

The Economic Policies of the Latin American Left in Government: the Venezuelan Case

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Venezuela has experienced a series of deep social and political changes since Hugo Chavez took power in February 1999. These transformations have been reflected in the government's official discourse and its articulation of the fundamental basis of its economic policy. Some of the main talking points during Chavez's election campaign and at the beginning of his presidency focused on the need to combat "extreme capitalism" and move towards capitalism with a human face, with the idea of developing a "Venezuelan Third Way" to solve the country's serious socio-economic crisis. This discourse evolved over time and, in January 2005, Chavez made a public speech rejecting capitalism as a model for Venezuela and talking about the need to create a socialism for the 21st century.

In order to understand the nature of the Chavez government, it is necessary to first understand the causes and magnitude of the collapse of the old social and economic order – based on the oil economy. However, to explain how the Venezuelan economy works and explore the nature of the changes made during this period, it is necessary to approach it at two different levels. These can not be completely separated, but this approach is useful for the analysis because it allows us to present the main trends.

On the one hand, there are the macroeconomic policies (monetary policy, control of inflation, fiscal policy, exchange policy). The government initially implemented orthodox policies¹ that did not openly break with the existing neoliberal framework. However, anti-neoliberal policies were being implemented at the same time, such as rejecting the privatisation of the oil industry and other state-owned industries. The range of government policies implemented in this initial phase can be explained in different ways, which are not mutually exclusive. Among them, we'd like to highlight: the overall weakness of the government programme and, in particular, the lack of a coherent economic programme; the priority given to political and institutional change as a prerequisite for economic reform; the ideological battles inside "chavismo"; the magnitude of the economic crisis faced by the government; and, especially, the need to survive. These policies, usually identified with the "normal" management of public finances, affect the productive apparatus as a whole, and have political consequences which we will tackle later. This refers not only to macroeconomic policies, but also to the factors that are usually taken into account to evaluate the performance of an economy. This framework includes the oil policies, for instance, the stopping of privatisation and the creation of new state-owned companies. The success of these policies, however, does not mean that there is progress towards a new economic model.

¹ We use the term orthodox to talk about essentially neoliberal policies, promoted by multilateral bodies like the World Bank and the International Monetary Fund (IMF). The process of implementing neoliberal measures in Latin America has been often described as the Washington Consensus and, more recently, as the post-Washington Consensus.

On the other hand, we have social policies, the promotion of a social and popular economy, international policy, new institutional forms, etc. – the fields where we find significantly different, and even innovative, public policies.

Even so, it is insufficient to measure the performance of the Venezuelan economy by using the parameters used to evaluate “normal” economies. This can be explained by the exceptional levels of political confrontation found both inside and outside the country, which have impacted upon the economy in a major way.

In order to facilitate the analysis, we identify three phases that mark critical conjunctures in the government up until today. The first phase relates to the period between Chavez gaining power in February 1999 and the passing of the “Enabling Laws” in November 2001. The response to these laws managed to bring together heterogeneous interests opposed to the Bolivarian project. As a result, a second phase started, characterised by a battle to take power. Some sections of the opposition pursued insurgent tactics which aimed to overthrow the state – culminating in the April 2002 coup d’état and the big business-oil industry stoppage in 2002-2003. The last phase started in mid-2003 with the putting into effect of the government social policies known as “Misiones”, and has lasted until today. This phase has been characterised by the government’s attempt to create the mechanisms to facilitate structural changes in the Venezuelan economy. We use the second quarter of 2006 (June) as the final date of this analysis.

In the global post-Berlin Wall context, characterised by the lack of clear alternatives to the hegemonic neoliberal capitalist model, it is not surprising that Venezuela did not have, from the start, an alternative for the country that would break with the prevailing model. It is only during the last phase that a new economic model, clearly distinguishable from the hegemonic neoliberal model, has started to take shape.