

Beyond the Boliburguesía Thesis

Steve Ellner

June 15, 2016

“Oil didn’t wreck Venezuela’s economy, socialism did.” That’s what Pascal-Emmanuel Gobry, of the Washington-based conservative think tank Ethics and Public Policy Center, wrote earlier this year in his reflection on Venezuela’s deepening economic crisis. Gobry, a prolific writer for *Forbes*, *The Wall Street Journal* and other publications, went on to criticize Venezuelan analysts who scapegoat petroleum, even though he recognized that declining oil prices have aggravated the nation’s difficulties. “The culprit is clear and obvious,” Gobry contends. “The problem is Venezuela’s authoritarian socialism.”

The deterioration of the quality of life in Venezuela feeds into Gobry’s uncompromising statements, as well as those of the Venezuelan opposition. Indeed, the pressing problems facing Venezuela, ranging from triple-digit inflation to hours-long lines to purchase basic goods—not to mention visible cases of corruption—have provided the country’s opposition with ammunition to discredit the Left’s political and economic project. Either explicitly or implicitly, this emerging narrative glorifies neoliberalism on the basis that state intervention in the economy, which became a distinguishing feature of the 14-year government of Hugo Chávez, is doomed to fail—no matter the form it takes. According to some critics of *Chavismo*, the inevitable byproduct of Chávez’s economic policies was the flourishing of corruption at the hands of *Chavista* bureaucrats, in cahoots with corrupt *Chavista* businesspeople.

While not exonerating the Venezuelan government’s serious policy errors, a broader analysis of the relations between the *Chavista* government and the private sector highlights the complex nature of the current crisis. Such an examination serves to debunk the neoliberal claim about the inherent flaws of Venezuela’s leftist model. It also raises issues worthy of debate in order to draw lessons from the rich experience of *Chavista* rule.

One major conclusion is that circumstances, including attempts to topple the government, forced *Chavistas* to make compromises and enter into tactical alliances with economic groups that did not share the stated goals of the broader *Chavista* movement. These accords were not an error; the error was not doing enough to strengthen the only force capable of checking the abuses that should have been anticipated: *Chavismo*’s rank and file and the country’s grassroots social movements.

The Anti-Socialist Narrative

Conservatives in Venezuela are saying much the same as foreign pundits like Gobry. The Caracas-based think tank CEDICE (an associate of the Cato Institute) has conflated socialism and Keynesianism and in doing so, reaches similar conclusions about the dangers of state intervention writ-large. CEDICE economists have attributed the economic calamities in Venezuela to “the policies implemented in a country where there exists total [state] control of the economy, along with a total absence of capitalism, thus generating poverty and unemployment.” Much of the organized opposition accepts this unambiguously neoliberal line. Former Central Bank economist José Guerra, who is now a National Deputy and the opposition’s main spokesman on economic policy, told Televen news channel recently that “Twenty-first century socialism has ruined the Venezuelan people.” Quite notably, the anti-socialist narrative of Guerra and many others ignores the fact that the Venezuelan economy continues to be over 70 percent privately owned.

The view that blames socialism, or even Keynesianism, for the acute scarcities of basic commodities, which over the last two years have been Venezuela’s most pressing economic problem, passes over the real concrete factors that are at play. Major causes include the plunge in international oil prices and the well-documented “economic war” consisting of politically induced disinvestment on the part of the private sector.

A third factor is more complicated. It involves the disparity between government-regulated prices and black market prices for goods (including foreign currency). The system of regulated prices is often an effective measure favoring popular sectors. But when black market prices are more than double those of official prices for high-demand commodities, as has been the case in Venezuela since late 2012, corruption and contraband become commonplace. Former Planning Minister Jorge Giordani estimates that in 2012 alone companies defrauded the government of \$20 billion USD by purchasing cheap dollars for phony or overpriced imports from the Central Bank. These companies were then able to reap handsome profits by selling the currency on the black market.

Opposition leaders are careful not to blame their allies in the private sector for this type of fraudulent activity. Instead, they point the finger exclusively at the so-called “*boliburguesía*”—that is, those Venezuelan businesspeople who have been associated with the *Chavista* movement and are outside the fold of the traditional bourgeoisie. Carlos Tablante, a former governor and member of the then left-leaning Movement toward Socialism (MAS), underscored this allegedly intimate relationship between the *Chavista* government and “*Chavista*” businesspeople by stating “a new caste now governs the country.”

The *anti-Chavista* discourse that equates socialism with corruption ignores a few important facts, however. For one, the most blatant corruption scandals in Latin America over the last century occurred during the neoliberal governments of the 1990s: Carlos Salinas (Mexico), Carlos Menem (Argentina), Alberto Fujimori (Peru), Fernando Collor de Mello (Brazil), and Carlos Andrés Pérez (Venezuela). It’s no coincidence that corruption proliferated under the watch of

neoliberals. Deregulation, free trade, and laissez-faire policies in general open the doors for unethical dealings. In his *The Political Economy of Latin America*, political scientist Peter Kingstone has noted that “although neoliberals argued that the withdrawal of the state would decrease the opportunities for corruption, the reality is that it created new, different opportunities.”

The argument that socialism has bred corruption also ignores the facts revealed by several empirical studies of the Venezuelan currency-corruption scandal of 2012. According to those probes, traditional economic groups, multinational corporations, and emerging businesspeople were all guilty parties in the \$20 billion dollar rip off. But one of the studies, undertaken by political analyst and activist Luis Enrique Gavazut, concluded that “the lion’s share of the fraud in 2012 was perpetrated by large multinational corporations that have subsidiaries in the nation.” Gavazut went on to claim that some of the illicit activity (involving dollars) could not have been carried out had U.S. authorities monitored shady operations in Florida and other states where the dollars were eventually deposited or invested.

Thus, the \$20 billion Venezuela currency scandal in many ways resembles that of the Brazilian state oil company Petrobras. In both cases those guilty of unethical actions span the political spectrum, from right to left. In the case of Venezuela, businesspeople belonging to traditional business associations like *Fedecámaras* (which twice spearheaded the effort to overthrow Chávez in 2002) share the blame with members of an emerging bourgeoisie, some of whom call themselves *Chavistas*.

So Who’s to Blame?

Beyond a shadow of a doubt the *Chavista* government, like any government, holds the brunt of the blame for ethical wrongdoing committed in the public sector. In the first place, government policies that ignored market conditions and allowed for a wide disparity between official and black market prices paved the way for widespread contraband and corruption.

Second, the current government of Nicolás Maduro has stopped short of carrying out an all-out campaign against corruption, even while indictments of public functionaries (at both supervisory and non-supervisory levels) for unethical behavior far surpass the record of establishment parties prior to Chávez’s rise to power in 1998. (For more on this, see my forthcoming article “Showdown in Venezuela” to be published in *NACLA Report on the Americas* 48.2, Summer 2016).

Third, the *Chavista* government has done little to overhaul the shady and unprincipled system of favoritism in granting public works’ contracts, a process that became institutionalized and all-pervasive in Venezuela long before 1998. This system includes routine kickbacks for contracts. It is well known in Venezuela, for example, that whenever a governor or mayor is replaced—even by someone of the same political party—a whole new set of construction firms gets the lion’s share of the contracts.

The country's governing party, the *Partido Socialista Unido de Venezuela* (PSUV), which is run by *Chavista* ministers, governors, and mayors, has failed to serve as a check on these activities. The PSUV's rank and file envisions its role as a corrective counterweight to the party machine, with the power to denounce abuses wherever they arise. Internal party primaries in which all candidates are given equal opportunities—as Chávez had called for—would facilitate this dynamic, but in recent years, the cards have been staked against those aspirants for elected office who lack backing from above.

Emerging versus Traditional Bourgeoisie

At the same time—and contrary to opposition claims—emerging businesspeople have been far from unconditional supporters of the *Chavista* government, nor are they a monolithic group. Indeed, many of the businesspeople dubbed by the opposition as “*boliburgueses*” have turned out to be anything but *Chavistas*.

Consider the new owners of the once rabidly *anti-Chavista* TV channel Globovisión. Shortly after the channel's purchase in 2013, Miami commissioners declared Globovisión president Raúl Gorrín and his co-owners *personas non-grata*, calling them “rich *boliburgueses* of the Venezuelan government.” At the same time, the city's newspaper, *El Nuevo Herald*, referred to the Globovisión owners as “friends of *Chavismo*” and claimed they had purchased millions of dollars in property in south Florida and drove around Miami in pricey sports cars. Globovisión's new head fit the *boliburguesía* bill. Gorrín began his career with little capital and originally held subordinate positions in banking institutions that Chávez held responsible for a financial breakdown in 2009. (The late president ordered the arrest of several of the banks' owners shortly thereafter.)

Critics of the new Globovisión predicted that the station would quickly become a mouthpiece of the government. Upon assuming the presidency, Gorrín committed Globovisión to “objectivity and impartiality” as he modified the programming by toning down the channel's aggressively anti-government slant. Nevertheless, as the Maduro government lost popularity, particularly following its defeat in the December 2015 National Assembly elections, Globovisión became increasingly critical. Earlier this year, Maduro affirmed, “One watches Globovisión and it's April 9, 2002 all over again,” in reference to the media-promoted coup staged that day against Chávez.

Another so-called *Chavista* businessman is Alberto Cudemus, who left *Fedecámaras* after two unsuccessful attempts at becoming its president. Cudemus called for harmonious relations between business and government at the same time that he received generous contracts to supply pork to state food outlets. His stance also earned him a degree of contempt from those who called him a “socialist businessman.” But after Maduro assumed the presidency in 2013, Cudemus put forward an all-encompassing critique of the government's economic policy that differed little from that of *Fedecámaras*. Cudemus charged that Maduro was surrounded by “inept functionaries” and that his “economic model” was flawed. Allegedly ill-advised policies included the government's cap on profits, a labor law filled with job security provisions,

excessive printing of currency, the expansion of bureaucracy, the non-payment of debts to the private sector, and a lack of business input in policy formulation. Such criticisms go against the media's portrayal of Venezuela's emerging business groups as squarely located in the *Chavista* camp, to say the least.

Firebrands on the right also accuse various well-established capitalist groups of having "sold out" to the Chavistas. One example is billionaire Gustavo Cisneros, who some in the opposition called an "accomplice" in the electoral fraud allegedly committed by Chávez in the 2004 recall election. Cisneros's Venevisión TV channel went from open support for the April 2002 coup to even-handed coverage after June 2004, when Jimmy Carter arranged a closed meeting between Chávez and the media magnate.

Evidently the Chávez government accepted the renewal of Venevisión's concessions in exchange for its abandonment of Fox News-like reporting. Subsequently, the Chávez government refused to renew the concession of the channel "Radio Caracas," which had also actively supported the 2002 coup. ("Radio Caracas" was Venevisión's main competitor.) Some opposition commentators insinuated that at the Carter-mediated meeting Cisneros sold his soul to the devil for the sake of commercial expansion.

The Venezuelan opposition's line about the *boliburguesía* being a *Chavista* phenomenon ignores why ties with emerging businesspeople were established in the first place. Namely, the opposition has erased the fact that the government's favoritism toward politically neutral businesspeople was a reaction to the hostility of *Fedecámaras* that culminated in two attempts to overthrow Chávez in 2002. The *Chavista* strategy of embracing certain sectors of the business community was an attempt to neutralize an aggressive business class, not to win it over. Indeed, the *anti-Fedecámaras* businesspeople rallied behind the banner of political neutrality, and not that of leftist policies.

At the same time, the Chavista leadership, in effect, ruled out a strategic alliance with supposedly progressive businesspeople, sometimes referred to as the "progressive bourgeoisie" (a term used by Latin American communists half a century ago). That strategy had been advocated by Chávez's right-hand man Luis Miquilena (who initiated his political career in the communist movement in the 1940s). However, Miquilena ended up supporting the abortive coup against Chávez in April 2002.

To this day, the ties between the *Chavista* movement and the private sector, including emerging business groups, are at best tenuous. Both traditional and emerging business interests are critical of key aspects of the anti-neoliberalism adopted by the Maduro government, such as caps on profits. Similarly, the policy of exchange controls first implemented by Chávez in 2003 impedes the ability of businesspeople to convert their profits into dollars to send abroad, as third-world capitalists in Latin America are prone to do. Finally, the *Chavista* anti-capitalist rhetoric and constant attacks on the bourgeoisie (a term used pejoratively by the *Chavistas*) cannot be favorably viewed by the owners of any fair-sized business, be it a traditional one or one of recent origin.

The Larger Implications

The opposition's claim regarding the rise of a new ruling "caste" in the form of the *boliburguesía* reinforces the old notion that socialism is inherently flawed. Throughout much of the twentieth century, apologists for capitalism pointed to the Soviet Union as proof that socialism and democracy were by nature incompatible. In recent times, academics writing on twenty-first century Latin American politics have claimed that the failure of leftist "populist" governments to achieve high levels of productivity demonstrates the inherently unsustainable nature of socialist policies.

Similarly, the proponents of the *boliburguesía* thesis purport to document a relationship between corruption and socialism. Thus, the importance of debunking their arguments by demonstrating the shaky and unstable ties between emerging business groups and *Chavismo*—and why the ties between the two were established in the first place. The complicity of companies affiliated with *Fedecámaras*, as well as multinationals, in cases of corruption further puts in relief the spuriousness of the anti-socialist narrative now talking hold across much of the region.

Temporary ties between a socialist government and business groups may be inevitable in any prolonged process of bringing about socialism by democratic means. An internally democratic party with a degree of autonomy vis-à-vis the state is the best guarantee that such ties will not solidify in time, and that corruption is kept in check. In Venezuela, as elsewhere in Latin America, the construction of such a party is necessary in order to achieve authentic democracy. The democratization of the PSUV and greater input from the grassroots are more imperative now than at any other time for the very survival of the *Chavista* project and the success of its strategy for change.