On January 13, several spontaneous protests broke out in Caracas in response to the Hugo Chávez government’s decision to apply its nationwide electricity rationing plan to the nation’s capital. Particularly alarming to the government were the visible expressions of anger in the low-income western part of Caracas among both Chavistas and anti-Chavistas gathered on the streets, and the nervousness of merchants who shut their stores in anticipation of trouble. The government had originally planned not to carry out the rationing scheme in Caracas because of the prospect of uncontrollable riots. On the night of the 13th, Chávez suspended the measure and fired Minister of Electric Energy Ángel Rodríguez after just three months on the job. Errors “at the technical level” had been committed, Chávez conceded, with hospitals and traffic lights having been unintentionally affected.1

The electricity cuts are one example among a handful of controversial government decisions—including a currency devaluation, the imprisonment of bankers, and the closing and expropriation of businesses accused of price speculation—in which the problems that prompted the government to act have dampened some Chávez supporters’ enthusiasm. Indeed, as Chávez completes 11 and a half years in office, his government faces challenges unmatched since 2002 and 2003, when the opposition used disruptive tactics in an attempt to remove him from office. The fervent rhetoric from both Chavistas and the opposition, meanwhile, has intensified the nation’s polarization, belying the complexity of the issues at stake.

By Steve Ellner

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An opposition demonstrator during a protest against electricity shortages in Caracas, Venezuela, on January 28.
Take, for example, the electricity rationing. The root of the problem was a paucity of rain unseen in decades, which drastically lowered the water level of the Guri Dam, the source of more than 70% of Venezuela’s electricity. Another key factor was increased consumption, the result of booming oil revenues, which have turned Venezuelans into the highest per capita electricity consumers in South America by far. Government errors also contributed to the supply shortage, as the Chavistas themselves recognized. Trade unionists belonging to the pro-Chávez electricity union FETRAELEC for years called attention to state mismanagement, allegedly the result of sabotage from within, and predicted a calamity. “Energy consumption,” according to FETRAELEC president Ángel Navas, “grew in an anarchic way, without planning to deal with the demand.”

The January 13 incident in Caracas, like the protests that racked Chile during Salvador Allende’s rule, demonstrates the belligerent reaction of people when they are suddenly deprived of basic necessities. Scarcity of such staples as sugar and coffee; an economic contraction officially set at 2.9% in 2009, after five years of steady growth; between 25% and 30% inflation, the highest in the continent; and a rising crime rate have jolted middle-class government opponents into action. The human rights organization PROVEA reports a 65% increase in street protests between October 2008 and September 2009, compared with the previous 12-month period.

Part of the rising discontent among the Chavista rank and file and the popular sectors in general may be a result of social programs and services having fallen short of their expectations. For Venezuelans as a whole, a recent decline in government resources, together with a host of administrative and political problems, has degraded the quality of everyday life. While the government harps on circumstantial matters like weather conditions and the worldwide economic downturn, the opposition points to the government’s failure to respect the system of checks and balances as a result of Chávez’s personalism and unrestrained power. These institutional flaws translate into administrative inefficiency at all levels, a shortcoming that the opposition never tires of attributing to Chavista incompetence.

Another factor is a natural wearing-out process. During Chávez’s more than a decade in office, numerous elections and acute political conflict have sapped the energy of both Chavista activists and those in the rank and file. Moreover, some of the problems the government faces are the price to be paid for undertaking far-reaching change. Thus, for instance, in response to the government’s zero-sum policies in favor of the non-privileged, the private sector has kept its investments to a bare minimum, generating

Shortly after the New Year, Chávez announced a devaluation of Venezuela’s currency, the bolivar, as a means of prioritizing national production as well as non-luxury products—at the expense of those commodities that wealthier Venezuelans purchase in greater proportion.
scarcities and contributing to unemployment. Still another factor is the foot dragging and possible sabotage of a bureaucracy that was inherited from the old regime, a pattern characteristic of countries in Africa and elsewhere that have attempted to implement socialism by democratic means.9

The complexity and interrelationship of these issues are sometimes hard to grasp. As Evaristo Zambrano, a Chavista mayor in the western state of Táchira, put it: “It is not easy to win an argument with skeptics and opponents when you are forced to raise a host of factors, including the mistakes that have been committed.”

While the problems facing the Chavista government and movement are complex, the Chávez presidency has attempted to turn them to its advantage. Indeed, the series of pressing economic problems that have recently struck Venezuela in quick succession may be seen either as a window of opportunity for Chávez or as the prelude to a Chavista loss of congressional control in September, when elections are scheduled. In the face of each mini-crisis, the government has responded with radical measures that it claims are stepping-stones to socialism. The opposition, for its part, has reacted to government actions by accusing it of roughing up the private sector, with the biggest losers being consumers, workers, and the general public.

The bold actions taken by Chávez in recent months to face problems as they arise continue the strategy he has pursued from the very outset of his presidency in 1999. Controversial measures in the past served to invigorate the Chavista rank and file while never failing to disarm the opposition, which was constantly forced to respond to government initiatives rather than make proposals of its own. Thus, after the coup attempt and indefinite general strike in 2002 and 2003, Chávez promoted the creation of tens of thousands of worker cooperatives, as well as makeshift educational and health systems; after winning the presidential recall election in 2004, he expropriated several worker-occupied enterprises, distributed idle agricultural land, and encouraged the formation of 20,000 community councils; and after being reelected president in 2006, he expropriated strategic industries, including telecommunications, electricity, steel, and cement.

Chávez continued this strategy in November, when, in the first of a recent series of bold measures, the government took over four banks that were on the verge of bankruptcy. But the government knew of the impending banking collapse in early 2009 and failed to act, according to a document presented in the National Assembly by Deputy Ismael García, a former Chavista who changed sides in 2007. More damaging to the government’s reputation was the persuasive evidence of close ties between nouveau riche bankers and Chavista officeholders. In an effort to displace the traditional bourgeoisie, which had attempted to overthrow Chávez twice in 2002, the government extended preferential treatment to newer businessmen and bankers, some of whom turned out to be just as unscrupulous as the worst of their predecessors.

Rather than “bailing out” faltering banks by injecting them with stimulus funds (as The Wall Street Journal recommended and as the previous administration of Rafael Caldera did in the face of a similar crisis in 1994), the Chávez government nationalized them, ordered the arrest of more than 20 bankers, and confiscated numerous assets of those who surreptitiously left the country.9 The number of arrest orders, detentions for interrogations, and court orders restricting travel numbered 43. Furthermore, Chávez accepted the resignation of a trusted adviser, Minister of Science and Technology Jesse Chacón, whose brother was one of the imprisoned bankers. Finally, Attorney General Luisa Ortega Díaz wasted no time in petitioning the Supreme Tribunal of Justice for authorization to proceed with extradition procedures against several fugitive bankers, after which she immediately filed requests abroad. Fugitive Eligio Cedeño, the former president of one of the larger of the intervened banks, Banco Canarias, declared himself a “political exile” in Florida.

The Chávez government’s vigorous response to the crisis fell short in one key respect: Government probes focused on the bankers, but not the possible accomplices within the public sector, even though several of the capitalists implicated in the case amassed fortunes in record time as a result of opportunities provided by the state. One Chávez critic argued that the real culprits were the politicians and not any banker “scapegoat.”6 García threatened to take the issue to the OAS if the government failed to thoroughly investigate the corrupt dealings. This viewpoint reflects the thinking of radical Chavista currents and some in the rank and file who are convinced that corruption has thoroughly penetrated the government and threatens to derail the movement.7

The real test of how radical a course Chávez has taken in the face of the banking crisis is yet to come. The government has committed itself to converting 34 companies seized from the bankers, as well as the banks themselves, into new types of enterprises with a social consciousness and worker input in decision making—what the Chavistas call “companies of socialist production.” Several of the expropriated banks were amat-
gamated into the Bicentennial Bank, which Chávez pledged will defy market logic by providing loans to the productive (as opposed to commercial) sector at possibly half the going interest rate. The much larger Bank of Venezuela, which was expropriated from the Spanish Santander Group in July 2009, has also prioritized loans to productive enterprises, lending them 15 billion bolivares during its first six months under state control.8

Venezuelans were just beginning to return to work following the New Year holiday when they were hit with another bombshell: Chávez announced a devaluation of the country’s currency. Previously set at 2.15 to the dollar for all imports, the currency exchange rate would now take the form of a multi-tier system in which food, medicine, machinery, and other priority items would be imported at a rate of 2.6 bolivares to the dollar, while non-strategic imports would go by a 4.3-to-1 rate. In contrast to the exchange-rate systems in place during the previous 20 years, the government now prioritized national production as well as non-luxury products at the expense of those commodities that wealthier Venezuelans purchase in greater proportion.

The opposition sharply attacked the devaluation for threatening to set off inflation. Ironically, up until then opposition politicians and economists had criticized the government for irresponsibly maintaining the bolivar overvalued, a policy that favored imports at the expense of exports and thus perpetuated “commercial dependence.” Just six months before the devaluation, for example, the opposition think tank Ecoanalítica urged the government to devalue the bolivar to 5.5 to the dollar.9

With the devaluation, the prospect of triple-digit “hyperinflation,” spurred by an aggressively anti-government business sector, loomed large. The Chávez government’s active role as regulator and entrepreneur strengthened its hands in the effort to prevent runaway inflation. In previous years, for instance, it created the food-distribution chain MERCAL to compete with privately owned supermarkets and transferred fiscal decision making from the semi-autonomous Central Bank to the national executive. Furthermore, in January the consumer protection agency INDEPABIS entered the anti-inflation campaign as an important player, ordering the temporary closing of 1,900 businesses accused of price speculation.10

Chávez applied a more severe measure against the French-Colombian-owned superstore chain EXITO after INDEPABIS temporarily shut it down for illegally hiking its prices. Chávez ordered the store’s expropriation and asked, “How long are we going to permit a transnational to come here and do this just because it represents international capital?”11 In response to efforts to boost prices through manipulating supply, the state also took over several smaller companies, including the coffee producer Fama de Americas and La Gaviota, which processes sardines. In the latter case, the workers were given input in company decision-making.

While most Chavistas strongly support measures like preferential exchange rates, worker participation, the takeover of failing banks, and clamping down on price speculation, some have become demoralized. Part of the problem is that social services and programs have deteriorated because of budget cuts made necessary by financial constraints. Budgetary adjustments have also weakened the government strategy of neutralizing discontent by generously allocating resources to the middle class (for example, granting dollars at special exchange rates for travel abroad), an approach that had been successfully employed several years earlier when international oil prices reached an all-time high.

Although oil market fluctuations have always been unpredictable, the government’s financial difficulties were foreseeable in 2007, when it began to follow a policy of widespread expropriation. Takeovers, in accord with nationalistic banners dating back to the 1930s, included strategic foreign-owned industries. The government has also seized control of smaller companies that were faltering and were unable to meet financial obligations to employees, as well as ones that supplied services to the state-owned oil and steel industries, a move that was applauded by the trade union movement long opposed to outsourcing. Indeed the state oil company PDVSA has absorbed about 13,000 workers formerly employed by contractor firms. Still other companies were taken over due to unwarranted price hikes. In some cases the government sought to break monopoly control in the food industry in order to achieve the goal of “food sovereignty.”

In April Chávez raised the possibility of taking over gold and diamond mining operations in order to put an end to environmental devastation in Venezuela’s Amazon region.

Rank-and-file Chavistas support all of these goals, but many of
them are unaware of the downside of expropriation—namely, the payment of compensation. Venezuela’s peaceful, gradual, and democratic road to socialism rules out confiscating property, which would inevitably set off intense conflict. Minister of Planning Jorge Giordani recognized the financial predicament. “We have paid a significant portion of what we owe former owners,” Giordani stated, “but there is no question that these obligations weigh on us.” According to one calculation, during the four years before mid-2009, the government spent $9 billion to compensate the former owners of expropriated companies.12

Declining resources represent a challenge to the Venezuelan government’s attempts to avoid open clashes among those defending conflicting interests. From the outset of the Chávez presidency, the government refrained from shaking up old institutions like grade schools, universities, public hospitals, and municipal governments, which the Chavistas felt were responsive to vested interests and plagued by lethargy and corruption. Rather than abolish the old structures, the Chavistas minimized conflict by financing them while establishing parallel bodies, despite the duplication of administrative costs. In a period of scarcity, however, this parallelism appears to be untenable, particularly in cases where the old structures do not share the government’s goals. The underfunding of these bodies, such as in the area of health care, has fueled discontent and conflict.

The new structures have not been exempt from budget tightening. The government’s signature health program, Barrio Adentro, consisting mainly of free-of-charge clinics and medical offices in barrios staffed by Cuban doctors, is a case in point.13 On September 20, Chávez recognized that due to “neglect on our part,” 2,000 Barrio Adentro centers, out of a total of 6,700, lacked doctors, and he went on to declare an emergency situation in the area of health. Shortly afterward, Health Minister Carlos Rotondaro admitted that “operationally, Barrio Adentro is not the mission it once was.” Free medicine, produced mainly in Cuba, is not as readily available as before, and the program has failed to relieve the overcrowding of public hospitals to the extent that was originally hoped for. Furthermore, residential housing construction for Cuban medical personnel has dropped off.

Barrio Adentro’s financial difficulties add to the continuing challenges posed by its adversaries dating back to 2003, when the program began. Not only has the pro-opposition Venezuelan Medical Association attempted to keep Cuban doctors from practicing on the grounds that their diplomas have not been certified in Venezuela,
but many medical specialists refuse to recognize the preliminary diagnoses made by their Cuban colleagues. In addition, the Cuban Medical Professional Parole program, created by George W. Bush, has succeeded in luring scores of Cuban doctors from Venezuela with the pledge of a U.S. visa and other enticements. “Given that the United States has serious health problems of its own,” said Vice Minister of Health Isabel Iturria, “why does it try to sabotage our efforts at alleviating the lot of our poor?”

Another critic on the left, the British Trotskyist Alan Woods, who has a following within the Venezuelan labor movement, calls for the nationalization of banks and socialist planning at the same time that he vilifies those in power. “Chávez is alone,” he has said. “The bureaucracy is counterrevolutionary.” Still another leftist Chavista wrote, “Peaceful revolutions are accompanied by a strong reformist temptation,” and went on to criticize the tendency of some Chavistas to make concessions with the enemy and abandon their goals. In an attempt to rein in the dissidents, Chávez, in a speech at a rally in Caracas on January 23, claimed that Venezuelan history is replete with cases of treason at key junctures. He then referred to Carrera’s statement and made clear: “I demand maximum loyalty and unity.”

Leftists who warn that the Chávez movement is running out of steam assume that stagnation has set in and overlook the rapid pace of reform and the continuous deepening of change. The main issues that the Chavista movement now faces do not revolve around the timing of further radicalization. Instead, one of the pressing challenges for the Chavistas is achieving efficiency and accountability, which are visibly lacking at distinct levels. In a more general sense, the critical problems confronting the nation defy simple solutions. Nevertheless, many in the Chavista rank and file have become increasingly impatient. In the words of Jonathan Montilla, executive secretary of the pro-Chávez think tank Centro Internacional Miranda, many are “reluctant to accept complex explanations.”

The growing impatience may be reflected at the ballot box in September, if recent internal elections are any indication. In primaries held in 2008, almost 3 million members of Chávez’s PSUV nominated candidates for gubernatorial and mayoral elections, whereas only 1 million voted last November for delegates to the party’s First Extraordinary Congress (the November primaries were confined to PSUV members belonging to party cells, known as patriúllas, and thus the 60% abstention rate was considered especially high). On May 2, slightly more than 2.5 million PSUVistas, representing 38% of the party’s membership, voted in primaries for the selection of congressional candidates to run in all 87 of the nation’s electoral districts in September. Although the turnout was impressive, it amounted to a 17% decline in participation compared to 2008. The PSUV’s internal contests took place one week after the opposition for the first time held primaries to choose its candidates, but in only 15 districts.

Meanwhile, the opposition continues to overstate its case, attributing Venezuela’s difficulties to complete governmental dysfunction and rampant institutionalized corruption. These sweeping statements are contradicted by concrete examples of effective government action and achievements. Thus, for instance, the government’s punitive measures against bankers disprove the thesis that corruption is inextricably embedded in the public sphere. Other accomplishments put the lie to the affirmation that the Chavistas are incompetent—like the impressive construction of metro-railroad lines and the ongoing incorporation for more than half a decade of millions of the underprivileged in the areas of health, education, community public works, and food distribution, notwithstanding these programs’ shortcomings and deficiencies. Whether the opposition’s simplifications and negative discourse pay dividends at the polls in September will bear heavily on the future course of the Chávez presidency.
Chávez Pushes the Limits

1. “Los apagones pican y se extienden por el país,” Últimas Noticias, October 25, 2009.

Disaster Capitalism to the Rescue

1. Thanks to Pablo Morales and Mark Schuller for their editorial suggestions and their help in making my argument clearer.
9. For a fuller analysis, see Alex Dupuy, “Globalization, the World Bank, and the Haitian Economy,” in Franklin W. Knight and Teresita Martinez-Vergne, eds., Contemporary Caribbean Cultures and Societies in a Global Context (University of North Carolina Press, 2009), 67–70.

‘We Bend, but We Don’t Break’


Haiti and the Historical Construction of Disasters

3. Andrew Maskrey, Terremotos en el tropico humedo (Bogotá, Colombia: La Red/IDG, 1996).
5. Ibid.
13. Raúl Sohr, “Historia de dos terremotos,” La Nación (Santiago, Chile), March 5, 2010.