

**THE POLITICAL ECONOMY  
OF VIOLENCE**



**THE POLITICAL ECONOMY  
OF VIOLENCE:  
THE CASE OF VENEZUELA**

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**DISSERTATION.COM**



Boca Raton

*The Political Economy of Violence:  
The Case of Venezuela*

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## ABSTRACT

This study will attempt to answer the question of how can the rise in social violence since the 1980s be explained in the oil-rich nation of Venezuela? The once relatively peaceful nation of Venezuela has seen a dramatic rise in social violence over the last three decades that has placed her amongst some of the world's most dangerous countries. A review of the relevant literature will reveal that the study of a social phenomenon such as violence, in a nation such as Venezuela, is a complicated task because there are a number of different but in many cases interlinked variables that contribute to the formation of this social phenomenon. Therefore the conceptual framework will consist of a multi-variable analysis so that this study may go about to formulate an appropriate explanation based on the complex causes and effects that surround this issue. However, special attention will be given to the nation's developmental history, which has given way to a severe socio-political crisis. Although special attention will be given to this important variable, no hierarchy of variables will be established as the convoluted nature of social events makes it very difficult to formulate one. Other factors that will also be analyzed as they contribute to the rise of social violence are: the nation's vast hydrocarbon wealth (which is always an outstanding variable because of its economic importance), economic reform and liberalization, and the urbanization process. Although there have been several studies on oil-rich nations (including Venezuela), their economic dynamics, the Latin American urbanization process, and the Venezuelan political crisis, there is an absence of studies that include these intervening factors in a comprehensive manner. This study hopes to fill this gap.

## PROLOGUE

Venezuela is a country with 200 years of independent history but with a democratic history that began in 1958 when General Marcos Perez Jimenez, dictator of the country, went into exile due to the mounting public pressure for the democratization of the country. That same year a congress took place where the future democratic leaders of the country that helped to topple the dictatorship came together to agree on the foundations for the new democratic regime. The result of the congress came to be known as the Pact of Punto Fijo, after the city where it took place. The new framework was based on *Pactismo* (pact-making), where the two main political parties, the Social Democrats (Acción Democrática) and the Social Christians (COPEI), agreed on a pluralistic consensus-building system that would maintain a democratic regime.<sup>1</sup>

The pact-making system gave way to a seemingly stable democratic political system in Venezuela. It was tested during the years following the first oil boom in 1973. The political system seemed to be holding on and channeling the new incoming wealth since it gave way to high growth rates, which even reached world records at some points in time, and an accelerated increase in the standards of livings.<sup>2</sup> However, the Venezuelan honeymoon with high growth rates and a stable democratic regime came to an end at the end of the 1980s when the mounting social and economic pressures from increasing public debt, an unproductive non-oil sector, and the inability of the state to solve problems through petro-dollars caused an eruption of social unrest and violence in the nation's capital.<sup>3</sup>

After the events of the late 1980s in Venezuela, the nation has steadily witnessed the murder rates increase every year. This social

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<sup>1</sup> Karl, Terry L. *The Paradox of Plenty: Oil Booms and Petro-States*. University of California Press. Berkeley and Los Angeles. 1997. P. 93; Mollejas, Luis Me-ta. *Los Límites de la Revolución: Petróleo y Gobernabilidad* (The Limits of the Revolution: Petroleum and Governability). School of Social and Economic Sciences. Central University of Venezuela Press. Caracas. 2006. P. 13.

<sup>2</sup> Naim, Moises and Ramon Piñango. *El Caso Venezuela: Una Ilusión de Armonía* (The Case of Venezuela: An Illusion of Harmony). Ediciones IESA. 2nd Edition. Caracas. 1985. P. 542.

<sup>3</sup> Karl, Terry L. *The Paradox of Plenty: Oil Booms and Petro-States*. University of California Press. Berkeley and Los Angeles. 1997. P. 180-181.



challenge has grown to become the Venezuelan people's number one concern.<sup>4</sup> Alongside the murder rate, other social factors that increased were poverty and inequality.<sup>5</sup> It is notable that the majority of the impoverished population has concentrated in the peripheries of the urban areas. In 1992 one of the world's costliest banks—caused by a poorly implemented structural adjustment program that undermined state capacities—increased the country's socio-economic problems.<sup>6</sup> These social pressures have grown alongside an ailing political system.

The Venezuelan democratic pact-making system was seen as a rare and exceptional occurrence. This political system collapsed in 1994 after its consensus-building institutions (the traditional political parties) failed to win that year's presidential elections and failed to agree on a platform to address the dire socio-economic woes of the nation. Due to the precarious socio-economic situation that impoverished the country, steadily rising levels of social violence and a severe political crisis the presidential elections of 1998 were filled with great uncertainty. The elections resulted in the victory of a candidate, armed with a radical but populist rhetoric, who vowed to act against the previous neo-liberal and the so-called "oligarchy" (meaning the middle and upper classes) that were seen by the popular masses—that accepted the message—as the culprits for their ill situation.<sup>7</sup> The political crisis and the high levels of violence in Venezuela continue to this day with no apparent end in sight.

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<sup>4</sup> International Crisis Group. "Venezuela: Accelerating the Bolivarian revolution." Latin America Briefing No 22. Bogotá and Brussels. November 5, 2009. P. 6.

<sup>5</sup> Lopez Maya, Margarita. "Venezuela 2001-2004: Actores y Estrategias en la Lucha Hegemónica (Venezuela 2001-2004: Actors and Strategies in the Hegemonic Struggle)." *Lateinamerika*. Analysen und Berichte. Spanish version. 2004. P. 27.

<sup>6</sup> DiJohn, Jonathan. "Economic Liberalization, Political Instability, and State Capacity in Venezuela." *International Political Science Review*. Vol. 26 No. 1. 2005. P. 113.

<sup>7</sup> Mollejas, Luis Meta. *Los Límites de la Revolución: Petróleo y Gobernabilidad* (The Limits of the Revolution: Petroleum and Governability). School of Social and Economic Sciences. Central University of Venezuela Press. Caracas. 2006. P. 16.



## CHAPTER I: INTRODUCTION

*When societies enter into crises, this almost inevitably raises the great necessity of what another author called “terrible simplifications.” But of course, the “terrible simplifiers” also arise, who become the bearers of the recipes, formulas, and beliefs that promise to solve the problems affecting society. (Original in Spanish)*

*Moises Naim and Ramon Piñango<sup>8</sup>*

The case of Venezuela is one that has been simplified and even dismissed too many times from academic and political discussions. It has been referred as an “exceptional case” since the better part of the second half of the twentieth century saw Venezuela as a progressive and democratic regime with a relatively peaceful internal environment while its other oil-producing counterparts exhibited autocratic and sometimes violent regimes.<sup>9</sup> More recently, Venezuela has been branded as one of the leading nations opposing the neo-liberal world order, a country that seems to have stood up against globalization.<sup>10</sup> This is because the executive administration that was elected in 1998 has been noted for its strong anti-neo-liberal rhetoric and actions such as the reversal of privatization endeavors.<sup>11</sup> However, these interpretations are the erroneous and sometimes dangerous result of the “terrible simplifications” by the individuals who provide uncomplicated and unelaborated formulas as explanations and solutions to phenomena that are in actuality very complex.<sup>12</sup>

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<sup>8</sup> Naim, Moises and Ramon Piñango. *El Caso Venezuela: Una Ilusión de Armonía* (The Case of Venezuela: An Illusion of Harmony). Ediciones IESA. 2nd Edition. Caracas. 1985. P. xv.

<sup>9</sup> Karl, Terry L. *The Paradox of Plenty: Oil Booms and Petro-States*. University of California Press. Berkeley and Los Angeles. 1997. P. 21.

<sup>10</sup> Naim, Moises. “The Real Story Behind Venezuela’s Woes.” *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 17.

<sup>11</sup> DiJohn, Jonathan. “The Political Economy of Anti-Politics and Social Polarization in Venezuela 1998-2004.” Crisis States Research Center. Working Paper no. 76. December. 2005. P. 5.

<sup>12</sup> Naim, Moises and Ramon Piñango. *El Caso Venezuela: Una Ilusión de Armonía* (The Case of Venezuela: An Illusion of Harmony). Ediciones IESA. 2nd Edition. Caracas. 1985. P. xv.

The case of Venezuela has been misread and significantly understudied by the international academic community, which felt that it was too boring. The Venezuelan experience has lacked the sensationalist features that characterize cases found in conflict-ridden areas like the Middle East or in Africa. In the opinion of many academics, these cases may not only satisfy genuine academic curiosity, but also the marketing potential for publication, which is a widely sought-after feature in the world of academia.<sup>13</sup> It is safe to say that the academic lure was applicable to journalists, which distracted them from the events in Latin America. For example, Francis Fukuyama mentions that back in 1971, Richard Nixon advised the young Donald Rumsfeld that: “Latin America doesn’t matter ... People don’t give one damn about Latin America now.’ Rumsfeld took Nixon’s advice on where to focus his career, and the rest is history.”<sup>14</sup> However, the reality is much different.

The Venezuelan experience—just like other Latin American cases and other developing nations around the world—cannot be explained away with simple analyses. This is because the Venezuelan experience is a very complex one that comprises many different variables. No single theoretical discourse will be able to provide an adequate explanation for it. As Lopez-Maya (2004) indicates, Venezuela is a complex case to study because it responds to a different, but inter-linked, array of factors. Some of them are common to the region-wide Latin American experience such as its colonial legacy, 200 years of turbulent independent history and the debt and poverty crises of the last two decades of the twentieth century.<sup>15</sup> Some of these factors are common to the region, and others are exclusive of the Venezuelan experience.<sup>16</sup>

A unique factor of the modern Venezuelan experience is the presence of a high amount of social violence, which today consti-

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<sup>13</sup> Naim, Moises. “The Real Story Behind Venezuela’s Woes.” *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 17. P. 18.

<sup>14</sup> Fukuyama, Francis. “A Quiet Revolution: Latin America’s Unheralded Progress.” *Foreign Affairs*. November/December. [www.foreignaffairs.com](http://www.foreignaffairs.com) (accessed on March 14, 2010). 2007.

<sup>15</sup> Lopez Maya, Margarita. “Venezuela 2001-2004: Actores y Estrategias en la Lucha Hegemónica (Venezuela 2001-2004: Actors and Strategies in the Hegemonic Struggle).” *Latinamerika*. Analysen und Berichte. Spanish version. 2004. P. 27.

<sup>16</sup> *Ibid*, 27.

tutes the country's most dire challenge, according to Venezuelan public opinion.<sup>17</sup> The levels of social violence in the country have been steadily rising since the 1980s, to the point that at the turn of the century, Venezuela became the sixth most violent country in the world.<sup>18</sup> Even though high social levels of violence are present in other Latin American countries, the Venezuelan experience differs because its rates of violence have become comparable to the ones found in the Colombian Republic, a nation that suffers from a 40 year-old internal conflict, which is not the case in Venezuela. Also, according to official 2009 figures, Venezuela is a deadlier country than Iraq. This is because Iraq recorded 4,644 civilian deaths in 2009 whereas Venezuela recorded over 16,000 violent deaths for the same year<sup>19</sup>. Therefore, because of the importance and uniqueness of this factor, the main question posed by this research is: how can the rise in social violence since the 1980s be explained in the oil-rich nation of Venezuela?

This high rate of violence in Venezuela has severely impacted the socio-political fabric. In 2006, the Venezuelan capital Caracas became the number one murder capital of the world.<sup>20</sup> That year, the murder rate in Caracas was 136 inhabitants per 100,000. This is far ahead—well over twice the rate—of even the second most murderous capital in the world at the time, South Africa's Cape Town, with 62 murders per 100,000 inhabitants.<sup>21</sup> When the national murder rate per 100,000 inhabitants is examined, the overall national number is

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<sup>17</sup> International Crisis Group. "Venezuela: Accelerating the Bolivarian revolution." Latin America Briefing No 22. Bogotá and Brussels. November 5. 2009. P. 6.

<sup>18</sup> Naim, Moises. "The Real Story Behind Venezuela's Woes." *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 19.

<sup>19</sup> Romero, Simon. "Venezuela, More Deadly than Iraq, Wonders Why." The New York Times. Americas. August 22. [www.newyorktimes.com](http://www.newyorktimes.com) (accessed on August 20<sup>th</sup>, 2010). 2010.

<sup>20</sup> In this study, the murder rate per 100,000 inhabitants will be used as the means to quantify the effects of the socio-political violence in the case study of Venezuela since it, like no other statistic, can portray in a simple and accurate way the impact and suffering that violence has on society. It only comprises violent and criminal acts that result in an individual's death. It is not limited to any single time of violence (i.e. political violence or domestic violence).

<sup>21</sup> Naim, Moises. "The Real Story Behind Venezuela's Woes." *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 19.

lower than that of the specific rate found in the capital, peaking in 2003 to 50. However, it is still an extremely high murder rate that is comparable to the Colombian murder rate, a country that is suffering from a four-decade armed internal conflict.<sup>22</sup> This study has merit because it explores the very brutal effects of a convoluted developmental history and the impact of misplaced developmental strategies that this nation embarked on. Because of the complex nature of the Venezuelan developmental history, the literature will be examined somewhat eclectically in order to set a theoretical background that will attempt to explain the rise in social violence. Also, it is important to start by explain the economic context in which events have developed since the fourth quarter of the twentieth century.

A unique feature of the Venezuelan experience, the dynamics of its vast oil wealth, always takes analytical priority in the studies that examine this country because of its significance and influence to the politico-economic dynamics, and this study is no exception. Countries that possess an insignificant endowment of natural resources, such as the repeatedly hailed cases of the Asian Tigers, have performed incredibly better in terms of economic and even political development than the resource-rich ones.<sup>23</sup> The same outcome appears to have materialized in the oil economy of Venezuela. The nirvana of Gross Domestic Product (GDP) growth, which grows only because of the rise in consumption and public expenditure, and which lasts only until the price of oil busts, is a dangerous attraction for developing countries.<sup>24</sup> The oil price bust, by itself, does not seem to create a tangible detrimental effect on society. This is because society is affected not so much by the reduction of hydrocarbon revenues but by the economy's inability to replace those revenues with other revenues from the non-oil sectors, manufacturing and agriculture. These sectors' productivity has been diminished by the economic effect known as the "Dutch disease." This economic effect results from the heavy use of mineral revenues that end up "fostering an insufficient degree of diversification and vulnerability

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<sup>22</sup> Briceño-Leon, Roberto. "Violence in Venezuela: Oil Rent and Political Crisis." *Ciência & Saude Coletiva*. Vol. 11 No. 2. April/June. Rio de Janeiro, Brazil. 2006. P. 316.

<sup>23</sup> Humphreys, Macartan, J.D. Sachs and J.E. Stiglitz Eds. *Escaping the Resource Curse*. Columbia University Press. New York. 2007. P. 1.

<sup>24</sup> Auty, Richard and Raymond Mikesell. *Sustaining Development in Mineral Economies*. Oxford University Press, New York. 1998. P. 29.

towards external shocks.”<sup>25</sup> This is because the state is generating vast amounts of its income from abroad, which is used to finance public endeavors, and it is in a position to neglect domestic production. In other words, with mineral revenues, it becomes logically easier to allocate the externally generated mineral revenue than to generate revenue from domestic production.<sup>26</sup> This study will explore the effects that oil wealth has on in Venezuela; it will also explain that mineral wealth has had an important, but not the sole, role in helping to generate the high levels of socio-political violence that have marked Venezuela since 1980s.

The main theoretical discourse specifically dealing with the economic dynamics of petro-states have been the rentier state theory and the resource curse thesis. The rentier state theory explains that oil revenues have a stabilizing effect on authoritarian regimes through fostering clientelist networks of patronage. This theory has been applied in various empirical studies of Middle Eastern petro-states.<sup>27</sup> However, this theory does not adequately explain the Venezuelan case since the empirical and theoretical findings that sustain the theory in the Middle East do not hold in the Latin American nation. In Venezuela, rentierism did not stabilize the democratic pact-making system that existed in the nation from 1958 until it collapsed in 1994. Instead, it produced the opposite result that aided in increasing the country’s violence.<sup>28</sup> This does not disprove the rentier state theory, but is just evidence that it might be less applicable outside the Middle Eastern socio-historical context.

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<sup>25</sup> Mähler, Annegret. “Oil In Venezuela: Triggering Violence or Ensuring Stability? A Context-sensitive Analysis of Ambivalent Impact of Resource Abundance.” German Institute of Global and Area Studies (GIGA). Working Papers no 112. October. 2009. P. 7.

<sup>26</sup> Luciani, Gicomo. “Allocation vs. Production States: A Theoretical Framework.” Eds. Luciani, Giacomo and Hafez Beblawi. *The Rentier State*. Instituto Affari Internazionali. Beckenham and New York. P. 63 – 82. 1987. P. 69.

<sup>27</sup> Mähler, Annegret. “Oil In Venezuela: Triggering Violence or Ensuring Stability? 2009. P. 7.

<sup>28</sup> Cyr, Jennifer. “Examining the Evidence of Social Polarization: Venezuelan Society Before and After Chavez.” Florida International University. Latin American and Caribbean Center. Working Paper Series no. 11. August. 2005. P. 4; Naim, Moises. “The Real Story Behind Venezuela’s Woes.” *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 17-18.

The resource curse thesis offers a somewhat divergent explanation to the workings of the petro-state than the rentier state theory. It argues that when oil rents are used as the main or one of the main driving forces for the economy, the non-oil productive sector is significantly reduced—through the already mentioned process known as the Dutch disease—thus not encouraging the diversification of the economy and making it vulnerable to external shocks.<sup>29</sup> The resource curse thesis along with the rentier state theory—overall meaning oil-based development—is one of the study’s hypothesis since it aids in explaining Venezuela’s heavy economic woes of the late 1980s and 1990s, which helped violence to increase by creating a detrimental socio-economic situation. However, in the end these paradigms cannot fully account for other contextual factors that affected the nation and the phenomenon of social violence.

In Venezuela oil constitutes 90 percent of export earnings, 50 percent of budget revenues, and 30 percent of its GDP.<sup>30</sup> This places the country as an economically typical rentierist state, which is an important factor in explaining the country’s woes. However, in order to explain rise in social violence it is important to show the socio-historical context of country’s development. First of all, Venezuela had an illiberal politico-economic framework at the time, and subsequently the first oil boom in 1973. Venezuelan policymakers sought to “seed the petroleum,” which means that oil revenues would be used to fund developmental projects. However, because of the policymakers’ illiberal economic framework, the chosen development endeavors were based on the concept of import substitution that significantly dislodged Venezuela from the international market.<sup>31</sup> This would aid in rendering the non-oil economy unproductive, and help to intensify the effects of the Dutch disease.

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<sup>29</sup> Mähler, Annegret. “Oil In Venezuela: Triggering Violence or Ensuring Stability? A Context-sensitive Analysis of Ambivalent Impact of Resource Abundance.” German Institute of Global and Area Studies (GIGA). Working Papers no 112. October. 2009. P. 7.

<sup>30</sup> CIA World Factbook. “Venezuela.” <https://www.cia.gov/library/publications/the-world-factbook/geos/ve.html> (Accessed March 26, 2010). 2009.

<sup>31</sup> Mollejas, Luis Meta. *Los Límites de la Revolución: Petróleo y Gobernabilidad* (The Limits of the Revolution: Petroleum and Governability). School of Social and Economic Sciences. Central University of Venezuela Press. Caracas. 2006. P. 7.



In Venezuela, socio-economic pressures arose from the collapse of oil prices in the 1980s. This was because the economy's main driving force, oil revenues, lost its propelling force. This allowed poverty to rise, and the government was unable to offset this event with popular subsidies, since the nation's budget deficit reached 9.9 per cent of GDP in 1988.<sup>32</sup> Social pressures reached their boiling point in 1989. This year, social unrest grew to the point where it manifested itself in the form of violent riots and clashes with governmental security forces in the capital city. This event came to be known as *El Caracazo*, which was a violent social response to the structural adjustment program that attempted to salvage the economy by implementing austerity programs that severely reduced subsidies. This reduction of subsidies particularly affected the transportation sector because the price of gasoline doubled.<sup>33</sup> The rise of gasoline prices had a severe effect on the Venezuelan psyche because its historically low prices had become extremely popular, and the increase was a definite "third rail" political issue.

The literature dealing with the effects of economic reform, or structural adjustment implemented after 1989, has also helped to explain the socio-economic woes that the country has suffered. It is linked to the rise in violence because of the detrimental social effects that it produced, such as the rise in poverty. Economic reform is another hypothesis explaining the rise of social violence as it reduced state capacities and failed to revive the private sector so that it could take over former public socio-economic endeavors, such as job creation, which would prevent the deterioration of the socio-economic situation.<sup>34</sup> This paradigm, although important, can also not be examined alone in order to explain the rise of violence. This is because there are other factors that aided in generating a detrimental socio-economic situation that induced social violence.

Before further analysis is given of the context and variables that explain the rise of social violence in Venezuela, this case study has to

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<sup>32</sup> DiJohn, Jonathan. "Economic Liberalization, Political Instability, and State Capacity in Venezuela." *International Political Science Review*. Vol. 26 No. 1. 2005. P. 110.

<sup>33</sup> Karl, Terry L. *The Paradox of Plenty: Oil Booms and Petro-States*. University of California Press. Berkeley and Los Angeles. 1997. P. 180.

<sup>34</sup> DiJohn, Jonathan. "Economic Liberalization, Political Instability, and State Capacity in Venezuela." *International Political Science Review*. Vol. 26 No. 1. 2005. P. 108.

be briefly compared to other states that share its rentier characteristic. When examining rentier states, and especially when they are compared, with Venezuela (refer to Appendix A), two important observations can be made. First, petro-states must be divided into two categories, the extreme rentierist states (such as the Arabian peninsula states, commonly refer to as the Gulf states) and the other rentier states whose economies exhibit a high but not a complete dependence on mineral revenues. This distinction is important because one group is hardly comparable to the other group. This is because states that do not exhibit extreme rentierism are clearly still generating significant amounts of revenues from the non-hydrocarbon economy, which makes its socio-economic dynamics much more complex and vibrant. Adding to this context once again is population. Extreme rentier states are mostly comprised of relatively small populations, while non-extreme rentier states have sizable populations. This allows for very meaningful non-oil socio-economic dynamics to exist, even though governmental revenues may still be dominated by oil revenues and are subject to different and often much more complex socio-economic dynamics. Not only are the economic dynamics more complex, but also the social dynamics are much more convoluted and vibrant in non-extreme rentier states, which is definitely the case in Venezuela. This is because hydrocarbons have represented an average of about 60 percent of budget revenues (refer to Table 1), and about one-third of the GDP. The rest of the economy is overwhelmingly occupied by the service sector, with a small contribution by non-oil industries and agriculture.<sup>35</sup> Therefore, the complexity and dynamism of the Venezuelan case makes the study of the social and political context as necessary as with the economic context.

In addition to the economic factors that have influenced the Venezuelan case, one element that has severely influenced it is the dynamics of population growth and urbanization. The nation's population has more than doubled since the first oil boom in 1973, when it stood at 12 million. It now stands at over 26 million.<sup>36</sup> Population pressures significantly increased the demand for job creation, which

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<sup>35</sup> CIA World Factbook. "Venezuela." <https://www.cia.gov/library/publications/the-world-factbook/geos/ve.html> (Accessed March 26, 2010). 2009.

<sup>36</sup> Karl, Terry L. *The Paradox of Plenty: Oil Booms and Petro-States*. University of California Press. Berkeley and Los Angeles. 1997. P. 4.

a non-liberal economy could not supply. The effects of the population boom have to be examined along with the country's urbanization process. In the twentieth century, Venezuela saw a heavy and rapid urbanization process that can be categorized as a rural-urban exodus. This process happened under the banner of modernization and industrialization that inherently carried with it the promise of ever-improving goods, services and standard of living. However, the new generations of urban-born migrants did not see the promise of continually improving living conditions realized.

The urbanization process in Venezuela creates a mismatch between the precarious socio-economic condition and the expectation of continually modernizing standard of living. Furthermore, the fast, unorganized, and unregulated urbanization process eroded the social control mechanism of the new generations, which regulated the social interactions of their once-rural home, and was unable to prevent the rise of violent men.<sup>37</sup> Therefore, the urbanization process is a hypothesis that further explains the increases in social violence since it has significantly contributed to increasing poverty and eroded institutions of social control that directly aid in preventing violence. This important paradigm becomes even more important when examining the country's particular socio-political variable.

Some socio-political factors, such as the political crisis that triggered the political promotion of social resentment, which are endogenous to the Venezuelan experience, are able to fill the explanatory gap left by the economic-deterministic paradigms. As mentioned before, the rentier status of the Venezuelan government—and the clientelistic networks that accompanied it—was not able to prevent the collapse of the party-led pact-making system that preserved the democratic system from 1958 until its collapse in 1994 with the election of Rafael Caldera. This was because the presidential reelection of Rafael Caldera came about without the support of, or consensus, of any of the traditional parties that integrated the pact of Punto Fijo.<sup>38</sup> This ushers Venezuela into a seemingly irreversible political crisis.

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<sup>37</sup> Briceño-Leon, Roberto. "Violencia y Desesperanza: La Otra Crisis Social de America Latina (Violence and Hopelessness: The Other Social Crisis of Latin America)." *Nueva Sociedad*. 1999. P. 125.

<sup>38</sup> Lopez Maya, Margarita. "Venezuela 2001-2004: Actores y Estrategias en la Lucha Hegemónica (Venezuela 2001-2004: Actors and Strategies in the Hegemonic Struggle)." *Lateinamerika*. Analysen und Berichte. Spanish ver-

The institutional void that was left by the Venezuelan political crisis came to be filled in 1999 by a new hyper-personalistic government, constituted by former military officers and far-left activists that showed little regard for democratic institutions. Even so, they ascended to power with the support of the marginalized and impoverished urban population.<sup>39</sup> *They have maintained this popular support by the institutionalization of social resentment amongst the marginalized urban population toward the more affluent sectors of the urban sphere.* The post-1999 regime has done so by applying an anti-politics rhetoric that blames the nation's economic woes on the structural adjustment programs enacted by the previous administrations.<sup>40</sup> Also, they have exploited the widely held popular belief that Venezuela is a very rich country—due to its hydrocarbon potential—and that the previous governmental oligarchy, which is comprised of middle and upper-class individuals, is the real culprit in literally stealing the nation's wealth and the popular expectation for modernization<sup>41</sup>. The urban middle and upper classes demographically compose the majority of Chavez's political opposition.<sup>42</sup> Therefore, this study's final hypothesis is that the post-1999 administration is a result of the nation's political crisis. *By tapping into the marginalized poor's social resentment, social violence is encouraged, and even legitimized because of the governmental discourse that "they" (the middle and upper classes) are the reason that "we" (the urban poor) are in an impoverished condition.*<sup>43</sup> These paradigms and their relation to other paradigms will be explored further in the following chapters.

Before moving any further it is important to note the methodology that will be used to explain the rise of social violence in Venezuela since the 1980s. As noted, in order to explain the dynamics of a

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sion. 2004. 27-28

<sup>39</sup> Mollejas, Luis Meta. *Los Límites de la Revolución: Petróleo y Gobernabilidad* (The Limits of the Revolution: Petroleum and Governability). School of Social and Economic Sciences. Central University of Venezuela Press. Caracas. 2006. P.16.

<sup>40</sup> DiJohn, Jonathan. "The Political Economy of Anti-Politics and Social Polarization in Venezuela 1998-2004." Crisis States Research Center. Working Paper no. 76. December. 2005. P. 5.

<sup>41</sup> Naim, Moises. "The Real Story Behind Venezuela's Woes." *Journal of Democracy*. Vol 12 No 2. April. 2001. P. 20.

<sup>42</sup> Petkoff, Teodoro. "Las dos Izquierdas (The Two Lefts)." *Nueva Sociedad*. Vol. 197. May-June. 2005. P. 126.

<sup>43</sup> Colburn, Forrest D. "Latin America: Captive to Commodities." *Dissent Magazine*. Vol. 56 No. 1. Winter. 2009. P. 30.

particular phenomenon—whether it is social violence or another socioeconomic consequence—in a country such as Venezuela a multi-variable approach must be followed in order to avoid any kind of simplified explanation that has too many times plagued the analysis of events in the Latin American nation. Therefore, only a multi-variable analysis can explain the political economy of Venezuela, which may be able to explain the politico-economic factors that have allowed for the rise of violence in this country. However, even though several social, economic, and political variables will be examined no hierarchy will be mentioned or suggested between them. Particular emphasis has been, and will be, placed on the sociopolitical variable of the nation's political crisis and the institutionalization of social resentment. This is because it is a unique variable that has had a central role in the explanation for the rise of violence. However, even though this is an outstanding variable it must be examined along with the other variables, and the contexts in which they have developed, since it is the complex interaction amongst them that has produced the political crisis and the rise of social violence in Venezuela.

This study will be comprised of a total of five chapters, which includes this present introduction. The second chapter will consist of a review of Venezuela's developmental path that particularly examines the economic contexts. The third chapter will also examine the country's developmental path, but will focus on the social and political context. The fourth chapter will be a more in-depth case study of Venezuela that will further explain the complex interaction of variables that will be explained in chapters two and three. Finally, the fifth chapter will provide the concluding analysis based on the findings of this study, as well as policy recommendations and further calls for research.



## CHAPTER II: THE ECONOMIC CONTEXT OF VENEZUELA'S DEVELOPMENTAL PATH

Because Venezuela is a complex case, any analysis of it would be poor if its defining characteristics are not stated and defined. Even though Venezuela shares many common historical and developmental experiences with its Latin American neighbors, there is one aspect that sets it apart from the broader regional experience. This characteristic is its vast oil wealth. Hydrocarbons have been used to fund developmental endeavors. This results from the fact that oil rents have dominated governmental revenues, as shown in the introductory chapter. Therefore, since oil is a dominant variable in the economic context of Venezuela's developmental path, it will be examined first. Afterwards, another important variable that has significantly affected Venezuela's economic context since 1989, the process of economic liberalization and reform, will also be examined.

### *1) Oil and Development*

First of all, it is important to define what a mineral economy is in order to understand the subject of the study. In quantifiable terms, a mineral economy is one whose mineral industry generates at least 8 percent of its GDP and at least 40 percent of its exports.<sup>44</sup> This quantified measure shows that a mineral economy relies heavily on its mineral industry to finance the endeavors of the state. Giacomo Luciani (1987) asserted that this overreliance could not only produce a mineral economy, but a rentier economy if 40 percent or more of its budget revenues are derived from oil.<sup>45</sup> This is of course a relative analysis. A country can have a very large mineral industry in absolute terms and not be a mineral economy. Only when the mineral industry of a country is large enough that the aforementioned industry becomes one of the primary, and sometimes the primary product of

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<sup>44</sup> Auty, Richard M. *Sustaining Development in Mineral Economies: The Resource Curse Thesis*. Routledge, New York. 1993. P. 3.

<sup>45</sup> Luciani, Giacomo. "Allocation vs. Production States: A Theoretical Framework." Eds. Luciani, Giacomo and Hafez Beblawi. *The Rentier State*. Instituto Affari Internazionali. Beckenham and New York. P. 63 – 82. 1987. P. 70.

the national economy, is when the country becomes a mineral economy. It is also important to define the characteristics of a rentier economy. According to Hazem Beblawi (1987), there are three essential features of a rentier economy:

[First], rent cannot be the only kind of income in the economy, but it should predominate; [second], the origin of the rent must be external to the economy, as 'pure internal rent boils down to a situation of domestic payment transfer'; [third], a minority in the population must be involved in the generation of the rent, while the majority is involved only in the distribution or utilization of it.<sup>46</sup>

When looking at the economic indicators in the analysis of the rent-based development, exports are the key figures as the rentierism occurs when mineral endowments are used as an export industry. There is no evidence of rents being generated when mineral resources are used for the sole purpose of domestic consumption.<sup>47</sup> The Venezuelan figures that were mentioned in the introduction in relation to the ratio of hydrocarbons in exports, governmental revenue and GDP well exceed the quantitative requirements to be classified as a mineral economy and a rentier economy.

Oil, or petroleum, has become an essential part of modern society. Not only because it fuels our primary means of transportation, but also because it provides other important products, such as paint, rubber, and plastic. Owing to its importance, oil became the largest internationally traded commodity in the 1960s, displacing coffee as the number one position.<sup>48</sup> This rise in trade of oil was generated by the increasing demand for this precious commodity, which became necessary for the functioning of human society and the rise of the

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<sup>46</sup> Luciani, Giacomo and Hazem Beblawi Eds. *The Rentier State*. Instituto Affari Internazionali. Beckenham and New York. 1987. P. 12.

<sup>47</sup> Karl, Terry L. "Ensuring Fairness: The Case for a Transparent Fiscal Social Contract." Eds. Humphreys, Macartan, J.D. Sachs and J.E. Stiglitz. *Escaping the Resource Curse*. Columbia University Press. New York. 256-286. 2007. P. 257; Luciani, Giacomo and Hazem Beblawi Eds. *The Rentier State*. Instituto Affari Internazionali. Beckenham and New York. 1987. P. 12.

<sup>48</sup> Gelb, Alan and Associates. *Oil Windfalls: Blessing or Curse?* Published for the World Bank by Oxford University Press. Washington D.C. 1988. P. 3.



standards of living around the world. The importance of oil was also increased by the shortage of supply that resulted from conflicts in the Middle East, the Iranian Revolution, and especially by the formation of the oil-based economic cartel called the Organization of Petroleum Exporting Countries (OPEC). These events generated a large oil price-boom in the early 1970s. There has been a misconception that the oil consuming countries were the losers during the oil boom of the 1970s. It was assumed that oil-consuming countries were the ones with the burden of paying high prices for the commodity. However, in reality the countries whose economies suffer the most were the oil exporters since they had to bear the ill socio-economic effects produced by the oil-led economy.<sup>49</sup> Just because the treasuries of the oil exporters were being filled at very high rates does not necessarily imply that these nations were exhibiting real growth and sustainable socio-economic development. As Gelb (1988) explains, the oil exporters engaged in a “negative-sum game of monstrous proportions.”<sup>50</sup> The reason that the mineral economies were engaged in a negative-sum game is because they used their revenues to engage in rent-seeking behavior that stagnated growth in mineral exporting countries like Venezuela by relying on external oil revenues instead of domestic production.<sup>51</sup> The hydrocarbon sector grew tremendously at the expense of the non-hydrocarbon economy. Hence oil countries chose to increase productive investment in one sector, the hydrocarbon industry, by reducing productive investment in another.

Due to the great importance and impact that oil has on the international economy, and more important, on the oil exporters, the rentier state theory becomes a very powerful framework with which one may be able to explain the many woes that a petro-state may exhibit. It not only claims to explain the endurance of economic woes, but also accounts for political and social woes. The rentier state theory has been used to explain the rise, and most important, the stability of authoritarian regimes because the state society linkage

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<sup>49</sup> Ibid, 4.

<sup>50</sup> Gelb, Alan and Associates. *Oil Windfalls: Blessing or Curse?* Published for the World Bank by Oxford University Press. Washington D.C. 1988. P. 5.

<sup>51</sup> Luciani, Gicomo. “Allocation vs. Production States: A Theoretical Framework.” Eds. Luciani, Giacomo and Hafez Beblawi. *The Rentier State*. Instituto Affari Internazionali. Beckenham and New York. P. 63 – 82. 1987. P. 69.