

“Socialism for the twenty-first century’ is looking more and more like political suicide in the making.”

## For Chávez, Still More Discontent

JAVIER CORRALES

Venezuela’s Hugo Chávez, who enjoys more domestic power and higher international name recognition than any other president of a Latin American democracy, is now facing serious political troubles. Since mid-2007, the Chávez administration has been beset by street protests, electoral setbacks, and economic woes that amount to a second wave of discontent. The first wave, when critics passionately protested in the streets between 2001 and 2004, almost brought down the government. This second wave is less threatening, but it may nonetheless lead to turmoil.

Venezuelan politics in the past year and a half has undergone a substantial shift in power asymmetry. Power asymmetry is the difference in power between two power holders—in this case, between the ruling party and the largest opposition forces. Between 2004 and 2008, Venezuela’s power asymmetry became excessively large, with government forces gaining near-monopoly control of state institutions and seeking to achieve similar asymmetries across other societal institutions. This wide asymmetry caused an erosion of democracy because the executive branch was essentially able to govern unimpeded.

However, with the pivotal regional elections of November 2008, this asymmetry shrank. The elections marked the opposition’s first electoral inroads since 1998, and the reduction in power asymmetry may pave the way for a democratic opening . . . or not. It may lead to more chaos. Much will depend on how the government responds.

### RADICAL OVERREACH

Not so long ago, the Chávez administration was riding high. In December 2006, in Chávez’s third

and perhaps most impressive electoral victory, he was reelected with 63 percent of the vote. He won in every Venezuelan state. He was able to sustain and, some would argue, expand on the electoral support he had achieved in 2004, when he prevailed in a recall referendum. And the results of the 2006 presidential election were accepted by the opposition, which refrained from the accusations of foul play it had made in 2004. *Chavismo* seemed invincible.

Since then, Chávez has suffered two major setbacks. In 2007, the government lost a high-profile referendum on changing the constitution. In the November 2008 elections, the government lost governorships in five states and several mayoralties, including in two important cities, Caracas and Maracaibo. While *chavismo* remains the country’s dominant electoral force, its electoral advantage has shrunk dramatically. What has happened in less than two years? The answer is twofold: government policy mistakes and reduced fragmentation across the opposition.

Beginning in 2006, Chávez made a number of policy mistakes based on his interpretation of his 2006 reelection as a mandate for further radicalization rather than as a show of support for the status quo. For Chávez, radicalization means expanding the executive branch’s control over institutions and expanding the state’s presence in key sectors of the economy. He thus proceeded to introduce a series of radical policies, the two most conspicuous being a May 2007 decision not to renew the operating license of Radio Caracas Televisión (RCTV) and his proposal to reform the constitution. Each step produced a backlash.

RCTV, which broadcast mainly sitcoms and soap operas, was the most widely viewed television network in Venezuela. But Chávez contended that it had supported the 2002 coup in which he had briefly been deposed and that it had remained critical of the government afterwards. The Vene-

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zuelan state, by suspending RCTV's license despite international condemnation, delivered one of Latin America's strongest attacks against the media and thus freedom of expression since the region's transition to democracy in the early 1980s. In the end the strategy may not have worked—viewer-ship seems to have shifted to other channels and cable television. Still, the incident revealed how far the government was willing to go to suppress media rights.

It was also the high point of a campaign, begun in 2003, to expand the government's ownership of media outlets. At the start of the Chávez administration, the Venezuelan state controlled one television station, one AM radio station, and one FM station. As of 2007, the government controlled 85 percent of all television channels, 2 national radio stations, 3,000 community radio stations, a news agency, and 3 print media companies, as well as many internet and community news outlets. The remaining private media are burdened with arbitrary taxation, content controls, and limited access to dollars, which hurts their capacity to import paper and technology.

The second example of radicalism was the 2007 proposal to reform the 1999 constitution. The proposal was drafted in secrecy by a small group of the president's advisers whose names were not disclosed. The resulting plan—a 44-page document—constituted what would have been the most generous blank check ever given to an executive branch in the democratic history of Latin America. The president's term in office was to be extended to seven years from six. Indefinite reelection would be allowed for the president—but not for any other elected office. Presidentially appointed “communal councils” would receive constitutional status, potentially replacing local and regional elected offices and thereby ending decentralization. External funding of political groups would be banned (though the state would be allowed to finance the ruling party). Presidential powers during states of emergency would expand.

The constitutional reform proposal was defeated in a December 2007 referendum. Although the margin of defeat was only 1.4 percent, the outcome was historic for at least three reasons. First, the referendum represented the government's first-ever electoral defeat (and by the same token the first electoral victory for opposition forces in the Chávez era). Second, the incident highlighted the power of the military in Venezuelan politics (rumors surfaced that pres-

sure from the military compelled Chávez to accept defeat, and it was conveyed to him that the military would not repress protests). Third, the referendum revealed a worrisome electoral trend for the government: rising abstention among Chávez supporters. The pro-chavista vote total was 3 million lower than it had been in the 2006 presidential election.

Since the referendum's defeat, Chávez has attempted to implement some of its provisions unilaterally. But the consequences of his radical initiatives have provoked major defections away from the president. While some chavista voters welcomed his proposals, Chávez clearly overestimated the size of this radical bloc. (One possible indicator of its actual size is an early 2008 poll showing that only 28 percent of Venezuelans still hoped Chávez would press ahead with the defeated constitutional reforms.) When Chávez turned more radical in 2006–2008, he lost the non-radical groups. He also lost the allied party Podemos and prominent individuals like his former wife (Marisabel Rodríguez, once a pro-Chávez member of the 1999 constituent assembly) and former Defense Minister Raúl Isaías Baduel, who openly called the reforms a form of coup.

Radicalization also provoked the return of protests, which had been uncommon since 2004. The RCTV case in particular provoked demonstrations led by students. The sight of university students protesting against a “leftist government” is not common in Latin America. Chávez responded by calling the students “lackeys of imperialism” and threatening to unleash “Jacobin revolutionary violence” against them. The government, as it happened, did not repress the protests, but it did not change policy course either.

## CHAVENOMICS IN ACTION

In addition to turning more radical in political terms, Chávez has also wrecked the Venezuelan economy. The country's economic problems, which predate the onset of the global financial crisis and a drop in oil prices in the second half of 2008, are the result of Chavenomics—which can be defined as both an overbearing state presence in the economy and an overbearing role for presidential discretion in state management. To be sure, other states with high levels of resource dependence also tend to overreach and overspend during boom times. But it is not automatic that resource dependence must translate into person-dependence, as has happened in Venezuela's economy.

What are the key elements of Chavenomics? First, it means implementing antibusiness regulations. According to an annual World Bank survey, Venezuela now ranks 172nd among 178 countries in “ease of doing business,” the lowest ranking for any Latin American economy. This regulatory environment is producing capital flight despite the oil boom.

Second, Chavenomics means increasing state ownership in key areas of the economy. In 2007, the government accelerated nationalization by taking over the largest telecommunications and electricity companies. Public sector employment has risen by almost 60 percent since 2003, yet the country’s unemployment rate remains high, in part because private-sector job creation is lagging.

Third, Chavenomics means heavy pro-cyclical spending. Because the government routinely spends more than it takes in, inflation has reached 31 percent annually, one of the highest rates in the world. Fourth, Chavenomics entails price controls—which, in the context of inflation, produce a problem familiar to anyone who has taken Economics 101: shortages of consumer goods. Producers become unwilling to produce if the costs outweigh the potential benefits. With inflation pushing costs up, and price controls pushing revenues down, the result has been shortages in basic consumer goods like sugar, milk, beef, chicken, sardines, black beans, cheese, and oatmeal.

Finally, Chavenomics expands presidential discretion in the management of the economy. This would not be so damaging if Chávez were a competent manager, but his management of the economy has been dismal. This is clearly visible in the oil sector, unquestionably the most vital economic engine in Venezuela. Essentially, Chávez has privatized the oil sector—to himself. He has done this by eliminating or ignoring all internal rules designed to keep the management of the sector autonomous from the executive branch. Chávez alone decides who does business with the state oil company, how much money stays within the company for investment (very little), and how much money is taken out for the state to spend as it pleases (most). Chávez himself is thus fully responsible for the dramatic decline in productivity that the state oil firm, *Petróleos de Venezuela*, has experienced since 2004, and indeed for many of the country’s economic woes.

## WHO NEEDS COMPETENCE?

Another of Chavez’s mistakes since the 2006 election has been to try to sustain his electoral coalition through patronage and a culture of impunity rather than through competent public administration. The spending spree that the government has been on since 2003 has produced a consumption boom, which Venezuelans adore, but also a corruption boom, which Venezuelans abhor. Most state contracts are awarded without bidding. Most state jobs are offered on the basis of political leanings instead of qualifications.

Chávez does little to stop the corruption of the state—not because he has not noticed it, but because he has discovered the utility of rule through impunity. Corruption allows Chávez to tell his supporters: If my enemies come to power, you will lose your privileges and you may end up in jail.

Impunity and a sense of bureaucratic abandon undermine all state services, and this is having harmful effects in an area where Chávez had previously achieved some success: social policy. Chávez became world famous in the middle of

this decade on account of his generous social programs, which were called “missions to save the people.” Today, these missions are exhibiting signs of decay. For instance, the shelves in many state-affiliated grocery stores, the

so-called *mercals*, are empty—mostly because managers steal the subsidized merchandise to sell in informal markets. Such irregularities in public bureaucracy help to explain why Venezuela’s fight against poverty is yielding less impressive results than would be expected, given the levels of spending involved.

As bad as the shortages are, they are not the most pressing issue for most Venezuelans. It is crime that concerns citizens the most. Police services have decayed too as a result of impunity and bureaucratic abandon. The decline of the police force (together with the president’s decision to expel the US Drug Enforcement Administration from Venezuela in 2005) explains the astounding crime epidemic that the country has experienced under Chávez. Annual homicides have escalated from 6,000 in 1999 to 13,100 in 2007. This rate of 48 killings per 100,000 people makes Venezuela more dangerous than violence-torn Colombia.

Chávez’s final mistake has been to abandon his earlier ideal of citizen participation in favor

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of military participation. Chávez's revolution was predicated on the promise of participatory democracy, a neo-Rousseauvian ideal that in 1999 attracted millions to Chávez. Today, the only group that seems to participate fully in the government is the military. In 2008, nine of approximately thirty cabinet positions were held by active or retired military officers. Military spending under Chávez has increased sevenfold.

At the same time, within the president's ruling party, any civilian who challenges Chávez gets excoriated and excommunicated. In 2008, this dogmatism became the dominant story within Chávez's United Socialist Party of Venezuela (PSUV), eclipsing other issues such as the party's illegal use of government resources and irregularities in its primaries.

The PSUV was formed as a response to the government's victory in the 2006 election. Chávez's plan was to disband his former ruling party and replace it with what he hoped would become a larger party that would also be more unified (that is, more obsequious). But a number of satellite pro-Chávez parties refused to disband and merge into the PSUV. Tensions and public recriminations between Chávez and these renegade parties escalated throughout 2008. By August, when the PSUV refused to consider supporting some of the more popular political candidates put forward by these parties, open warfare broke out within chavismo. Chávez responded by expelling the dissident parties, which then decided to run their own candidates in a number of states. The significance of these expulsions is that they marked the demise of participatory democracy within chavismo.

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## THE OPPOSITION'S COMEBACK

Chavismo thus headed toward the 2008 regional elections suffering from a number of weaknesses: excessive radicalism, dysfunctional economic policies, decaying social services, rising crime, and growing fragmentation within its ranks. The opposition, on the other hand, corrected its prior mistakes rather than repeating them.

The first historical mistake that the opposition solved was its Chávez-centrism. The opposition has long been criticized for being too Chávez-focused: Its discourse is long on denunciations of the president and short on policy ideas. The

problem of putting forward a predominantly anti-Chávez discourse is that Chávez remains, to this day, the most popular politician in the land. In the 2008 elections, the opposition had the advantage of running on a platform that was not based on getting rid of Chávez—since Chávez was not running. This also allowed the opposition the chance to offer a competing program in the form of solutions to local challenges.

The second problem that the opposition overcame was its tendency to abstain. As happens in many semi-autocracies, opposition voters had become convinced that electoral rules, procedures, and authorities were all irremediably biased, and since the 2004 recall referendum the opposition had been haunted by the specter of abstentionism. However, starting with the 2006 campaign, opposition leaders began to turn this voter sentiment around. By 2008, few opposition leaders advocated electoral withdrawal.

The final and perhaps most important problem that the opposition overcame was fragmentation. Ever since the collapse of Venezuela's traditional parties in 2000, and the collapse of new parties after the opposition's boycott of the 2005 National Assembly elections, Venezuela had become an extreme case of hyper-fragmentation: More than 80 parties were registered nationwide, and none of them (except the president's) had much power or access to state office. Reorganizing this splintered party system was a major hurdle. Yet, to everyone's amazement, the opposition offered, in 17 of 22 states, single candidates running to represent all opposition parties. Solving the fragmentation showed the extent to which the opposition has become more capable of compromise and more strategic.

As the 2008 elections approached, Chávez panicked. He knew he was popular, mostly because of his status as the country's entertainer-in-chief and employer of last resort. But he also recognized that he was not running for office and that many of his policies and candidates were unpopular. He also recognized that the opposition was becoming more viable. He responded by launching a fierce attack on the opposition, using both arbitrary laws and hate speech, in an effort to restrain and demonize his opponents.

The most prominent legal attack was the so-called Russián list. In February 2008, Comptroller



General Clodosbaldo Russián disqualified almost 400 Venezuelan citizens (a number subsequently reduced to 270) from running for office, due to allegations of corruption. Two of the opposition's most prominent candidates were among those listed: Leopoldo López and Enrique Mendoza. The use of "lists" to shackle the opposition was not new. In 2004–06, the government compiled a list of voters who had signed a petition in favor of the presidential recall referendum. Government jobs, contracts, and welfare benefits were denied to those on the list. The "Russián list" was different in that it attacked candidates rather than voters, but the intentions were similar: to divide the opposition and suppress opposition votes.

The government also resorted to a long-favored tactic: verbal aggression against the opposition. By October, Chávez's hate lexicon ("disgusting traitors," "mafia bosses," "oligarchs," "reactionaries," "criminals") had become ubiquitous in his campaign speeches. In addition, threats were issued. Referring to Manuel Rosales, a candidate for mayor of Maracaibo and a presidential candidate in 2006, Chávez said: "In case . . . Rosales and his mafia win, we will need to begin to make a plan, even a military plan." Referring to the state of Carabobo, Chávez was yet more direct: "If the oligarchy is allowed to return to power, I might end up letting the . . . tanks out to defend the revolutionary government and the people." Chávez also threatened to cut funding to any jurisdiction that voted for the opposition.

It is not clear whether the Russián list or Chávez's hate speech achieved the intended result of suppressing the opposition vote. But these tactics illustrate Chávez's idea of political competition: Opponents must be crushed. The Russián list violated the constitution, which stipulates that candidates can only be disqualified as a result of a judicial guilty verdict. And Chávez's hate speech, like his threats to use the military and to strangle his opponents economically, sounded more dictatorial than democratic.

The 2007 and 2008 election results clearly indicate that the Chávez administration is experiencing a second wave of discontent—almost 45 percent of Venezuela's population voted for the opposition. Still, chavismo remains a strong force. In 2008 the PSUV won in 17 states, defeating the chavista dissidents and even winning in states (Falcón, Anzoátegui, and Mérida) that were expected to go for the opposition. And the National Assembly, the most critical arena for influencing

government policy, remains 100 percent chavista, since assembly seats were not up for election.

The 2008 electoral results, therefore, generated a political paradox: While there was a decline in power asymmetry between the ruling party and the opposition, the ruling party still emerged very powerful. Both sides claimed some form of political triumph, which is a rare outcome in elections.

The election results also revealed another change: Chavismo's demographics have shifted. Until last year's vote, the government could claim that Venezuela's "have-nots" constituted a firm constituency throughout the nation. After the 2008 elections, Chávez's core constituency seems confined to non-urban regions. The opposition appears to have displaced chavismo from its previous stronghold—urban environments, where the worst pockets of poverty are in fact located.

These changes in power asymmetry and electoral demographics suggest that Chávez, while still electorally competitive, is no longer invincible. In Venezuela as in most of Latin America, the bulk of the population is urban, and a rural-based movement cannot easily become hegemonic. Chávez's electoral priority in the coming years therefore must be to recover ground in urban areas. He has time to make a comeback. The next major election—for delegates to the National Assembly—is scheduled for the end of 2010. But whether Chávez manages to recover by then might depend, in part, on the price of oil.

## OILING THE SYSTEM—WITH LESS

In the second half of 2008, world oil prices unexpectedly plummeted. By November, Venezuela's crude oil prices had declined 69 percent from their peak July price of \$129.54 per barrel. Because oil accounts for 94 percent of Venezuela's total exports and provides nearly half of the government's revenues, this decline is crippling, especially since the government relies so much on state spending for co-optation. If prices stay at current levels, Chávez will face economic adversity in the second half of 2009, which no doubt will inhibit his ability to recover electorally. However, low oil prices will not necessarily imperil Chávez's ability to weaken the opposition. Indeed, a damaged opposition rather than a defeated incumbent could very well be the outcome of this change in oil prices.

The Chávez administration has tools at its disposal to survive the economic crisis. Chávez can

reduce Venezuela's spending on programs abroad. He can draw funds from various sources available at home. He can encourage the Organization of the Petroleum Exporting Countries to reduce oil output. He is already planning to increase his country's debt. He can devalue the currency, generating more revenue for the government and cutting the bill for imports. He could even provoke an international crisis to create panic in global markets, thus raising the price of oil.

Even if Venezuela is forced to implement unappetizing austerity measures, the government could still survive if it managed to protect key constituencies from deep spending cuts. As long as Chávez keeps his party—and the military—relatively protected, he may well survive politically. His task is to keep the ruling coalition unified. A unified ruling coalition has an advantage over a fragmented opposition, regardless how large or angry the opposition might be. For the opposition, therefore, the key challenge remains, as it has been since 2006, to contain its tendency to fragment. It is not clear that, in the midst of an economic crisis in which the government offers incentives for some and not for others, the opposition can remain unified.

No matter where oil prices are headed, Chávez still faces the political reality of an emboldened opposition. How might he deal with this? In one scenario, Venezuela could replicate Mexico's experience in the 1980s. At that time, an economic crisis allowed Mexico's opposition parties to score electoral victories in regional elections, thereby ending the near-monopoly on power of the populist Institutional Revolutionary Party (PRI). The opposition parties' increased bargaining leverage compelled the PRI to negotiate a series of institutional and policy reforms that ultimately led to greater checks and balances and eventually a transfer of power. All of this happened peacefully. This sort of "democratization via governorships" is imaginable for Venezuela.

Also imaginable is a less pretty scenario in which Chávez becomes more autocratic in his approach toward the opposition. The government could declare a state of emergency and use its control of Congress to apply harsh policies to regions controlled by the opposition. This would be not unlike what Evo Morales is doing in Bolivia—denying funds to elected leaders from the opposition and encouraging loyal social movements to create civil strife in some states.

Initial signs indicate that the government is heading in this direction. Immediately after the 2008 elections, Chávez instructed his party to prepare the way for yet another referendum to change the constitution so as to permit indefinite reelection of the president. "Chávez will not abandon you," he told his supporters.

Chávez has also begun to promote ungovernability in jurisdictions controlled by the opposition. Government agents in the state of Miranda and in the mayor's office in Sucre, after learning that they had lost the elections, vandalized government property and emptied bank accounts. Chávez also has intensified his personal attacks against opposition leaders. The idea behind these actions is to produce voter disenchantment with local leaders in regions controlled by the opposition. Antagonizing the opposition will not bring peace to Venezuela, but it might strengthen the government politically. And if the economy further deteriorates, it might be the only recourse left for the government.

## POLITICAL SUICIDE?

A decline in Venezuela's power asymmetry and a drop in commodity prices have disturbed the comfort that Chávez's populist government had enjoyed since 2004. Whether this will lead to more autocracy, more democracy, or more unrest is hard to tell. But one cannot rule out the possibility that grim economic conditions might push the government to become more aggressive toward the opposition.

One point is clear. Chávez's resort to hate speech proves that he truly hates his rivals—yet his policies during the past few years suggest he might hate his revolution more. His policies have, one by one, destroyed his movement's ideals; hence, his current political troubles. His wounds are not yet mortal, but they are serious and self-inflicted. In the end, Chávez might never recover. His "socialism for the twenty-first century" is looking more and more like political suicide in the making.

To survive, Chávez must make a choice. He can sacrifice his radical ways, including his hyperpresidentialism; doing so might restore his movement's electoral appeal and maybe even its majoritarian status. Or he can sacrifice the few democratic institutions that remain, in which case, whether his movement is popular or not becomes a moot point. From the looks of it, Chávez seems to be opting for the latter sacrifice. ■