

# The Chávez phenomenon: political change in Venezuela

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**ABSTRACT** *This article focuses on the advent and governing style of, and issues facing colonel-turned politician Hugo Chávez since he became president of Venezuela in 1998 with 58% of the vote. The article begins with a brief account of the nature of the country's political environment that emerged in 1958, following the demise of the Perez Jimenez dictatorship. Aided by phenomenal increases in oil prices, Venezuela's political elites reached a pact that governed the country for nearly four decades. Huge increases in education, health and other social services constituted the hallmark of Venezuela's 'subsidised democracy'. Pervasive corruption, a decrease in oil revenues and two abortive coups in 1992 challenged the foundations of subsidised democracy. The election of Chávez in 1998 sealed the fate of the 1958 pact. Chávez's charisma, anti-colonial/Bolivarist rhetoric, and increasing levels of poverty form the basis of his support among the poor and dissatisfied middle classes. The article then turns its attention to Chávez's governing style and the problems he faces as he labours to turn around the country's stagnant economy. Populist initiatives aimed at wealth redistribution, land reform and a more multidimensional and Third World-orientated foreign policy form the main tenets of the Chávez regime. These, coupled with anti-business rhetoric, over-dependence on oil revenues and opposition from Venezuela's political and economic elites, have polarised the country and threaten its political stability. The brief overthrow of Chávez in April 2002, ongoing daily demonstrations, and divisions within the army and society have brought the country to the brink of civil war.*

History and personal experience have taught us that to conduct a property revolution, a leader has to do at least three specific things: take the perspective of the poor, coopt the elite, and deal with the legal technical bureaucracies that are the bell jar's current custodians. (de Soto, 2000: 190)

President Hugo Chávez of Venezuela has been called the new Bolívar, the new Castro, a populist, an authoritarian dictator, a charismatic leader, a crafty politician and a buffoon. He came to power in 1998 in a series of stunning electoral victories in the midst of the economic chaos and political immobility that characterised Venezuela in the past decade or so. Here we sift through the fact and myth of the Chávez regime in an effort to explain the Chávez

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phenomenon: his rise to power and his subsequent challenges in the context of events internal to Venezuela and the greater reality facing all Latin American democracies.

As democracy appears to take root throughout the region, leaders find themselves buffeted by the conflicting demands of the voting masses for redistribution of wealth and the interests of the propertied classes who threaten to take their wealth out of the country if it cannot be protected. Added to this are the demands of foreign investors for guarantees against nationalisation and the insistence of international monetary institutions upon stable economic policies as a condition for continued credit.

### **The background**

In the latter half of the twentieth century, Latin America found itself at centre-stage in the Cold War between the USA and its allies and the Soviet bloc. Latin American leftist movements struggled to create Marxist societies using both bullets and ballots. They were resisted by the indigenous elites of the political right (the landed aristocracy, business interests, the Catholic Church and the military). The USA assisted these rightist elements using anti-Communism as the sole criterion (Farcán, 1996; Klaiber, 1998; Rouquié, 1987).

By virtue of their unchallenged position as controllers of coercive force, the military often imposed their values on the larger society when they were dissatisfied with the course of one or another regime, especially those that showed signs of moving to the left. Examples abound. In the southern cone, the Argentinean military aligned itself with the church and business interests in opposition to leftist regimes (Fitch, 1998). The same was true in El Salvador, Guatemala and other Latin American countries. Fifteen years of repression and failed economic policies ensued, contributing to violence, economic stagnation, and political instability. In Chile, a military junta, led by Augusto Pinochet, seized power from an elected socialist government in 1973. The Pinochet *Dictadura* crushed the opposition and strictly limited political participation while imposing neoliberal economic policies on Chile (Valenzuela, 1999).

In the midst of praetorianism and dictatorship, Venezuela stood as a notable exception. The Venezuelan military, for the most part, remained in the barracks after 1958, when it supported the overthrow of a corrupt dictatorship and the implementation of free elections. For almost 40 years the moderate left and the moderate right competed for electoral control. The 1958 *Punto Fijo* Pact set the basis for a stable, civilian-dominated political system in which the Social Democrats (Acción Democrática—AD) alternated in power with the principal party of the moderate right, the Partido Social Cristiano de Venezuela (COPEI). Various other groups, principally on the left, pursued power through guerrilla movements or organised political parties without much success. The former were dealt with in the jungles by the military and the latter participated as a mostly disgruntled opposition.

At the centre AD and COPEI governed through compromise and shared spoils. Critics and even supporters referred to this as ‘subsidised democracy’. Rita Giacalone and Rexene Hanes de Acevedo summarised the nature of Venezuela’s

politics as follows: ‘the political system developed since 1958 has been based on the economic capacity of the state to subsidize democracy, providing the prebends necessary to maintain a certain consensus around the democratic system’ (Giacalone & Hanes, 1992: 138). Despite its shortcomings, the system provided for stability and peaceful alteration of power and for a relatively free press. For these and other reasons, Venezuela was the envy of Latin American democrats.

As the number four oil exporter in the world and the third leading source of U.S. oil imports, (behind Canada and Saudi Arabia) Venezuelan leaders enjoyed an economic bounty in the seventies while other Latin American regimes collapsed under the weight of foreign debt and crushing social problems. Weekend shopping trips to Miami were the order of the day for the bourgeois classes. The oil riches, however, did not trickle down to the bottom of Venezuelan society. A sizeable portion of Venezuela’s population remained desperately poor.

Overt dependency on revenues from oil exports tied Venezuela to the ups and downs of the international economy. The bubble burst when the Venezuelan currency, the Bolívar, collapsed along with world oil prices. As in much of the rest of continent, the rural poor scrambled to the cities in search of work. With little in the way of an industrial base beyond petroleum, there were few good-paying jobs and these were taken. The new arrivals settled in squatter slums on the fringe of the cities exacerbating the problems of electrical shortages, waste disposal, the distribution of potable water and growing crime rates. These were added to middle class worries regarding inflation, savings erosion and so forth. The political centre seemed unwilling or unable to cope effectively with the new reality.

Scholars note that Venezuelan elite acted in much the same way as elites everywhere. Following Michel’s ‘Iron Law’, they looked to their own base first. Participation in elections declined as the masses felt alienated from the process. Election participation declined even though voting was mandatory (Gridle, 2000; Levine & Crisp, 1999). The Venezuelans elected Andres Pérez as president in 1989, hoping that he would bring back the prosperity that characterized his earlier tenure (1974–79). At the urging of the International Monetary Fund (IMF), Pérez imposed a neo-liberal macroeconomic program in an effort to reactivate the country’s economy, make it more competitive, and reduce its subsidiary character. Even though inflation dropped and the GNP increased, real income for the majority of the population decreased and unemployment went up.

In 1989, rioting began in slums bordering Caracas. The *Caracazo*, as it came to be known, quickly spread. The military was called out to stop the violence, which it did, sometimes ruthlessly. Professional soldiers resent orders to use force against unarmed civilians. The reaction of the Venezuelan military was no different. Many in the officer corps were outraged at the use of force against the weakest in the society. Among them was a Lt Colonel of the paratroopers Hugo Chávez Frias. Chávez (the purported great-grandson of a revolutionary *caudillo*) had plotted for several years with likeminded leftist officers interested in overthrowing what they perceived to be a corrupt regime. The *Caracazo* reinforced their anger and accelerated their timetable for a coup.

Portions of the military, led by Chávez, attempted an unsuccessful coup in

February 1992. The coup attempt failed for a number of reasons. First, several units did not attain their objectives. Principal among these was Chávez's own failure to seize control of the national media in order to call for a general uprising. Second, the ringleaders failed to neutralize President Pérez and key opposition leaders. Third, the senior military officer corps remained loyal to the regime and moved aggressively against the coup. Finally, the rebels 'seriously misjudged the international environment and citizen attitudes. They appeared to have confused popular discontent toward President Pérez and the existing party system, dominated by AD and COPEI, with lack of support for democracy' (Baburkin *et al*, 1999: 149). Agreeing with this assessment, Deborah L. Norden adds that the conspirators 'recruited perhaps too carefully, bypassing potential allies because of this caution' (Norden, 2001: 124). In the end, the Venezuelan coup makers found out that overthrowing a government is not an easy matter. As Harvey G. Kebschull correctly points out, 'even when a government appears to be weak, ineffectual, or under great stress, its residual strength is usually vastly superior to that of the conspiratorial group attempting to overthrow it' (Kebschull, 1994: 568–569). Chávez called on his compatriots to surrender noting that they had lost the day but stated the matter as a temporary setback (Gott, 2000). Chávez and the other coup leaders were imprisoned.

Failure did not deter another coup attempt about six months later. Led by more senior officers, it, too, failed for similar reasons. Military opposition to the regime fueled the fires of popular discontent with the regime's inability to cope with its mounting debts and inflation. In the end, President Pérez was impeached on charges of corruption. The new president pardoned Chávez and the others who immediately began a campaign to replace the regime using the electoral process rather than a military *coup d'état* (Trinkunas, 2000). A movement had been born which eventually would bring its leader, Col. Chávez to the presidency through electoral means. Venezuela along with Bolivia indicate that 'the population is even disposed to elect ex-putschist military leaders (Chávez and Hugo Banzer), and put their hopes on a "strong man" who is expected to eliminate criminality and corruption and to provide economic prosperity that traditional democratic forces have so far been unable to achieve' (Silva, 2001: 3).

### **The rise of the colonel**

The failure of the February coup taught Chávez and his colleagues some valuable lessons and incarceration provided time for planning and reflection. They concluded that 'the coup path [had an] alienating [effect on] much of the public previously receptive to a military option'. Instead, 'change' had to come about "by a more political project" (Norden, 2001: 127). Toward this goal, the colonel and his supporters took steps transform a military group known as (Movimiento Bolivariano Revolucionario—MBR) from a military to a political movement. The MBR was renamed Movimiento Quinta Republica (MVR) and began acting like a political party. As head of the MVR, Chávez sought to broaden his appeal by forming alliances with smaller political parties of the left. While continuing 'to discuss social justice, [he] met with businessmen and indicated his support for free trade'. Dissatisfied with the traditional political parties, Venezuelans

‘embraced the possibility of a true opposition’ and, as such, overlooked Chávez’s “rather vague discourse, often characterized by inconsistencies’ (Norden, 2001: 129). The former coup leader scored a stunning victory in the December 1998 elections, capturing 56% of the vote. A number of factors explain the rise of the colonel turned politician?

First, charismatic appeal. Chávez began forming his strongman populist image with his defiance in the face of defeat during his 1992 coup. Second, his dark complexion and coarse hair identifies him racially with the vast majority of Venezuelans. Third, he invokes the image of Bolívar and the spirit of revolution against foreigners, which brings us to the why now question. Upon coming to power, Chávez established a foundation to fund projects to uplift the poor that are reminiscent of Peronism in Argentina. Chávez has the advantage of television that broadcasts images of him helping this or that delegation of poor villagers. Chávez also regularly engages in presidential broadcasts to the nation that are one part fireside chat and two parts Castro-like marathons in which he attacks his political enemies and appeals for support for his agenda.

Second, anti-colonialism. Mounting foreign debt and impatient creditors have frequently imposed crushing economic discipline upon credit dependent nations. Chávez needed only paint foreign bankers with the Bolivarian brush of anti-colonialism to appeal to the masses of Venezuela. The campaign message of Chávez’s MVR coalition was one part revolution, one part reform and one part populist appeal to the lower middle and working classes. His revolutionary icon, Simón Bolívar, had promised to throw out the imperialists. Chávez promised to throw out the neo-liberal international capitalists with their draconian aide packages and one-sided trading propositions. At the time of the election, Venezuela was in economic crisis despite its vast oil and gas reserves. His corrupt predecessors, Chávez claimed, passed power back and forth while squandering Venezuela’s oil resources. In the process, they enriched the elite at the expense of the people.

Third, coalitions and organisation. Chávez’s MVR movement formed an electoral coalition of the left with the various parties who had previously been denied access to the centers of power. Coalition members were rewarded with posts in the Chávez government. Since then, much of the left has withdrawn its support of the Chávez regime due to his heavy-handed methods and his economic policies that are regarded as rightist (*El Universal*, 25 March 2002).

In addition Chávez has organized self-help committees (called Bolivarian Circles) at the neighborhood level who work on civic improvement programs, many of which are funded by the government or the Chávez foundation. These committees form the basis of Chávez’s MVR organization strength. They are also credited with the successful counter demonstrations that restored Chávez to power. They are, however, charged with violent attacks on the opposition demonstrations in April 2002 that brought about the coup that temporarily put Chávez out of office.

His populist appeal to the working classes and an electoral coalition with leftist elements proved unstoppable. He also enjoyed support among the middle classes who recognized the need for bold action and feared for their own safety if the nation’s economic problems were not solved. He promised to turn the nation’s oil

wealth to solving its social problems. He also promised to raise the minimum wage to 3000 Bolívares per day, nearly doubling it. And, he vowed to default on foreign debt rather than make his people suffer. Finally, he promised to make Venezuela and Latin America in general a force to be reckoned with on the world stage. The Chávez message resonated with the people and he easily won the presidency.

Finally, electoral support. The authority exercised by the Chávez regime is rooted in popular sovereignty. His 1998 election to the presidency was by 56% of the vote. Upon taking office, he immediately called for a national referendum for a new constitution. Held in 1999, the yes vote was 88%. More important to the Chávez agenda was the election of his supporters to 91% the constitutional convention seats. Finally, the Constitution was adopted by a popular vote margin of 71% (Gott, 2000: 154). One of the provisions of the new constitution allowed a president to succeed himself. Another abolished the Senate creating a unicameral National Assembly. Chávez again stood for election under the new constitution and won by 59.5% of the vote (*Election World*, 2002). In subsequent elections to the new National Assembly, parties favorable to Chávez won 60% of the seats (Weyland, 2001). Chávez thus began with a popular mandate and a strong coalition upon which to govern.

The populist rhetoric of the Chávez campaign is embedded in Article 71 of the new constitution. According to Chávez, representative democracy with regularly scheduled elections disempowers the people. Article 71 provides that, if an elected government does not perform, it can be abolished by popular referendum. All that is required to call such a referendum is the signatures of 10% of the eligible voters.

### **The Chávez regime**

Chavez's performance in office is a reflection of his pre-election rhetoric and charismatic personality. These affect both his domestic and foreign policies. The colonel turned politician and his regime hit the ground running. With a firm grip on the legislature, the regime was able to undertake a number of domestic initiatives designed to raise the poor at the expenses of the landed aristocracy, landlords and business interests generally. Internationally, he took on leadership of OPEC and set about driving up the price of crude oil and he set about pursuing his promised Bolivarian agenda of making Venezuela and Latin America generally a force on the world stage. Let us be more specific.

#### *Domestic policies*

*Populist Initiatives:* Chávez's greatest challenge is the one that brought him to power, how to deal with the crushing poverty of the masses without undertaking a radical redistribution of Venezuela's wealth that could undermine foreign investment and alienate the middle and upper classes. As in much of the third world, rural poverty and lack of development has driven the poor into urban centers in search of work. Once there, squalid conditions and continued poverty turn urban slums into cauldrons of discontent. With the resources of the govern-

ment at his disposal Chávez has undertaken several initiatives to alleviate the problem. The first was an emergency response to massive flooding near Caracas that decimated the squatter slums leaving thousands homeless. Food and aid programs delivered by the army placed an immediate drain on disposable resources. Flooding in the coastal region is again straining regime resources in 2002.

His most significantly populist actions have come by presidential decree (powers allocated to the president by the legislature). Early in his term of office, Chávez raised the minimum wage, the salaries of government employees and educational professionals by 20% (Chávez, 1999). He also placed a tax on rents, which was popular with the poor and provided an income stream other than oil for the government (Maracara, 2002). Conversely, Chávez was forced to institute a value-added tax to stem growing deficits.

*Land policies:* In the longer term, Chávez envisions a program of relocation that he hopes will reinvigorate the country's agricultural centers. Chávez began with a much-advertised program to relocate the displaced slum dwellers to abandoned factory towns in the interior of the country. The government will provide housing, roads, and other incentives in an effort to get people back to the land or, at the very least out of the urban areas. Critics argue that the program has failed to achieve the desired out-migration from the cities and the funds could be better used renovate the oil production infrastructure.

Much of Venezuela's arable land lies fallow in the hands of large landholders who have reduced production. The government has therefore devised a tax on land that goes unused (Barreiro, 2002). The law applies only to land holdings in excess of 5000 hectares (an estimated 300 owners would be affected). The Chávez agenda may be to encourage a sell-off of these lands, or their confiscation for taxes-owed, so that the land be given over to subsistence farming. This 'use it or lose it' policy is quite different from the type of government tax incentives given to American and European farmers who are compensated for overproduction by government price supports.

*Economic policies:* The regime has sought to encourage private investment rather than establish state-industries. The instability of the Bolívar and leftist rhetoric of the regime, however, have proven to be disincentives to domestic and foreign investors alike. To ease tensions, Chávez has publicly stated that he will enforce the 1996 law that assures investors that their assets will not be confiscated (EIA, 2002). So far, the principal takers have been foreign petroleum companies who have agreed to assist in upgrading extraction technology and to search for new deposits. In effect, the pragmatic Chávez is privatizing many of the activities of a state industry.

To preserve consumer purchasing power, the regime resisted devaluing the Bolívar even in the face of mounting international pressure to do so and an exodus of domestic capital. In February 2002, however, the regime reluctantly floated the Bolívar, which resulted in an immediate devaluation of the currency by 30%. As the regime feared, interest rates skyrocketed and Venezuelans made a run on their banks. To shore up the Bolívar, the regime had to utilize its foreign

reserves. This fund of around US\$17 billion dropped to below \$14 billion in a matter of weeks (Salmeron, 2002).

The devaluation of the Bolívar was just the sort of neo-liberal policy decision that Chávez claims to oppose. To offset the impact of these fiscal austerities, Chávez announced that 'Venezuela will spend \$2 billion on job programs, health care and education' (*Washington Post*, 2002). The devaluation and continuing deficits triggered anti-regime protests in Caracas and elsewhere as the middle class took the streets.

### *Foreign policy*

There are two noteworthy aspects of the Chávez foreign policy. First is Venezuela's participation/leadership of OPEC since Chávez took office. Second is Venezuela's hemispheric and foreign policy initiatives and its attempts to spread Chávez styled Bolivarism throughout Latin America.

*Petroleum:* Prior to Chávez, Venezuela had been something of a scab-nation within the ranks of OPEC (Organization of Petroleum Exporting Countries). Venezuelan regimes would agree to limit production, and then ignore the agreements. Venezuela was under US pressure to keep production up and there were profits to be made filling the gaps in OPEC member nation exports.

Under Chávez, Venezuela went beyond adherence to OPEC policy providing leadership of the organization. Upon taking office, Chávez appointed Ali Rodríguez Araque as Minister of Energy and Mines. This former guerrilla leader from the 1960s became Venezuela's delegate to OPEC then its Secretary General.

Under Venezuelan leadership, OPEC drove the price per barrel from around \$10 to its current mid-\$20s per barrel level. The price reality for Venezuela however is lower due to the quality of its petroleum. The country's 2002 budget was based on average revenue of \$18.50 per barrel. The government revised its estimates downward to \$16 per barrel in February 2002 (EIA, 2002).

In the wake of the April upheaval, Rodríguez was recalled from his OPEC duties to head up Pdvsa (Petróleos de Venezuela). Continuing economic problems along with massive flooding of Venezuela coastal areas (an estimated \$15 billion in damages) have caused Venezuela to begin exceeding its OPEC production limits (BBC, 2002).

Chávez is pouring millions of dollars into increasing Venezuela's oil and gas production capacity. Existing fields are being modernized and new wells are being drilled in anticipation of increased world demand for petroleum products. Much of the work is to be done by foreign companies with whom Chávez has formed partnerships. In this regard he has given assurances that foreign investment assets will be protected and Venezuela will honor its agreements (EIA, 2002). Foreign investors, other than petroleum companies, have been reluctant to invest due to Chávez's leftist rhetoric and recent political crisis.

Chávez also uses petroleum as an instrument of foreign policy. Along with Mexico, Venezuela sells petroleum to its neighbors at substantially discounted rates of 20%. Cuba, in particular was benefited from substantial credit in addition



to the favorable rates (*El Universal*, 8 February 2002). One of the first acts of the April coup plotters, however, was to cease oil shipments to Cuba. Back in power, Chavez did not resume shipments until Cuba committed to substantial repayment of loan arrears. Nevertheless, the international media reports that the Chávez regime is negotiating with Libya regarding a joint refinery project in Cuba (Acosta, 2002).

*Bolívarism*: Chávez frequently invokes Bolívar to symbolize his vision for Venezuela and Latin America generally. Bolívar led the nineteenth century revolution that threw off Spanish imperial rule. To Chávez, neo-liberal policies that demand draconian economic measures by debtor nations to satisfy their creditors is nothing less than twentieth and now twenty-first century imperialism. 'Free trade' means throwing open third world markets to first world products, converting agricultural lands to large scale export products and selling petroleum resources at bargain prices to fuel the industrial production and consumption of Europe and North America.

Chávez envisions a Latin America that has its own trading alliances, that presents a united front and acts as an alternative force in the world economy. In his campaign rhetoric, Chávez indicated that he would rather default on international debt payments than to cause his people to suffer. Despite his rhetoric to the contrary, the country has not missed a debt payment, which has placed a substantial drain on the country's foreign currency reserves (Salemeron, 2002).

Chávez does not shrink from his self-proclaimed role as an alternative voice on the world stage. At a recent U.N. meeting of heads of state in Mexico City, Chávez argued for the creation of an international humanitarian fund. He proposes setting aside 10% of military budgets and 10% of foreign debt payments to be allocated to health and education programs in the third world (Chávez, 2002).

The Venezuelan leader has established warm relations with President Vladimir Putin of Russia and Cuba's Fidel Castro. He has also paid official visits to such 'rogue' nations as Iraq and Iran. When combined with his leftist rhetoric, these overtures make foreign investors and the United States government very nervous. Chávez has also been accused of covertly aiding revolutionary factions in neighboring countries. FARC (Fuerzas Armadas Revolucionarias de Colombia,) for example, is said to operate freely in Venezuelan territory and critics charge Chávez with supplying this Colombian revolutionary group that finances itself through drug trafficking.

In response to his critics, Chávez sent a high level commission to investigate matters along Venezuela's border with Columbia. The commission reports that the army can find no evidence of revolutionary encampments in Venezuela, this despite the arrest by the Venezuelan National Guard of FARC's alleged Minister of Finance, Comandante Giovanni (Marrero & Cardona, 2002). The Commission has recommended, however, the creation of a new military zone with expanded patrols to protect Venezuela's territorial integrity. The Secretary of Defense also promises to increase air patrols to interdict any drug trafficking in Venezuelan airspace (Castro, 2002).

*Pdvsa*: From its inception, the Pdvsa has been a mainstay of the Venezuelan economy and oil is the principal source of all government revenues and foreign currency reserves. Through the years, Pdvsa operated as an autonomous state industry driven by market forces, production technology and a management hierarchy based on competence. The turmoil of April 2002 stemmed from Chávez's attempts to appoint members of the Board of Pdvsa loyal to himself. Shortly, after his return to power, Chávez withdrew the controversial appointments and recalled Ali Rodríguez from OPEC to head Pdvsa and restore confidence in the regime's commitment to preserving this vital national resource.

### **Relations with the military**

As a former colonel, President Chavez has considerable support in the military. However, Chávez's own career involved ten years of plotting a coup to overthrow the elected government. The coup was thwarted by troops loyal to the regime. Nevertheless, the core of Chávez's strength is a cadre of leftist officers. The military also contains rightist elements that are inalterably opposed to Chávez and his leftist agenda. The balance of military power seems to lie with a third element that wishes to maintain professionalism in the officer corps and avoid intervention in civilian politics.

Critics of Chávez fear that his use of military officers to staff non-military posts in the government will lead to the sort of *Dictadura* of Pinochet's Chile 1973 to 1988 or Argentina's rule by the generals from 1976 to 1983 (Waisman, 1989). There are two unobvious differences, however. The first is that such action by Chávez would be a mirror image to those of Chile and Argentina; in both countries the Generals interfered from the right. The second, more important difference: is the electoral base of the Chávez regime. Chávez has, however, utilized military forces for social programs such as food distribution to the poor and infrastructure repair. This social role of the military is more reminiscent of Ecuador than the nations of the Southern Cone (Fitch, 1998).

As the economy weakens and the regime seems less able to redress the problems of the poor, there has been a growing unrest within the officer corps regarding various elements of Chávez policies. As noted, critics charge that Chávez allows the FARC movement of Colombia to operate within Venezuela with impunity. If true, this would grate against the fundamental self-perceptions of the military as defenders of the nation's boundaries and overall territorial integrity. The military also is not comfortable with its social engineering responsibilities. Rank and file soldiers, moreover, grumble about the inadequacy of their pay and so forth.

Dissident officers began breaking openly with the regime in February 2002 as they publically called for Chávez's resignation (Carmona, 2002). Perhaps the most serious military complaints centered on the charge that the President had interfered directly in the military's promotion process. Venezuelan newspapers found direct evidence that 498 senior officers were investigated regarding their personal lives political leanings and loyalty to the regime (*El Universal*, 14 March 2002). The Chávez regime denies that the investigations were politically motivated arguing that background checks of officers are routine and they point

to the fact that the promotion rate for pro-Chávez officers (*Chavistas*) five out of 31, was substantially the same as for anti-*Chavistas*, 12 out of 67. Perhaps of greatest interest, however, is the fact that only 98 out of nearly 500 officers up for promotion were identified as openly for or against the regime. In the wake of the coup attempt, military promotions appear to be much more even handed. It should be noted, however, that over the first three years of the regime, Chávez nearly doubled the number of field grade officers in the military thereby allowing him to increase the percentage of officers loyal to the regime.

The regime responded to the complaints of the rank and file soldiers in two ways. First was a pay raise in a time when the currency was in crisis, revenues were in decline and the government was threatening to freeze wages. Second, the national bank established a program to provide consumer loans to military personnel at rates that were substantially better than those paid by civilians although they were an exorbitant 20% (*El Universal*, 27 March 2002). In a recent article *The Economist* expresses a widely held view among his opponents and other more neutral observers that 'perhaps most serious of the many mistakes committed by Mr Chavez is to have dragged the armed forces back into politics' (12 October 2002).

### **The events of April 2002**

A nationwide general strike was initiated by regime opponents made up of political parties, business groups, trade unions (the CTV), employees of the state-owned petroleum company (Pdvs) and various military commanders. Their efforts were reinforced by tens of thousands of middle class citizens who turned out into the streets to demand the Chávez step down. When Chávez supporters fired small arms into the demonstrators killing more than a dozen and wounding scores more, the military acted.

In the early morning hours of Friday, 12 April President Chavez was arrested, his resignation was announced and an interim president, Pedro Carmona was sworn in with a pledge to conduct elections within a year and a personal promise not to be a candidate. He said he wished only to restore democracy to Venezuela. He began by dissolving the legislature, firing the Supreme Court and nullifying, by presidential decree, 49 laws with which he, and presumably the business association he headed (Fedecámaras), disagreed.

Less than 48 hours later, however, Chávez was back in the presidential palace. His supporters, the numberless poor of Venezuela rioted in virtually every city in Venezuela. Also, a significant number of military officers refused to support the coup and threatened armed resistance (Thompson & Ferero, 2002).

The uprising against Chávez might be interpreted as the new wave following the popular uprisings in Peru and Argentina that brought down governments. What was unanticipated, however, was the immediate counter-uprising of the very poorest Venezuelans who restored Chávez's to power. The Hugo Chávez who resumed power was much shaken by the events of the previous week. He began by guaranteeing the safety of Pedro Carmona. Chávez also initiated a reconciliation commission and promised to not punish dissident officers. He also appointed Ali Rodríguez head of Pdvs) and rescinded the appointments of his

controversial loyalists to the board.

The opposition continues to clamor for Chávez to resign and Chávez supporters continue to clash with the opposition in the streets of Caracas. A referendum on the Chávez presidency is anticipated for 2003, if the opposition can obtain the requisite number of signatures on the initiative petition. The opposition, however, is united only in its dislike of Chávez. It is not united on how to dislodge him from power nor has a clear alternative leader emerged who can unite the opposition and overcome the fact of a 35% hardcore of popular support for the Chávez regime. Ali Rodríguez, one of the president's trusted lieutenants and head of the state oil company, sums the current and ongoing polarization saying that Venezuela is 'a country where every day the opposition wakes up not thinking how to improve the situation but how to overthrow the government' (*The Economist*, 12 October 2002).

### **Analysis and conclusion**

Hugo Chávez came to power with a strong electoral mandate. At the core of his support were the nation's poor who demand wealth redistribution. Their faith in Chávez as savior is reinforced rather than dampened by middle and upper class opposition to the regime. From the beginning, however, the regime recognized that whatever reforms were undertaken would have to be achieved within parameters acceptable to the international financial community and the nation's wealthier classes. In short, a Cuban style-revolution was out of the question.

As noted at the outset of this paper, any attempt at significant redistribution of property in a society requires three elements. First, is to take the perspective of the poor, this Chávez has done. Second, and equally important, is the co-optation of the nation's elite. Finally, one must find a way of dealing with the technocrats who control the economic system: inside what de Soto terms 'the bell jar'. It is in the latter instances that the Chávez regime has failed.

Chávez hoped to fund a painless revolution by driving up the price of oil thereby achieving sufficient funds to uplift the poor without too great a sacrifice on the part of the middle and upper classes. Unfortunately, little short of a sustained war in the Middle East could achieve the hoped-for \$35 per barrel. Secondly, Chávez hoped to attract foreign and domestic investment in Venezuela's economy by demonstrating fiscal responsibility. The tenor of the Chávez's rhetoric, however, that invokes Bolívar and promises radical redistribution of wealth does little to assuage the fears of the wealthy. According to *The Economist*, 'around \$15 billion of private capital has fled the country in the past two years' (12 October 2002).

Controlling the technocrats in the Pdvsa (Petróleos de Venezuela) has proven to be the most vexing challenge for the Chávez regime. Top level Pdvsa managers believe that investment in petroleum infrastructure should come first. They oppose the diversion of funds to various and sundry social programs. Their resistances brought about Chávez's attempted power grab to control the Pdvsa Board of Directors.

Keeping underwater petroleum operations pumping (as is the case at lake Maracaibo) is a complex process as are natural gas production, pipeline construc-

tion and maintenance, refinery operations and so forth. Petroleum engineering is the quintessential value neutral activity. But, by refusing to look at Pdvsa in any but technical terms, Pdvsa technocrats avoid the more basic question of oil revenues as a societal resource.

Nevertheless, keeping the oil flowing is vital to the economic health of Venezuela and the survivability of the Chávez regime. Perhaps the appointment of the respected Ali Rodríguez can restore middle class and economic confidence in the regimes management of Pdvsa.

When international media observers review Chávez as a politician they acknowledge that his dark skin resonates with the *mestizo* masses. They also note his fiery rhetoric and televised diatribes and suggest that he is unstable and possibly dangerous. What they fail to appreciate is the level of desperation among the masses and Chávez's mastery of the symbolic and practical uses of politics.

To the outside observer Chávez is something of an enigma. Unlike North American politicians who run to the middle then govern to the left or right, Chávez has run to the left then governed from the center. He has thumbed his nose at the international financial community while courting foreign investment and not missing a single payment on his debt, even when doing so put a considerable dent in his foreign exchange reserves.

Whether Hugo Chávez serves out his term or is replaced, the primary problems of stratified wealth distribution and grinding poverty will remain. Chávez and his successors, for the foreseeable future, will be squeezed between the forces of democracy and inequality (Castañeda, 1996). The masses will demand wealth redistribution, health and education initiatives despite the demands of international bankers for responsible debt payment and market access. Finding this balance is the twenty-first century challenge for all of Latin America.

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