, Venezuela experienced an explosion of riots in response to President Carlos Andrés Pérez’s “package” of neoliberal economic reforms (López Maya, 2003). The ensuing repression left hundreds dead, and helped provoke disgruntled military officers to launch the first of two coup attempts in February 1992 (Norden 1998a). The coup failed, but brought coup-leader Lieutenant Colonel Hugo Chávez to the public’s attention, eventually allowing him to win the 1998 presidential election.

Chávez assumed the presidency in 1999, with a clearly transformational, anti-Punto Fijo and increasingly socialist political agenda. Perhaps unsurprisingly, one consequence of the dramatic policy shifts was further social tensions. While most of Latin America enjoyed relative peace and stability, Venezuela has been fraught with an unusual level of political conflict, ranging from protest to military coups, and, especially after 2004, repression as a complement to deteriorating civil rights. Venezuela's levels of political conflict, violence and instability again made the country an exceptional case within the region, now at the other end of the spectrum.

III. Economic Policies, Economic Outcomes and Conflict

Given their importance in determining the relative well-being of different groups within societies, economic policies may play a particularly important role in fomenting or deterring conflict. Economic *policies* only partially shape economic *outcomes*, however, and the latter may be at least as important as policies in determining relative peace or conflict within a society. This assertion has at least two components. First, economic outcomes result from the combination of policies and circumstances that may often be beyond the control of national policy makers. Given their substantial resources, Venezuelan policy-makers may be able to affect the price of oil, but they cannot control it; however, they do need to deal with the consequences. Secondly, economic *outcomes* generally trail economic policies, sometimes by quite a few years. Carlos Andrés Pérez' neo-liberal economic policies clearly triggered the riots of 1989, yet what necessitated those difficult reforms? While not inevitable, the decision to implement the reforms was shaped by considerable economic constraints the government faced at the time, which, in turn were a product of both the economic policies of Pérez' predecessors and the global environment.

Economic outcomes that impact the probability of conflict include changes in wealth, both relative to past conditions and to other groups within society. Overall wealth over time can be measured by factors such as per capita GDP and real wages. In an oil-producing country like Venezuela, oil revenues are particularly important in generating wealth, and have a strong influence on consumption. Deteriorating economic conditions such as high inflation, declining productivity and its corollary, rising unemployment, contribute to "relative deprivation" among a large proportion of the population.

Equally important, however, is the distribution of wealth, which may generate significant rifts within the population. Actual "wealth" includes income, as well as earnings from investments and government provided benefits, but standard measures of income distribution like the Gini coefficient generally only look at wages and salaries. Even more difficult to assess in a single measure is "quality of life." Beyond wages and other earnings, state-provided benefits such as public schools, public health benefits or free or subsidized food distributions—critical elements of Chávez' development strategies-- contribute to the extent to which people actually experience poverty. Public goods, such as access to clean water and sanitation, also contribute to people's standard of living and overall well-being, despite having no direct impact on income distribution or measureable "wealth." It is in part for this reason that the UNDP's "Human Development Index" includes not only GDP/PC, but also measures of education and life expectancy (UNDP, Human Development Report).

Government policies affect well-being and the distribution of wealth at least as much as income distribution, and often more rapidly. For example, public spending in such areas as education and health may diminish dissatisfaction from income inequality, since investments in these areas both improve quality of life and can reasonably raise expectations for future earnings. Short-term

poverty relief can also appease the poor. Notably, both forms of distribution may antagonize wealthier sectors of the society if they feel that they are unjustifiably footing the bill for these expenses.³ Thus, economic policies both contribute to the overall well-being of the population and help determine society's relative winners and losers, potentially stimulating "losers" to intensify their claims against "winners," or impacting the likelihood of conflict between different non-privileged groups over the distribution of resources.**

IV. Policies and Politics during the Punto Fijo period (1958-1988)

The "Punto Fijo" period, from 1958 until around 1988, avoided many of these divisions through two-party dominance and a spirit of political compromise. The "Punto Fijo" pact committed the two parties that would dominate the next four decades, Acción Democrática and COPEI, as well as the short-lived URD, to respect electoral outcomes, consult about policy, and refrain from personal attacks during campaigns (Karl 1987: 83). A second document, the "Minimum Program of Government," directly addressed the policy concerns of the relatively smaller and pro-business COPEI, by promising to respect private property, "subsidize the private sector through the Corporación Venezolana de Fomento [Venezuelan Development Corporation]," and avoid uncompensated land expropriations (Karl 1987: 84). The document thus ensured that economic elites would not be threatened, and that COPEI and their allies would not again revert to advocating military intervention.

The Punto Fijo period was not without conflict, however. The major incidents of political violence were at the beginning and end of the period. Early violence took the form of military insurrection and guerrilla warfare. Repeated military coup

attempts failed largely because, in an atmosphere of political compromise and hope, would-be coup leaders encountered insurmountable opposition both from civilians and from other groups in the military (Trinkunas 2005: 118-20). A 1960 assassination attempt against President Rómulo Betancourt also failed, although seriously injuring the president (Trinkunas 2005: 119). The greatest threat to political stability emanated from guerrilla warfare, however, especially given the widespread wave of revolutionary idealism that followed the 1959 Cuban revolution. This phase actually began with ~~the~~ military insurrections from 1961-62, which demonstrated a more leftist orientation, and even involved civilians from the Venezuelan Communist Party (PCV) and the MIR, or Movement of the Revolutionary Left (Trinkunas 2005: 122). The failure of Venezuela's guerrilla movement did stem at least partly from the structural and economic impacts of the oil industry, as well as from the government's social policies, since these collectively created some new employment and alleviated poverty, thereby making revolution somewhat less enticing to potential recruits.

Although the leaders of Venezuela's guerrilla movement believed that the country had the necessary conditions for a revolution, guerrilla warfare probably originated stemmed more from political exclusion than economic causes. The PCV was the one important Venezuelan party excluded from the Punto Fijo pact of 1958, despite their prior involvement in the opposition movement against Pérez Jiménez. Although the older generation in the party still held primarily democratic tendencies, the younger generation embraced more revolutionary aspirations. The MIR, on the other hand, was a new party, formed by leftist youth from Betancourt's Acción Democrática in response to the party's determination to remain firmly in the center (Ellner 1986: 83). As the government clamped down on the young leftists' protests, the

two groups became increasingly radicalized, joining forces in 1963 as the FALN, or Armed Forces of National Liberation.

The guerrillas found little support in the population, however. Their base remained mostly confined to the universities (Levine 1973: 53), with little support from the rural poor toward whom much of their attentions were directed. This was partly because oil had already changed Venezuela's economy and society dramatically well before the 1958 Pact, significantly reducing the proportion of the population employed in agriculture (Karl 1987: 69). The government also carried out a major land reform program, redistributing "land to 150,000 families during the early 1960's" (Wilpert 2003). Since many agrarian elites had also moved into oil-related endeavors, the program caused less opposition from elites than might have been expected.

In essence, the transformations that had already occurred within Venezuelan society, along with deliberate policies, limited both the potential salience of an urban-rural cleavage, as well as the likelihood of tension between capital and workers. The wealth from the oil economy, including the highly paid workers in the oil industry, "meant that a largely nonproductive urban middle class actually preceded and outnumbered the slowly growing working class" (Karl 1987: 71). The government also spent generously on social programs. As Wilpert writes, "during the boom years, anti-poverty policies meant providing free universal education, free health care, a decent minimum wage, and massive public works projects" (Wilpert 2003). The 1976 nationalization of oil also led to expanded public sector employment (Mahler 2009: 13), substantially easing unemployment and increasing the size of the middle class. Like the agrarian reform, these programs could be provided at little cost to economic elites, funded instead by abundant oil revenues.

V. Policies and Politics During the Decline of Punto Fijo (1989-1998)

According to many observers, Venezuela's economic decline began as early as the late 1970s, moving toward "what became a crisis by the mid-1980s" (Coronil & Skurski 1991: 292). Popular responses to gradual economic decline tend to build up slowly, however, in part because the people ~~rightfully~~ may not immediately identify the incumbent government as responsible for the conditions—correctly so, given the multiple causes of economic conditions. Thus, just as Argentina's President Fernando De la Rúa paid the political price for the economic errors of his predecessor, Carlos Menem, in December 2001, Venezuela's President Carlos Andrés Pérez efforts to respond to the emerging crisis meant that he would shoulder the blame for Venezuela's economic woes.

Since the early 1980s, Latin America has gradually become more democratic and more peaceful. Venezuela, however, moved in the opposite direction. Indicators of brewing problem included increasing protests and strikes in the mid-1980s, and the still somewhat inexplicable 1988 Amparo incident. According to López Maya, Lander and Ungar, "the number of protests steadily grew since 1980, and many of them were confrontational and violent." (Lopez Maya, et. al., 2002: 201). Protests were particularly high in 1985, for example, with 262 protests registered by the El Bravo Pueblo Database, after which they declined into to 70 and 83 protests per year in 1986 and 1987, respectively; protests rose again in 1989, with 213 protests (Lopez Maya, et al 2002: 202).⁴ With respect to the Amparo Massacre, after a bloody military offensive left fourteen dead, the government reported that the bodies belonged to Colombian guerrillas who had crossed into Venezuelan territory. Local residents, however, countered that the dead were innocent Venezuelans, victims of a government-concocted show to regain legitimacy (Coronil and Skurski 1991:

301, 306). In a 1995 judgment of the Inter-American Court on Human Rights backed the latter interpretation, subsequently awarding reparations to two survivors and the families of the fourteen victims (**IACHR 1995, 1996**).

It was the 1989 *Caracazo*, however, that marked the demise of the AD-COPEI dominated party system. On February 27, Venezuela's poor took to the streets *en masse*, in an explosion of riots following the sudden implementation of neoliberal economic reforms. Frustrated from years of burgeoning poverty and unemployment, and infuriated by the government's imposition of still more sacrifices, angry citizens looted grocery the markets stocking empty pantries and feasting as few had been able to in many months. As the chaos built, looters turned to more expensive items, taking clothes, furniture and equipment, and vandalized businesses and automobiles. After days of chaos, the president finally called in the military. Prepared more for warfare than policing, the armed forces now trained their weapons on their own people. The anarchy was eventually controlled, but with a heavy toll; ultimately, an estimated 396 people died in the conflict (López Maya et al 2002: 198).

Two coup attempts, in February and November of 1992, further shook a country long unaccustomed to military insurrection. Despite limited casualties in first attempt, any coup attempt is intrinsically violent, given the implicit and reasonable *threat* of force. Furthermore, the February coup attempt, led by a group of lieutenant colonels, inspired more congratulations than condemnation on the part of the people, indicating the government's profound loss of legitimacy. The second coup attempt, largely carried out by the air force, caused relatively more significant destruction and casualties, provoking much stronger disapprobation. Both the coup attempts and the ultimate election of Lt. Col. Hugo Chávez to the presidency can be seen as a further

response to the same conditions and policies that triggered the *Caracazo*, and ultimately, the end of the Punto Fijo era.

Politically, the death of Punto Fijo can be traced to a collusive two-party system which lost its ability to respond to a changing society (Norden 1998b). The principles of collaboration and consultation, initially forged in the 1950s to protect democracy from inter-party hostility, created multi-class parties poorly adapted to channel the new class cleavages that developed in the 1980s (Roberts 2003). These new divisions emanated from deteriorating economic conditions --caused by prior Venezuelan policy-makers, as well as shifting international oil prices and an IMF-dominated international environment--along with more immediate policy decisions by national leaders. As Kenneth Roberts writes, “[s]tarting in the late 1980s, ...recurrent political and economic crises gradually polarized the political arena around an elite-mass cleavage for the first time in a generation.” (Roberts 2003: 56). Beginning with a division within society, this cleavage then reverberated into the political sphere, placing new stress on the Punto Fijo system and ultimately creating the political opportunity for Chávez “Bolivarian Revolution.”

Venezuela's economic decline can be traced to the early 1980s. Shortly after Mexico's 1982 debt crisis, Venezuela's leaders sought to address their country's own building debt, stagnating productivity and increasing capital flight. Thus, on February 18, 1983, the government announced the first devaluation of the national currency in twenty years (López Maya et al. 2002: 186). A year later, President Lusinchi initiated a broader economic plan, a precursor to President Carlos Andrés Pérez' 1989 reforms. The plan included further devaluing the currency and concomitantly establishing exchange rate controls, moderately increasing prices for gasoline, and committing to lower state spending (López Maya et al. 2002: 187). The plan was not only ineffective, but according to Briceño-León, detrimental: “[it]

encouraged corruption, monopolization and caused a remarkable shortage of products as basic as milk, sugar or feminine sanitary towels” (Briceño-León 2006: 319-20). In December 1988, about a month before leaving office, Lusinchi ceased payments on the national debt (López Maya et al. 2002: 187).

By the time Carlos Andrés Pérez took office in early 1989, conditions had only gotten worse. By the end of 1988, oil prices had declined to a level not seen since for more than fifteen years, while both inflation and poverty soared (*see Figure 2*). After negotiating with the IMF, Pérez introduced a far-reaching “package” of neoliberal economic reforms. The reforms included eliminating price controls and subsidies for basic goods and increasing prices for state-provided services, establishing a floating interest rate; and, in order to encourage trade, lowering tariffs (Coronil and Skurski 1991: 295; López Maya et al. 2002: 187). By the 1990s, the Pérez government, had followed these policies with the privatization of CANTV (Compañía Anónima Nacional Teléfonos de Venezuela, the telephone company) and VIASA (the state-owned airline); SIDOR, the state steel industry, followed a few years later, under Caldera and (Ellner 2008: 90; McCoy 1998: 10). The government proposed various social policies to soften the blow, especially the “Plan to Confront Poverty” (PEP), “designed to supply the basic necessities to vulnerable groups” (Lacruz 148; translation mine). Programs involved nutritional support, including food subsidies and a maternal-infant program, as well as provision of school uniforms and some fees, and an expansion of preschools. Nevertheless, overall social spending dropped precipitously in 1989, including substantial declines in both health care and education spending (López Maya et al 2002: 192; García and Salvato 2006: 253). Thus, overall, the costs of the reforms were much more widely distributed than the benefits, creating a much larger pool of relative “losers” in this new economy with respect to “winners.”

<*Figure 2, Inequality and Poverty in Venezuela, about here*>

The element in Pérez’ reform policies most immediately felt by the Venezuelan people was ~~rising~~ increased gasoline prices. The government doubled the price of gasoline almost instantly, while attempting to limit the popular impact by negotiating with the National Transport Federation to cap bus and taxi fares increases at thirty percent. However, the privately owned transportation companies rebelled and more than doubled their fares, setting the scene for the February *Caracazo* riots.

According to Coronil and Skurski, raising gasoline prices violated “imagined shared ownership of the nation’s petroleum resources based on its founding legal code. The state’s legitimacy was intimately tied to its ability to control the nation’s formerly foreign-owned oil industry in the name of the entire pueblo” (Coronil and Skurski 1991: 314). This was perceived as not only a source of relative deprivation, but a betrayal, a source of “moral indignation.” The people revolted against the policies, the leaders, the parties, and the entire political system created by the Pact of Punto Fijo. Previously among Latin America’s more peaceful countries (in a not very peaceful era), now Venezuela was en route to becoming one of the most violent in the region.⁵ In February 1992, a leader of a failed military coup became the new hero of the Venezuelan people; nine years later, he became their president.

VI. Venezuela’s Bolivarian Revolution: The First Decade

Hugo Chávez Frías took office in 1999, following an electoral campaign focused on ousting the purportedly corrupt and elitist AD and Copei *partidocracia*[rule by political parties], and rewriting the Venezuelan constitution. His “Bolivarian” movement and MVR political party (named for his MBR-200 military movement) constituted a major break from Venezuela’s long-established two-party system.⁶ In contrast to the country’s historically cooperative political leadership, Chávez emphasized

conflict-- allies and revolutionaries versus the enemies, within and without, of his Bolivarian revolution—rejecting neo-liberalism, U.S. international domination, and the entire “Punto Fijo” system. He sought to, first, concentrate power in the presidency; second, to use the power of the state to redistribute wealth and power within Venezuela; and third, to use the power of the bursting Venezuelan purse to buy international allies and challenge the United States. In the process, Chávez deepened social cleavages in Venezuela, excluded and discriminated against former political and economic elites, and made little effort to appease the affected groups. By increasing the salience of social differences like ethnicity and, in particular, socio-economic class, Chávez’ policies augmented social conflict. As Steve Ellner writes, “Venezuelan politics under Chávez has become a zero-sum game at the same time that discourse reflects a clear social bias. Never before in Venezuela has the head of state declared that assisting the poor is more important than serving other sectors of the population.” (Ellner 2008: 133; also see Roberts 2003). Rather than purporting to be a government of and for all Venezuelans, the Chávez government consistently portrayed themselves as the voice of the down-trodden, economically deprived and ethnically darker-skinned, whether of indigenous or African roots.

Chavez’ Economic Policies

The major thrust of Chávez’ economic policies was thus to expand government control over the economy, ~~both in~~ in order to shift greater resources toward the poor. Given its overwhelming significance in the Venezuelan economy, the new government first focused on the oil industry. The government also sought to provide a range of social benefits to the poor, albeit mostly with short-term, populist distributive programs, while moving gradually

towards more consequential and divisive policies, such as land reform and nationalization of enterprises.

Oil policy has been among the policies provoking the most backlash, including the April 2002 coup and the general strike of 2002-2003, during which time PDVSA management led almost a total shut-down of the oil industry (Webber 2010: 26-7)⁷. Chávez sought to reclaim control over the oil industry, redirecting oil proceeds toward his political project. The 2001 Hydrocarbons Law was an important step towards this control, establishing “majority government ownership of all mixed companies in charge of primary oil operations” to reverse some of the process of economic liberalization (Ellner 2008: 113). The government also reined in PDVSA’s famous autonomy, expanding oversight by the Ministry of Mines and ultimately firing several of PDVSA’s top executives. Notably, the ensuing protests by PDVSA personnel generated little sympathy among the people, who had come to see the organization as more of a symbol of elite privilege than of modernization (Tinker-Salas 2009: 233). Under Chávez’ authority, the company came to function very differently than the previous, highly professional model, now becoming directly involved in many of the government’s social programs.

Social policies. Not surprisingly, social programs have been a centerpiece of the Chávez government, although their relative success in reducing poverty and inequality has remained highly debated (Corrales, forthcoming, 28; Wilpert 2003). Many of these programs were designed to have an immediate, if sometimes short-term, impact on the beneficiaries. For example, the Plan Bolivar 2000 required that the armed forces develop programs to support the government’s social agenda.⁸ The different military branches thus engaged in programs ranging from providing police services in remote regions, to fixing refrigerators, distributing food, or repairing schools and homes. Beginning in 2003, the government began a new approach, launching various

social or Bolivarian “Missions,” which, similar to Cuban campaigns during its revolutionary period, sought to address specific issues in an intense and focused way. The majority of the Missions have dealt with healthcare and education issues, with the help of Cuban literacy workers and around one thousand Cuban doctors (Wilpert 2003). Other Missions were designed to provide subsidized food, help with job training, or facilitate land titles for indigenous people. As the Missions have been financed by surplus funds from PDVSA, directly under the control of the president and outside of the formal budgetary process (Penfold-Becerra 2007: 64) these expenditures—while significant—do not necessarily appear in standard accounts of social spending in Venezuela, making it difficult to track actual spending over time. All evidence, however, indicates that social spending has grown substantially under Chávez, and increasingly so with rising oil prices.

The government’s social policies provoked various criticisms, particularly by those concerned with the strong Cuban role, whether due to a fear of communism or a fear of competition from the Cuban doctors. However, realistically, the Plan Bolívar 2000 and the Bolivarian Missions imposed few actual costs on major sectors of society, and did benefit the poor. In contrast, Agrarian Reform and Nationalization policies did pose a meaningful threat to economic elites. The 2001 land reform law sought to redistribute land to Venezuelan families both for equity purposes and to increase the country’s self-sufficiency in food production, an area which had suffered a decline over the years. For the initial years of the land reform, the program mostly drew from the government’s extensive properties, distributing land to approximately 130,000 families by 2003, while also attempting to provide the support necessary for the new farmers to succeed (Wilpert 2003). In 2005, however, the government shifted toward more radical land distribution, deliberately seeking to break up

large landed estates and permitting squatters to occupy land even before the transfer was legally authorized. According to Ellner, “These actions contrast with traditional agrarian reform in Venezuela, which concentrated on the distribution of public land that had always abounded in rural areas” (Ellner 2008: 125). Nationalizations and government expropriations also accelerated. For the most part, nationalization occurred with compensation, as the government purchased majority shares in a few large companies, mostly those which had been state-owned until the 1990s. Various failing companies were also expropriated however, legalizing the situation of workers who had taken control when owners had abandoned their enterprises; other businesses were threatened with the same outcome, or given the option to accept government aid in exchange for allowing workers to share in the management (Ellner 2008: 125, 127). While most of these policies were implemented after violence peaked in 2004, enough of these policies had been at least drafted and initiated in the early years of Chávez’ presidency to consolidate a very concerned and determined political opposition, desperate to prevent the loss of their property, and increasingly unable to effectively defend their interests through institutional channels.

Ethnic policies and, in particular, discourse helped to highlight heretofore latent ethnic cleavages in Venezuela, as well as the parallels between ethnic and socio-economic cleavages within Venezuelan society. The influence of race and ethnicity in Venezuela has been historically masked by the relatively early process of miscegenation, particularly between those of European and African origin, given the relatively small size of Venezuela’s indigenous population. According to Barry Cannon, “by the end of the colonial era 60 percent of Venezuelans had African origins and of the 25 per cent classified as white probably some 90 per cent had some African ancestry” (Cannon 2008: 10). This inter-mixing has continued over the years; by the beginning of the 21st century,

approximately 67% of the population was of mixed race, with only 21% classified as white, 10% as black, and 2% indigenous (Library of Congress 2005: 7). With such blurry lines between ethnicities, Venezuela easily embraced the myth of “racial democracy,” with its presumption that all are *mestizos* and that ethnicity is irrelevant. In fact, however, Venezuelan society and politics have been dominated by lighter-skinned peoples, with darker-skinned people tending to be both less socially prominent and poorer.

According to some, the illusion of equality began to shatter with Carlos Andrés Pérez’ neo-liberal reforms, while others trace the resurgence of open racism to the economic crisis of 1983 (Herrera Salas 2007: 99; Roberts 2003: 55). Both events brought into sharp relief the actual inequalities within Venezuelan society. As Barry Cannon writes, it was during the economic decline of the 1980s and 1990s that: “Racist discourse began to re-emerge amongst the upper and middle classes. The link between class and race became more explicit as Afro-Venezuelan and indigenous people became the scapegoats for Venezuela’s economic failure” (Cannon 2008: 12).

Hugo Chávez has helped to make race even more salient by explicitly not only *aligning* himself with the darker and poorer sectors of Venezuelan society, but identifying himself as one of them. According to Cannon, Cannon 2008: “...the poor’s support for Chávez is based on the fact that he is like them: from a poor background and *pardo* (of mixed Indigenous, African and European descent).” At the same time, “...the rejection of Chávez by parts of the middle and most of the upper classes in Venezuela is precisely due to a rejection of these very qualities: being poor and dark-skinned” (Cannon 2008: 7) Chávez has sought by various means—starting with the 1999 constitution—to both give more recognition to the indigenous population, and to directly incorporate indigenous groups into the political process (Herrera Salas: 107). Yet it his discourse that seems to most inspire his

darker-skinned allies and provoke his lighter-skinned opponents, helping to define not only their relationship to the president, but also to each-other.

Conflict and Political Violence under Chávez

During the first decade of the Chávez administration, Venezuela has thus suffered from considerable conflict and violence, ranging from protests and demonstrations, to coups and state repression. For example, protest data from PROVEA indicates 855 protest actions in the 1998-99 period, rising to 1255 five years later and 2893 by 2008-09 (PROVEA 2009: 434). From 2002, following the November 2001 passage of forty-nine laws with a strongly nationalist and anti-liberal thrust, until the failure of the August 2004 recall election, Chávez’ opponents actively utilized multiple methods to try to remove the president from power. The government, however, was equally determined to remain in power, and also willing to use every resource to ensure that outcome.

The April 2002 military coups were a notable example of this. On April 11, 2002, “[s]everal general strikes called by the CTV [Venezuelan Workers’ Confederation] and backed by the business organization FEDECAMARAS culminated in a violent confrontation in downtown Caracas... that resulted in nearly two dozen deaths and hours later gave way to a military coup” (Ellner 2008: 115). The military and civilian coup leaders promptly arrested Chávez, and placed FEDECAMARAS president Pedro Carmona at the head of the *de facto* government. Within two days, however, Chávez’ allies—again, both military and civilian (particularly the poor)-- had launched a counter-coup and restored Chávez to power.

The opposition then took to the streets, launching a prolonged general strike in December 2002 that essentially shut

down Venezuela's oil industry and devastated the economy. Protests during this period were also more violent than in some subsequent periods; according to Provea reports, 19 percent of protests from October 2002 to September 2003 were violent, in contrast to only 7.6% of protests three years later, from October 2005 to September 2006, and 3.5% in the following year (Provea, 2007: 390). The hotly contested 2004 recall vote seems to be at the center of this. Long avoided by the Chávez government, the recall vote marked the opposition's last serious effort to remove Chávez during this phase. Chávez' triumph at the polls both empowered him, and deflated the opposition. Later protests focused less on ousting the government than questioning particular policies. Issues that provoked renewed street protests thus included growing restrictions on the media, and a constitutional reform attempted in 2007 that sought to establish a socialist state and end presidential term limits (the constitutional reform failed at this point, but Chávez managed to pass or implement many of the major components before too long). Yet while the opposition moved toward moderation, the government and government allies began increasing their use of force. Thus, while state security forces blocked or repressed only around 3% of peaceful demonstrations October 2002- September 2003, by the 2006-2007 period, this had more than doubled (Provea 2007: 304).

Explaining Conflict under Chávez: Dividing Venezuelan Society

In some regards, increasing protest under Chávez can be seen as an indicator of more political freedom, at least in the early years of the regime. The Chávez administration reversed his predecessors' criminalization of protest, a legacy of the period of guerrilla conflicts in the 1960s. The 1999 Constitution thus prohibits state forces from using arms to repress protests. The

protests also, however, reflect the broader social conflict inherent in the government's effort to carry out a "Bolivarian Revolution," with important implications for who would be the winners and losers. During the earlier periods discussed, the primary factors leading to the emergence of conflict tended to be, first, the political exclusion of particular groups (the Venezuelan left in the early 1960s, or remnants of the recently displaced military regime), and, secondly, whether oil revenues were sufficient to allow substantial social spending. Under Chávez, resources were somewhat limited for the first few years, but by 2003, oil wealth and renewed production once again meant prodigious revenues. However, the Chávez government actually intensified its polarizing policies during the period of abundance, imposing increasing burdens on the wealthy and middle class, while continuing to deliver the message that the Bolivarian Revolution would be the government of the poor people—not a government of *all* the people.

What variables have helped define the lines of recent social conflict in Venezuela? While socio-economic class has constituted by far the most significant cleavage under Chávez, other cleavages may be increasing in relevance. For example, regional divisions were historically important, as implied by the Andean domination of early Venezuelan politics; given the contrast between the relative wealth of the more industrialized Caracas region and the much poorer, more rural lowland, these regional divisions may be intensified as a parallel to the growing class cleavage. Ethnicity also appears to be becoming more salient, as Chávez has sought to equate the darker skin with poverty and historical lack of political voice. While relatively subtle, the increasing salience of ethnicity, as well as possibly region, may be creating a problematic context of overlapping cleavages in Venezuela.

II. Explaining Peace, Political Violence and Political Instability

Venezuela's shifting levels of conflict help to provide insight into some of the causes of relative social peace and its converse. Conflict, political violence and instability and, by extension, their absence have been explained by various factors, including ongoing divisions within society, psychological reactions to changed conditions or aspirations, political exclusion, and declining legitimacy by political authorities. Rather than being mutually exclusive, these factors interact, potentially combining in ways that may exacerbate the likelihood of conflict.

First, what do we mean by conflict, political violence and political instability? While these phenomena often coincide, they are nonetheless distinct. Conflict involves tension between or among different collective actors, whether defined by social characteristics (such as ethnicity, language, or religion), socio-economic class, or political identity and role (i.e. government or opposition); and whether or not these actors are formally organized.⁹ "Conflict" implies an awareness of competing interests, and some expression of differences, but not necessarily violence. Conflict, however, does imply the *potential* for violence, especially when expressed through strikes and protests. Violence, on the other hand, involves the use or threat of force, whether mostly spontaneous, as with riots or, in some cases, inter-group battles; or the strategic use of violence, as in guerrilla warfare, terrorism, coups d'état, or state repression. The latter categories mentioned here are most obviously "political," as they either directly involve the government or seek to influence or replace it. However, since "politics" is essentially about power, clashes between groups about relative power, whether regional or in relation to the government would also be considered political violence. Relatively spontaneous events like riots (unless instigated by known agitators) may be more difficult to classify as political; however, even without a clear political intent and target, riots may still be an *effect* of government policies, as in the 1989

Caracazo. Finally, political instability involves conditions that threaten the continuity of the government or regime, beyond constitutionally established transitions.

Among the conditions that may make political instability and political violence likely is the existence of substantial divisions between groups within the society.¹⁰ Robert Dahl thus argues that democracy is "less likely in a country with sharply differentiated and conflicting subcultures," since "cultural conflicts can erupt into the political arena" (Dahl 1998: 150). Other authors, such as Seymour Martin Lipset (1981), have looked at social divisions in terms of "overlapping" and "cross-cutting" cleavages, observing that differences are more likely to lead to conflict when sectors of the society are divided from each other along multiple lines. Cleavages may be ethnic, religious, linguistic, cultural, regional, or class-based; they may also involve political ideology or preferences.¹¹

Differences, however, are not the same as cleavages, and may or may not have any political impact. In particular, concepts like ethnicity and socio-economic class are *social constructs*, created by social recognition, rather than "true" characteristics of those involved. In that respect, they only exist to the extent that the people perceive them as distinguishing "us" from "them." Beyond this, recognized cleavages may or may not be *salient*. For example, indigenous identities and the distinction between indigenous and *mestizo* peoples have become much more salient in Latin America since the end of the 20th century, in part because of international organizations and movements promoting indigenous rights, and in part because of policies that have heightened perceptions of group disadvantages (such as NAFTA in Mexico, or coca eradication policies in Bolivia). In the Venezuelan case, as discussed, overlapping class and ethnic cleavages became increasingly salient immediately prior to and during the Chávez

government, due both to economic conditions and government policies.

The increased salience of cleavages, in other words, and the likelihood that they may lead to political violence is often the consequence of changed conditions or expectations. As Ted Gurr explains, relative deprivation is “the tension that develops from a discrepancy between the ‘ought’ and the ‘is’ of collective value satisfaction, and that disposes men to violence” (Gurr 1970: 23). If changed policies or economic conditions align relative winners and losers along the lines of existing social cleavages, then those cleavages then become both increasingly salient and potentially inflammatory. As William Ascher points out, this is particularly the case if the policies creating relative deprivation incur “moral indignation.” Ascher argues that “the indignation that can arise when others are viewed as violating moral standards paradoxically can overcome the aversion to violence that we would otherwise associate with conscience” (Ascher 2009: 7-8). Expectations, then, are based not only on what groups have historically experienced, but cultural understandings of the rights of citizens or subgroups, and the respective obligations of the government. In Venezuela, cultural expectations of the state’s obligation to lead and care for the people, including the “project to democratize oil wealth,” contributed to the political violence in 1988 and 1999. As Coronil and Skurski explain, Venezuelans’ expectations were based on “the image of Bolivar as a tutelary leader of an unformed pueblo [that] became a template for the construction of the nationalist development project” (Coronil and Skurski 1991: 297).

In a democratic context, the anger generated by frustrated or enhanced expectations may well be diffused if, first, the aggrieved are reasonably able to express their positions and hope for resolution *through* the democratic system; and secondly, if the government is generally recognized as legitimate. This leads to my third major point: political violence and instability are more

likely when frustrated groups feel politically excluded, and/or when governments lose legitimacy. With respect to the first of these, in Albert Hirschman’s terms (1970), opposition groups without a “voice” within the system may ultimately “exit.” Exclusion or discrimination may be based on any of the characteristics described above as underlying social cleavages. Historically, we can identify many instances in which poorer sectors of society, unable to effectively pursue their aspirations within a democratic system, have joined with ideological movements of the left to engage in guerrilla warfare. Similarly, when governments have excluded and discriminated against the economically privileged to the extent that these felt themselves unable to represent and defend core interests, the injured groups have often sought military allies to carry out a coup d’état. Venezuela’s pacted Punto Fijo system successfully included *most* major political parties and social sectors, facing its major challenge from the one important party it did exclude, the PCV. Chávez, however, has opted to overtly favor the impoverished majority, excluding and antagonizing the wealthy (with the exception of the new “Boliburguesia,” new economic elites who have positioned themselves in such a way as to profit from the Bolivarian regime.)

In contrast to the scenarios discussed above, declining political legitimacy tends to result from more widespread government failures, particularly if a government seems unable to provide essential public goods such as security and economic stability. Responses to this may include popular insurrections or elite-organized military coup attempts. According to Juan Linz and Alfred Stepan, declining efficacy and effectiveness, and a corresponding loss of legitimacy, contributed significantly to the collapse of democratic regimes in the 1960s and 1970s throughout Latin America (Linz and Stepan, 1978:18-22). Governments may also initiate violence, however, either to maintain control, or to

help justify their position in light of waning legitimacy, as may have occurred with Venezuela's 1988 Amparo massacre (Coronil and Skanski 1991: 290-1).

Finally, how important are economic policies in explaining the presence or absence of social conflict and, in particular, political violence? I would suggest that economic policies may exacerbate or diminish the likelihood of either violent conflict but that this does not provide a sufficient explanation for whether peace or violence predominates in a society. Other factors are also critical, including not only those discussed above, but also people's ability to voice concerns and demands through institutionalized channels, the government's ability to respond to demands (Huntington 1965), and the extent to which government responses involve repression. Furthermore, while undeniably important, economic issues by no means constitute the sole concern of civilians. Environmental issues, education policies, infringements on media freedom, and demands for indigenous rights and autonomy have all triggered political contention within Latin America. That said, economic policies and conditions directly affect the well-being of the entire society and determine many of the relative losses and gains of different groups, thus making this an issue well worth further exploration.

Economic Policies, Economic Outcomes and Conflict in Venezuela

In the Venezuelan case, varying levels of conflict originate in part from shifting economic conditions, which interact with the government's choices about how it will utilize its alternately plentiful or meager resources. Typically, one of the strongest expectations of any government is that it will provide economic stability; the failure to do so tends to lead to declining legitimacy. During the early years of Venezuela's democratic regime, abundant resources facilitated providing not only stability but

prosperity to citizens. Petroleum-led prosperity, substantial social spending and economic protections for elites, combined with political inclusion successfully limited social conflict during the Punto Fijo period. Notably, during the Punto Fijo period, Venezuela enjoyed a comparatively more equitable income distribution than in most Latin American countries, as well as relatively high state spending on education and health (Di John 2009). Yet, policies during the 1960s and 1970s also led to an insurmountable debt, while failing to develop adequate alternatives to oil dependency. The dramatic shifts in oil prices therefore hit Venezuela hard, especially the government, which has consistently relied on oil revenues. Successive governments delayed adjusting spending habits for some time, until Carlos Andrés Pérez enacted such drastic and sudden cuts that the Venezuelan public was outraged. During the Chávez period, social spending has again increased, but within the context of political exclusion and the economic elites' relative loss of privilege and protections, thereby leading to increased conflict as evidenced both by intensified protest and military insurrection.

Oil wealth has often anchored explanations of Venezuela's successful post-1958 political stability. According to Terry Karl, along with providing resources, the oil industry also restructured the society (Karl 1987). Venezuela's oil industry drew many agrarian elites into trade and encouraged rapid urbanization, thereby diminishing the potential for urban-rural cleavages. Oil wealth also meant that the government had sufficient resources to satisfy many different interests. The fact that Venezuela began to become less stable after the decline of oil prices in the early 1980s would appear to support the argument that oil income explains the shifts in political stability. Yet, increasing oil prices during the 1990s and early 2000s (with the exception of 2002-2003, during the PDVSA strike) did not suffice to prevent social conflict and political violence from plaguing the Chávez government. This

indicates the importance of *policies*, versus mere resources. As various authors have observed, one reason for Venezuela's struggles has been its failure to maximize the benefits from petroleum. Venezuela's substantial oil reserves thus have not been sufficient to ensure either economic prosperity or social stability.

Many of Venezuela's difficulties in fact may be endemic to oil-exporting states. As Terry Karl explains, having a very valuable resource creates the temptation to spend heavily, using limited reserves to earn credit. "Governments believed that the removal of foreign-exchange constraints finally permitted them to take a 'great leap forward' into the select category of NICs [newly industrialized countries] and that their relatively limited petroleum reserves meant that they must move quickly" (Karl 1997: 25). This oil dependency then had a number of consequences. Oil revenues encourage the creation of a large state, accustomed to significant spending, which inevitably generates an unmanageable debt. At the same time, even with the best intentions of economic diversification, states that enjoy substantial petroleum reserves are likely to continue to rely on a single, exhaustible primary resource with considerable price volatility (Karl 1997: 47-8). As Figure 1 indicates, per capita GDP has increasingly ~~mostly~~ followed oil prices, especially since the mid-1980s, demonstrating the strong and growing effect of oil prices on the Venezuelan economy.

<Figure 1, Oil and GDP/PC in Venezuela, 1969-2008, about here>

However difficult managing oil may be, policy-makers do have choices. In many respects, Venezuela's national oil company, *Petróleo de Venezuela* (PDVSA) appeared to offer a relatively successful model of oil management. Oil had begun feeding and transforming the Venezuelan economy as early as the 1920s, and, ~~as will be discussed,~~ helped fund the 1958 democratic

transition and subsequent consolidation. Yet it was not until 1976 that Venezuela fully nationalized oil, just as oil prices were beginning to soar. This provided considerable income for the government. However, the PDVSA model also allowed considerable space for multinational companies to continue working in Venezuela, which many Venezuelans considered desirable, in part because foreign exports could contribute to the costly and complex process necessary to refine Venezuela's relatively poor quality crude oil. By the time Hugo Chávez came to power, PDVSA functioned much like a private oil company, with considerable autonomy for the management, and relatively little politically motivated redirection of oil proceeds, beyond what might have been earned through taxes from a private company.

Nevertheless, Venezuela's pre-Chávez version of nationalized oil certainly was not flawless. Ascher points out various ways in which Venezuela failed to maximize its benefits from oil, including failing to "charge" the state oil company royalties for the crude oil itself (Ascher 1999: 16). Essentially, the oil company was permitted free access to the petroleum reserves, a strategy that not only risks depleting the resource, but also limited the government's ability to fully benefit from higher market prices. As Ascher notes, this also meant that PDVSA "retained revenues that depended much more on the world price of petroleum... than on the efficiency, true profitability or investment needs of PDVSA and its affiliates" (Ascher 1999: 213-4). This practice, however, coincided with the general belief that, as a shared patrimony, natural resources should be essentially free to all Venezuelans, sentiment that also led to severely under-priced domestic gasoline. Although Chávez eventually did establish royalties for petroleum, the disastrous effects of price adjustments in 1989 discouraged touching the more politically sensitive issue of charging market rates for gasoline; as late as 2008, the price of gasoline at the pump

thus remained around 12 cents a gallon (Wilson 2008; “Cuestionan efectividad,” *El Universal*, 17 March 2009).

Venezuela also failed to either adequately invest in oil, or to shift the economy beyond oil. According to Ascher, “PDVSA has had limited capitalization for oil exploration and production within Venezuela, thus limiting Venezuela’s ability to sell oil when world oil prices are high...” (Ascher 1999: 10) While an investment fund was set up to allow PDVSA to support its own needs, when times became tight, the Venezuelan government plundered that account to support other budgetary needs. Thus, instead of adequately funding exploration and development of new oil fields, which is essential even to maintain continued productivity, PDVSA sought to protect its closely-guarded profits by transferring funds and investments outside the country (Ascher 1999: 217).

Other sectors of the economy were likewise neglected. As early as 1936, Venezuelan intellectual Arturo Uslar Pietri had posited “that oil profits could be reinvested and, like agricultural products, be harvested” (Tinker-Salas 2009: 189). As Miguel Tinker-Salas describes, the concept quickly swept Venezuela, symbolically transforming the oil industry into the harbinger of national modernization and prosperity. Yet, the few seeds sown outside of the oil industry found little nourishment and failed to thrive. Often neglected, the non-oil economy began declining from the mid-1960s, and from 1980 to 2003, “output growth in the manufacturing sector... collapsed” (Di John 2009: vii). Jonathan Di John argues that Venezuela’s difficulty in advancing industrialization and maintaining economic prosperity stemmed, in large part, from the difficulty of moving from the “easier” stage of import substituting industrialization to a more difficult “big-push, natural-resource-based heavy industrialization strategy,” without the concentration of political power that would permit the greater sacrifices of continued development (Di John 2009: 11-12).

In Venezuela, political institutions also seem to have had an impact on both economic consequences and relative political violence. Di John emphasizes problems stemming from clientelism, factionalism and the eventual loss of the inter-party collaboration that characterized the ~~from the~~ early Punto Fijo years. Others, however, blame the problem of corruption, itself the consequence of having too much wealth in the hands of government officials (Mahler 2009). According to López Maya, et. al., the loss of political representation was even more central to the emerging crisis in the 1980s: “Even before the Lusinchi years [1984-1989], state and society relations, controlled by the parties, unions, and other associations based on the pacts of the 1958 transition to democracy, became less and less effective” (López Maya, et. al. 2002: 201).

However, only since the late 1980s have ~~people~~ observers seriously questioned what was *wrong* with Venezuela, or where Venezuelan policies failed. For the prior thirty years, Venezuela was seen as one of Latin America’s few stable and peaceful democracies. Certainly, oil wealth was a boon, but Venezuela’s political leaders had also carefully negotiated their new democracy, incorporated *most* major social sectors and political actors. They also put in place economic policies based on generous social spending, without needing to burden the economic elites with the costs. While it was a model that few countries could afford, and even Venezuela could not sustain, it is nonetheless a useful example for policy-makers seeking to avoid political conflict.

VII. Assessing policies in Venezuela.

Ultimately, what policies have encouraged social peace and political stability in Venezuela, and which ~~What~~ policies have encouraged conflict? This paper has looked at a range of political,

social and economic factors, considering in particular how these factors interact. In brief, policies that *blur* differences between classes, ethnicities and other social cleavages seem to have had more success in minimizing social conflict than those that emphasize those differences. This is the case even when this blurring masks actual inequalities and differences, as with the myth of racial democracy, which may have helped sustain racial inequality (as no one fights what they cannot see), but prevented overt conflict. This was the case during the Punto Fijo period, when discourse that described Venezuela as a racial democracy and development strategies designed to satisfy multiple, often competing, social sectors served to limit social conflict. In contrast, class-based politics, like those of Chávez, are intrinsically based on a conceptualization of a divided, as opposed to organic, society.

Likewise, economic policies that allow the illusion that all could benefit are less likely to provoke conflict than those in which the distribution of costs and benefits is clearly unequal. Moderate policies that protect core elite interests, support middle class concerns (for example, education) enough to allow social mobility, and provide an ample cushion for the poor tend to bring relative stability, if the government has enough funds to pursue this path. Notably, relieving poverty is not the same thing as eliminating it, a goal more difficult to achieve in essentially a single-industry economy. On the other hand, in Venezuela at least, conflict increased rapidly with either (a) government policies that caused immediate negative impact on working class standard of living (for instance, the very sudden increase in public transportation rates in 1989); or (b) government policies that address poverty and inequality, but seriously threaten the core interests of elites, such as guarantees of private property or the use of state funds to support domestic enterprises.

To what extent do vagaries in oil wealth explain away the variations in social conflict? Prior to Chávez, this would seem to have been a reasonable explanation, since social conflict only began to emerge after the decline in oil revenues in the mid-1980s. However, during Chávez' government (1999 to the present), even very high oil revenues have not prevented increasing levels of social conflict. Higher oil revenues during Chávez' government suggest that policies do matter. Policies that starkly divide losers from winners, enhancing sub-group identification and deepening cleavages between groups, or policies that threaten the present and future welfare of groups who are simultaneously politically excluded, are policies highly likely to provoke conflict.

Looking to Venezuela's Future. Hugo Chávez has undeniably adopted many practices and policies that have weakened Venezuela's democratic institutions, polarized the society, and consequently enhanced the possibility of further social conflict and political violence in Venezuela. Corruption and cronyism have also increased at an astounding rate, with a loss of accountability and transparency that will inevitably prove detrimental to Venezuela's political and economic health for quite some time. In Transparency International's 2008 Corruption Perceptions Index, Venezuela was rated 158th out of the 180 countries surveyed, with the least corrupt countries placed at the top of the scale (Transparency international 2008). This perceived corruption does little to create trust in the government and overcome social rifts.

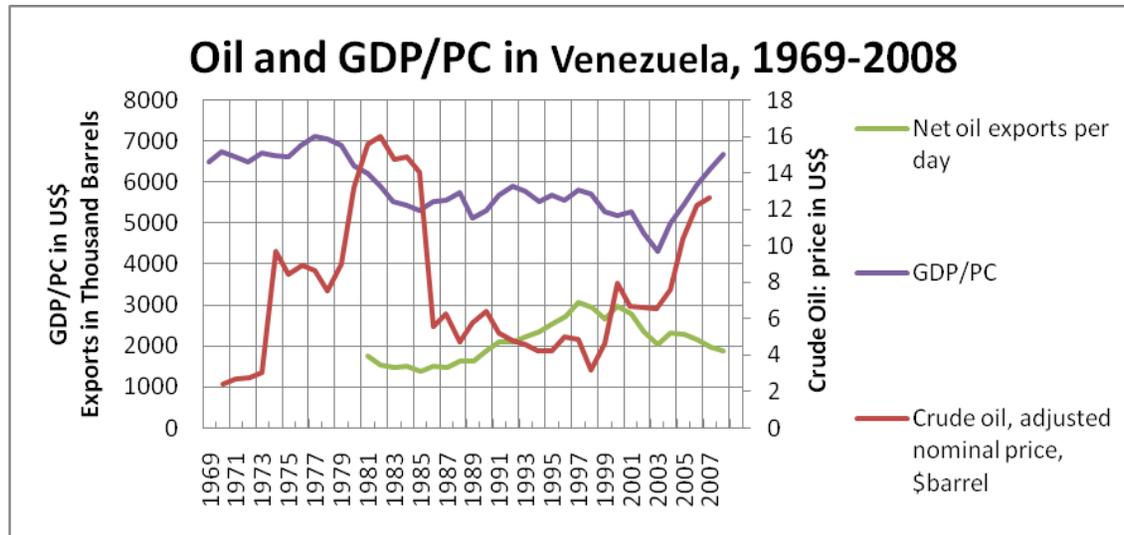
At the same time, however, the Chávez government has taken some important measures toward diminishing the country's oil dependency, and conceivably protecting the resource itself. To begin with, the 2001 Hydrocarbons law imposed royalties of 30 percent on all oil extracted from Venezuelan territory, thereby meeting one of Ascher's key recommendations for oil-producing states (República Bolivariana de Venezuela 2001; Ascher 1999).

The Chávez government also consistently presented budgets based on extremely conservative estimates of likely oil prices (Corrales forthcoming: 10). The immediate result of this has been the creation of a substantial discretionary fund available to Chávez and his allies to spend as they see fit, often in ways that strengthen clientelistic networks and electoral possibilities more than economic development. However, limiting reliance on oil in the official budget helps provide at least *some* protection from the inevitable price swings. Finally, the government's National Service for Customs and Tax Administration (SENIAT) has sought to improve tax collection from businesses: "SENIAT, which hopes that tax collection will eventually ease the nation's dependence on oil income, has disproved the claim that in Latin America the income tax system can never be effectively implemented due to opposition from powerful business interests..." (Ellner 2008: 126).¹² The Chávez' governments social spending may also have

long-range benefits for Venezuela's economic development, beyond the oil industry, by strengthening human capital through investments in health and education.

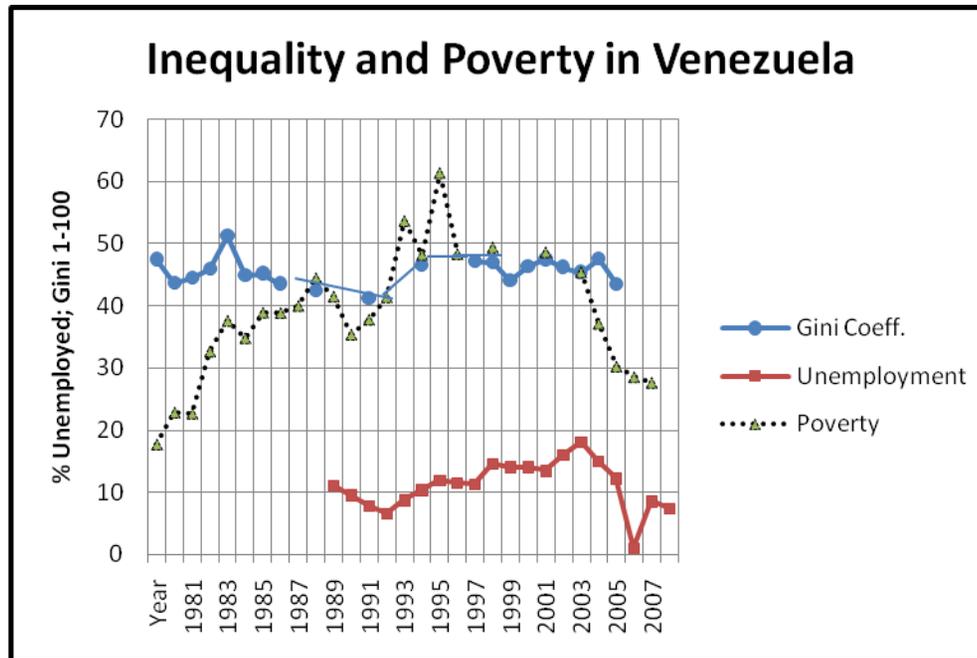
The Chávez administration, like its Punto Fijo predecessors, has relied on unsustainable oil revenues to fund its generous social spending. Yet other policies could help shield the government budget from some of the unpredictability of oil prices, while also building a stronger work force. At the same time, punitive policies have pushed investment out of the country and created potentially enduring new lines conflict. By deepening social cleavages, creating an atmosphere that excludes economic elites, allowing corruption to flourish, and distributing the costs of economic policies in a distinctly divisive manner, the government's policies have lent themselves more to political violence than to peace and stability, despite temporarily ample oil wealth.

Figure 1.



Sources: Per capita GDP: World Bank World Development Indicators; Net oil exports per day: Department of Energy, U.S. Government; for crude oil, adjusted nominal price: Crude Oil, adjusted nominal price.

Figure 2.



Sources: Gini Coefficient: 1989-2006, from SEDLAC; 1980-87, from UNU-WIDER; Unemployment, 1990-2008: IADB, Latin American and Caribbean Macro Watch; Poverty: 1980-1997, López Maya et al, 2002, p. 193; 1999-2008, CEPAL.

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¹ Deteriorating conditions would be considered a form of "relative deprivation," according to Gurr, in *Why Men Rebel*. As will be discussed, other forms of "relative deprivation" may also be relevant.

³ This paper does not explore the question of political culture. However, this is relevant. In long-time social democracies, paying relatively high taxes in order to support substantial social benefits is taken for granted, and is considered justified. Elsewhere, the political culture makes these distributional policies more difficult.

⁴ Note that the numbers of protests counted by El Bravo Pueblo Database (which uses *El Nacional* newspaper reports for its information) tend to differ significantly from those provided given by Provea, and should, therefore, only be used as an indicator of year-to-year violence. The BPD data is useful for this earlier period, however, since Provea data is not available prior to Hugo Chávez' government.

⁵ The United Nations Office on Drugs and Crime reports that in 2008, the most recent year for which statistics are available, Venezuela had a homicide rate of 52 per 100,000 people. This was by far the highest rate in South America, with the next closest contender, Colombia, at 38.8 in 2007 (the last year with a record). UNODC, 2010.

⁶ The MBR-200 (Movimiento Bolivariano Revolucionario 200) led the February 1992 military coup attempt. The popularity of the

failed coup encouraged Chávez to launch his political career, creating a political party (MVR- Movimiento Quinta República) designed to continue the objectives of the military movement.

⁷ The total cost of the oil strike to the Venezuelan economy was estimated to be around six billion dollars (Webber 2010: 26).

⁸ While these missions may seem rather inappropriate for a professional military, in many cases, the programs were not too different from the "civic action" duties historically accepted by the armed forces.

⁹ See Ascher and Mirovitskaya, Terminology, in this volume.

¹⁰ See Zuckerman's (1975) review of the many scholars contributing to the early conceptualization and analysis of "political cleavages." Seymour Martin Lipset's later *Political Man* (1981) further explores the impact of overlapping and crosscutting cleavages on the likelihood of political conflict.

¹¹ For example, Lipset and Rokkan identified four major political cleavages as shaping Western European political systems: center-periphery, state-church, land-industry and owner-worker (Lipset and Rokkan 1967: 47).

¹² As Bill Asher has pointed out, these tax reforms still may not generate much income under the Chávez government, given the inhospitable business environment.