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# Venezuela and the “Bolivarian Revolution”: Beacon of hope or smoke and mirrors?

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on direct democracy be developed that can do this. Without such a vision based on self-management it is likely past mistakes that have marked previous revolutions will be repeated over and over. Whether such a libertarian vision will become prominent within the working class struggles in Venezuela is open to debate, but hopefully it will and true freedom, equality and justice will come to exist and replace the current state of affairs marked by a 'Bolivarian' elite using smoke and mirrors to block genuine socialism.

## Footnotes:

## Introduction

For many people on the left, within and outside of Southern Africa, the 'Bolivarian Revolution' is seen as a beacon of socialist hope in a sea of capitalist despair<sup>1</sup>. The reason why many leftists feel so strongly attached to this project, and promote it as an alternative, is because they have come to view it as a move by the Venezuelan state towards creating a genuine, free form of socialism<sup>2</sup> or at the very least an experiment that profoundly breaks with the tenets of neo-liberalism<sup>3,4</sup>. Many articles have, therefore, been written lauding the state's nationalisation of some industries<sup>5</sup>, its land distribution programmes<sup>6</sup>, and its attempts to supposedly create participatory democracy in workplaces (through co-management and co-operatives)<sup>7</sup> and in communities (through community councils)<sup>8</sup>. Linked to this, a great deal has also been made of the state using some of revenue generated by

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<sup>1</sup> Jauch, H. 2009. *The Search for Alternatives: Venezuela's Participatory Democracy*. Paper Deliver at the RLS Conference 'The Global Crisis and Africa: Struggles for Alternatives'.

<sup>2</sup> Burbach, R, & Pineiro, C. *Venezuela's Participatory Socialism* <http://sdonline.org/45/venezuela%E2%80%99s-participatory-socialism/>

<sup>3</sup> <http://www.zcommunications.org/venezuelas-choice-by-michael-albert> 30<sup>th</sup> September 2010

<sup>4</sup> This author too initially incorrectly praised the 'Bolivarian Revolution' – with some reservations – largely due to having been influenced by Marxism at the time, and due to having to rely on secondary sources that exaggerated the gains of the 'Bolivarian Revolution'

<sup>5</sup> Borges, S.P. *Sidor Nationalisation Marks 'New Revolution Within Revolution'* <http://links.org.au/node/363> 19 April 2008

<sup>6</sup> Suggett, J. 'New Offence' on Land Reform. [www.greenleft.org.au/node/45730](http://www.greenleft.org.au/node/45730) 17<sup>th</sup> October 2010

<sup>7</sup> Jara, M.K. & Satgar, V. 2009 *Coops: International Cooperative Experiences and Lessons for the Eastern Cape Cooperative Development Strategy*. ECSECC Working Paper No. 5 pp. 15–17.

<sup>8</sup> Jauch, H. 2009. *The Search for Alternatives: Venezuela's Participatory Democracy*. Paper Deliver at the RLS Conference 'The Global Crisis and Africa: Struggles for Alternatives'.

the Petróleos de Venezuela (PDVSA) to roll out social services such as education, subsidised foodstuffs and healthcare<sup>9</sup>. Much ink has, consequently, been spilt arguing that all of these are socialist inspired moves and passionate calls have been made for other states, like the South African state, to adopt Venezuelan style 'Socialism for the Twenty First Century'<sup>10</sup>.

This article, however, questions the assumption that the Venezuelan state is embarking upon a path to create a truly egalitarian and free socialist society. It will, therefore, be argued that Venezuela is not in a transitional phase to socialism; rather it is a capitalist country where the private sector and important state-owned companies seek to maximise profits. Indeed, it will be argued that while some welfare is handed out by the state, this often sits side by side with other policies that are outright neo-liberal. In order to make the argument that Venezuela cannot be considered as heading in a socialist direction, this article will engage and examine issues around the state's nationalisation programme, its relations to multinational corporations, its community councils project and its social service programmes. Coupled to this, the nature of the economy will be looked at, including ownership patterns, and it will be critically considered whether or not the relations of production that define capitalism are being transformed into more socialist relations based on direct democracy, mutual aid and self-management in workplaces and communities. In fact, it will be argued, from an anarchist perspective, that unfortunately relations that define class rule and capitalism are not being eroded away by the 'Bolivarian Revolution': instead of an egalitarian society arising, it will be considered how and why an elite still exploit and oppress the working class. It will, therefore, be critically considered how and

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<sup>9</sup> Amandla Editorial Staff. 2009. Can Nationalisation be Done? *Amandla* Issue 9 pp. 16.

<sup>10</sup> [http://www.ycl.org.za/docs/congress/2010/int\\_report.pdf](http://www.ycl.org.za/docs/congress/2010/int_report.pdf)

counter-power that can challenge the pro-US faction of the ruling class, imperialism and the 'Bolivarian' ruling class faction. This can be done by winning reforms today from the state, local capitalists and corporations from imperialist powers, and building on them so that momentum is gained in a revolutionary direction. By definition this also means such struggles will have to break with the state and organise outside and against it. The working class, therefore, needs to organise against the state and capitalists to force concessions from them; and not go down the path of embracing sections of the elite in the name of 'Bolivarianism'. It is, for that reason, vital that the working class identify the 'Bolivarian' elite and the state as class enemies, and recognise the state for what it is: a central pillar and instrument of the ruling class, which can and does also generate an elite from its ranks.

If such independent struggles are to grow in Venezuela, it is also crucial that they have some basic vision of what to replace the state and capitalism with when a revolutionary period opens up. If they do not, it is likely that they will again slip into trying to use the state as an instrument of emancipation. In such a case, it is probable that a new elite will once more emerge around the state, and genuine working class power will yet again be delayed. It is, as a result, important that struggles take up a vision of replacing capitalism with a genuine form of socialism, marked by a situation where property becomes collectively owned by everyone, where there are no bosses, and where production and the whole economy is planned through worker and consumer assemblies and councils based on direct democracy to meet the needs of all. Likewise, it is an imperative that a vision of replacing the state with structures of direct democracy – based, for example, on assemblies and councils that are federated together, where power remains at the base and where there are no politicians or bureaucrats – is developed. Obviously, if a genuine revolution does occur in Venezuela, it will have to be defended against the Venezuelan ruling class (including elite 'Bolivarians') and imperialism. It is crucial that structures based

have also enjoyed the benefits of the 'Bolivarian Revolution' at the expense of workers and the poor. Even in the oil industry, multinationals are welcomed and public private partnerships are the norm. Outsourcing, casualisation and lean production are also common practices even in fully or partly nationalised factories.

The state too has not been shy to attack workers and the poor when its interests have diverged from this class. Despite some welfare, vast inequalities and oppression still exist and are not being eroded away. Workers and the poor are still wage slaves with capitalists and the state attempting to continuously deny them real power. This has seen the ruling class also often trying to squash working class protests and strikes. As such, the logic of a hierarchical state – which is defined by a drive to control, maintain its power and limit any dissent by the working class – is proving to be the antithesis of socialism and freedom in Venezuela.

It cannot, though, be denied that Chavez and the PSUV are popular amongst sections of the workers and the poor. However, loyalty to a party, politician and the state does not equal freedom, justice and equality. It certainly does not amount to worker and community self-management nor socialism. Many capitalist politicians and even dictators, at certain times and places in history, have been popular. Certainly, while there have been politicians and states that have been popular, history has also shown us that they will not go against their own interests and grant the working class freedom and equality. It has, therefore, long been pointed out that the emancipation of the working class will have to be carried out by the working class itself.

There are some hopeful signs. Sections of the Venezuelan working class have been willing to protest and go out on strike when they have felt that they have been attacked, or their interests undermined, by the state, capitalists, the PSUV and the 'Bolivarian' elite. It is here that the hope for the future of working class struggles in the country lies. If a genuine social revolution is to come about such struggles are going to have to be built on and transformed into a

why class rule and capitalism, and even elements of neo-liberal capitalism, in Venezuelan society are not in the process of being eroded away. Far from being a beacon of hope the 'Bolivarian process' may be more correctly identified as a case of smoke and mirrors.

## **The Quagmire of the 'Bolivarian Revolution's' Rhetoric**

There is no doubt that both the supporters and opponents of the 'Bolivarian Revolution' feel passionately about the figure of Hugo Chavez and place him firmly at the centre of the 'revolution'. The consequences of this are that many of the people commenting on Venezuela seldom go beyond Chavez's and the state's rhetoric and examine the actual practices of the state and the real conditions of workers and the poor. Part of the reason why focus tends to be heaped on what Chavez says, and not so much on what the state does or doesn't do, is his charisma. Chavez is a great orator who has the ability to arouse strong emotions amongst the audiences that he addresses. One only has to think of the massive rallies that have taken place where he has regularly called upon people to embark upon a great battle against neo-liberalism and imperialism. As part of this, he has often presented himself as a great defender of the people: a man willing to live and die side by side with them for what he believes. The fact that Chavez, and the rhetoric he uses, looms large has contributed to a situation in which the actual conditions in Venezuela are often not critically examined, and as a result much of the analysis tends to be relatively shallow. In terms of this, the 'Bolivarian Revolution' is often defended in polemical terms on the left and demonised on the right, with reality and facts sometimes having little impact.

A good example of how facts are simply ignored can be seen in the pieces and papers of its right-wing opponents. For them, the

reality that the ruling class, including Venezuelan capitalists, continue to enjoy an opulent lifestyle is simply ignored. Rather the focus is solely on the socialist and anti-imperialist rhetoric of Chavez. For right-wing opponents, Chavez has become seen as the devil incarnate: a man who is supposedly hell bent on destroying capitalism and imposing a totalitarian dictatorship. At times, Chavez has even been compared to Hitler by conservative opponents<sup>11</sup>. When one, nevertheless, rationally looks at the Chavez regime, it cannot in all honesty be successfully argued that it is a totalitarian dictatorship. As will be highlighted later, there are oppressive tendencies with regards to many of the actions of the state – mostly directed at workers and the poor – but Venezuela is still a bourgeois representative democracy.

The irrationality that seems to surround interpretations of the ‘Bolivarian process’, nonetheless, are not limited to right-wing opponents. Supporters, especially those internationally and in southern Africa, have often unfortunately accepted the messages from Chavez and others in the state on face value. Some supporters, like Eva Golinger, have even defended the current state to the point of glorifying Chavez and almost suggesting that he could do no wrong<sup>12,13,14,15</sup>. Even when mistakes are admitted, these have sometimes been defended on the basis that Venezuela faces imperialism and a tough external environment. Sometimes this also has gone hand in hand with blaming a corrupt or a treacherous bureaucracy and the old guard for the problems; while continuing to praise the ‘Bolivarian Revolution’ without considering the structural realities

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<sup>11</sup> [www.shortnews.com/start.cfm?id=52656](http://www.shortnews.com/start.cfm?id=52656)

<sup>12</sup> Azneras, C. *During the time of the people, always onwards Comandante Chavez* <http://venezuelanalysis.com/analysis/6329> 5<sup>th</sup> July 2011

<sup>13</sup> Golinger, E. *Inspiration South of the Border*. <http://www.zcommunications.org/inspiration-south-of-the-border-by-eva-golinger> 25<sup>th</sup> November 2011.

<sup>14</sup> <http://venezuelasolidarity.org/?q=node/294>

<sup>15</sup> Golinger, E. *Victory in near*. <http://www.zcommunications.org/victory-is-near-by-eva-golinger> 26<sup>th</sup> September 2010

class<sup>173</sup>. Due to the centralised nature of states, only a few can rule – a majority of people can never be involved in decision making under a state system. As a result, he stated that if the national liberation struggle was carried out with “ambitious intent to set up a powerful state”, or if “it is carried out without the people and must therefore depend for success on a privileged class” it would become a “retrogressive, disastrous, counter-revolutionary movement”<sup>174</sup>.

## Conclusion

It is clear that an argument can’t be sustained that Venezuela is heading in a socialist direction. Wealth and the means of production are still owned and controlled by a minority, whether capitalists or high-ranking state officials, not by the working class. Linked to this, oppressive relations of production remain including in partly or fully state-owned corporations. There is no real self-management or direct democracy in workplaces or in the state developed community councils.

Nationalisation in Venezuela, as elsewhere, does not equal socialism. Certainly a nationalist section of the ruling class has come into state power, in the guise of Bolivarianism, but class rule remains firmly in place. Indeed, the Bolivarian elite have been the main beneficiaries of the Bolivarian ‘process’. Their lifestyles, and those of ‘leftists’ that have joined them in the ruling class, are opulent, but the lives of the working class continue to be defined by poverty, inequality, oppression, and exploitation.

Elements of neo-liberalism still also pervade the Venezuelan economy. The interests of multinational corporations, especially those that are seen as important investors, are protected and furthered by the state. Capitalists with close links to the state

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<sup>173</sup> Bakunin, M. 1990. *Statism and Anarchy*, Cambridge University Press: United Kingdom p. 343

<sup>174</sup> Bakunin, M. 1867. *Federalism, Socialism, Anti-Theologism*. Kindle p. 99



collated and gathered so that decisions can be made by a few who hold power in these bodies. The bureaucracy that emerges from centralisation also develops its own interests, like maintaining the power and material privileges it has<sup>171</sup>. It is, therefore, precisely because of state centralisation in Venezuela that the size and power of a bureaucratic layer has been growing. It is for such reasons that anarchists have pointed out that the state itself generates a ruling elite and an unaccountable bureaucracy. This means states too cannot evolve into organs of direct democracy. As Bakunin stressed, when former workers or activists enter into high positions in the state they become rulers and get used to the privileges their new positions carry, and they come to “no longer represent the people but themselves and their own pretensions to govern the people”<sup>172</sup>. History has shown repeatedly that Bakunin’s analysis was correct, and it is being proven to be insightful yet again in the case of Venezuela. History has also shown, and the case of Venezuela confirms this, when ex-workers and ex-activists enter into the state, and become part of the ruling class, they have few qualms about using the power of the state to attack the working class when their new interests diverge from those of this class. It is this too that explains why the ‘Bolivarian’ state, despite having (ex-)leftists in it, has often moved so swiftly and decisively against workers when the state’s, or its capitalist allies’ interests, have been threatened.

Bakunin foresaw the possibility of such a situation arising in cases where national liberation was based upon the strategy of capturing state power. Bakunin said that the “statist path” was “entirely ruinous for the great masses of the people” because it did not abolish class power but simply changed the make-up of the ruling

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<sup>171</sup> McKay, I., Elkin.G. Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)

<sup>172</sup> Bakunin, M. 1990. *Statism and Anarchy*. Cambridge University Press: United Kingdom, p. 178

that have led to the rise of a powerful bureaucracy in the first place<sup>16</sup>. A more nuanced version of this also comes from Marxists like Alan Woods who believe that while the revolution is still incomplete and reversible – and feel that a revolutionary party, revolutionary cadre and revolutionary leadership are needed to take tasks forward – Hugo Chavez is seen as being genuine about wanting socialism. They tend to see him as a real radical trying to charter a cautious path forward to prevent a ‘counter-revolution’, supported by the people, but surrounded on all sides by danger, which includes ‘Stalinists’ and ‘reformists’ manipulatively holding back the real revolution and preventing the working class from taking power<sup>17</sup>. Worse still, a minority of staunch international Chavistas see any questioning of the ‘Bolivarian Revolution’ as heresy, and dismiss any criticisms out of hand as being counter-revolutionary and playing into the hands of imperialism. The actual content of the critical arguments that have been made by a minority of progressive analysts and activists are not even engaged by such Chavistas; when they have been, responses have often taken the form of unfounded personal attacks. Good examples of this have been the reactions of some leftists to the documentary, *Nuestro Petroleo y Otros Cuentos*, which highlighted the problems around the PDVSA and the oil industry<sup>18</sup>. Such attacks have tended to stifle debate and undermine the struggle for genuine socialism; of which freedom of expression, speech and debate form a central part.

Too often, therefore, some of the left supporters of Chavez have tended to be stuck in the quagmire of the rhetoric that has surrounded the ‘Bolivarian Revolution’. When one, though, ignores the rhetoric and critically examines reality, it becomes very difficult to argue that Venezuela is heading towards socialism or that

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<sup>16</sup> Janicke, K & Fuentes, F. *Venezuela: Danger signs for the revolution*. <http://venezuelasolidarity.org/?q=node/265> 22<sup>nd</sup> February 2008

<sup>17</sup> <http://www.marxist.com/interview-alan-woods-venezuelan-revolution180607.htm>

<sup>18</sup> <http://arizona.indymedia.org/news/2006/04/39404.php>

there is some grand, but cautious plan to hand real power over to the working class in the long run. Most glaringly the reality that capitalism, including elements of neo-liberalism, continue to flourish in Venezuela cannot be denied.

## The 'Bolivarian Revolution' and Minority Property Ownership

Many of the left writers who support the Venezuelan state have often praised the Bolivarian Constitution as progressive and even in some cases they have described it as a step towards socialism<sup>19</sup>. The Constitution does include clauses that, on paper, commit the state to protect and further the rights of people, communities and the environment. Within the document there are also clauses that pay lip service to the idea of participatory democracy and the full development of human beings. Sections also promote the role of the state within the economy (which as will be argued later, however, does not amount to socialism). For some leftists these clauses are seen as evidence of the progressive nature of the Constitution and in their writings it is these clauses that they choose to highlight<sup>20</sup>.

Important sections of the Bolivarian Constitution, nonetheless, also enshrine the protection of minority property including state-ownership and private property<sup>21</sup>. The implications of this should not be disregarded. By protecting and recognising the right of a minority to own most of the property, the Bolivarian Constitution also commits the state to uphold the unequal relations that flow from this. Unequal power relations are the basis of a class soci-

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<sup>19</sup> Wilpert, G. *Venezuela's New Constitution*. <http://venezuelanalysis.com/analysis/70>. 27<sup>th</sup> August 2003

<sup>20</sup> <http://www.socialistproject.ca/bullet/bullet051.html>

<sup>21</sup> <http://venezuela-us.org/inversion-extranjera-en-la-republica-bolivariana-de-venezuela/>

ing 'stability'. As part of this crackdown, Chavez stated in January 2009 that: "From now on anyone setting ablaze...trees or blocking a street shall learn how good our tear gas is and then be arrested"<sup>169</sup>. In this type of atmosphere it is not astonishing that hundreds of activists involved in protests in poor neighbourhoods have been arrested, imprisoned and some even killed by the police, including grassroots Chavistas<sup>170</sup>.

Although there have been protests over bad service delivery; it cannot be denied that the missions have been popular with many workers and the poor. However, the missions and a veneer of welfare have provided leaders within popular movements with a rationale for maintaining their links with the PSUV and the state. This has seen many left leaders using the initiatives such as the missions to justify the need for an alliance, and what amounts to a cross-class alliance, with the military derived section of the 'Bolivarian' ruling class. This is a barrier and hindrance to genuine working class power and struggles.

In fact, many leftists have entered into the state. Through doing so, and despite what may have even been good intentions, they have joined the 'Bolivarian' section of the ruling class. Many hold top positions in state departments or parliament, and thus form a central part of the hierarchical state system. They have themselves, consequently, become part of the elite in the state who govern and give orders to others. They too, due to their positions, live in vastly different material conditions to workers and the poor. Being part of a few who have the power to make decisions for others, and the ability to enforce those decisions, creates a privileged position. As such, the centralisation of power, which defines states, generates an elite and a bureaucracy. The reason why the state generates a bureaucracy is because centralised bodies need information to be

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<sup>169</sup> Lopez, S. *Venezuela and the 'Bolivarian Revolution' (Part 2)*. [http://internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html), p. 12

<sup>170</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

of the Barrio Adentro healthcare centres have also lacked adequate staff<sup>162</sup>.

Within the nutrition mission, up until his arrest – and consequently the nationalisation of his company – Ricardo Fernandez Barrueco was the main beneficiary as he made a fortune supplying the state-owned supermarkets, Mercal, with goods<sup>163</sup>. Even today, most of the food in the state-owned supermarkets is derived from capitalist companies<sup>164</sup>: meaning even though the state subsidises basic foods it is the private suppliers that are reaping profits. Most of this food is also imported from companies in the US, Brazil, and Colombia. In actual fact, the Venezuelan state spends US \$ 8 billion annually importing food from private companies<sup>165</sup>. Some of the stores and logistics associated with the nutrition mission, and the state's other supermarket network PDVAL – due to the state bureaucracy – are a shambles with goods often going off in uncollected containers<sup>166</sup>. Many of the stores are under-resourced, often lack an adequate supply of goods and low level workers complain of bad and dangerous working conditions<sup>167</sup>. This, unfortunately, is to be expected in any top down state-led bureaucratic initiative.

Welfare provision by the state is simply not living up to the expectations of many workers and the poor. This can be seen in the large number of protests that have erupted in communities. Over the last few years there have been hundreds of protests, for example, over a lack of proper housing<sup>168</sup>. During such protests people have blocked roads, often with trees and debris. In response the state has encouraged police to take action in the name of restor-

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<sup>162</sup> <http://phillyimc.org/en/why-there-popular-protest-venezuela>

<sup>163</sup> [www.sptimes.com/2007/12/17/State/Politically\\_connected.shtml](http://www.sptimes.com/2007/12/17/State/Politically_connected.shtml)

<sup>164</sup> Lopez, S. *Venezuela and the 'Bolivarian Revolution'*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

<sup>165</sup> <http://ipsnews.net/news.asp?idnews=51745>

<sup>166</sup> <http://ipsnews.net/news.asp?idnews=51745>

<sup>167</sup> <http://www.aporrea.org/actualidad/n137811.html>

<sup>168</sup> <http://phillyimc.org/en/why-there-popular-protest-venezuela>

ety. For anarchists, the ruling class consists of two sections, capitalists and state managers, who monopolise wealth and power. As such, state managers derive most of their power by controlling the means of administration and coercion (along with sometimes controlling and owning the means of production through the state), while capitalists' source of power rests largely upon directly owning the means of production – for which private property rights are essential. Indeed, it has long been recognised by anarchists that minority property rights, whether based on private property or state ownership, are one of the main foundations on which the capitalist system rests<sup>22</sup>. Property rights generate and maintain a class system defined by a situation where an elite owns most of the property; while a majority has little or nothing. The fact that an elite few have a monopoly, protected by the state, over the ownership of the means of production also allows them to exercise power over the majority who, by design, have very little. As such, property rights create and entrench a process whereby those who do not own property are always at a disadvantage and are forced, in order to survive, to sell their labour to those who do own property. As Errico Malatesta pointed out:

*“property allows its owners to live from the work of others and therefore depends on the existence of a class of the disinherited and dispossessed forced to sell their labour to the property owners for a wage below its real value...this means workers are subjected to a kind of slavery, which, though it may vary in the degree of harshness, always means social inferiority, material penury and moral degradation, and is the primary cause of all the ills that beset today's social order”*<sup>23</sup>

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<sup>22</sup> McKay, I., Elkin, G., Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)

<sup>23</sup> Malatesta, E. 1995. *The Anarchist Revolution: Polemical Articles 1924-1931*. Freedom Press: United Kingdom, pp. 113

Thus, property rights allow for and entrench wage slavery, exploitation and authoritarian relationships that define capitalism. Despite some of the niceties of the 'Bolivarian Constitution' at its very heart, and through its protection of private and minority property ownership, it entrenches relationships based on inequality and the subjugation of the majority of people, the working class, to the rule of a few.

The extent that the Bolivarian Constitution and state protects private property rights can be seen by the fact that a well known business lawyer, Allan Brewer-Carias, was able to personally insert a number of articles that explicitly protected the interests of private business<sup>24</sup>. This protection of private enterprises extended to granting foreign based multinationals the same rights as domestic companies and investors. This was done through clauses such as Article 301 of the Constitution and legislation like the Decree-Law 356 for the Promotion and Protection of Investments. In the early stages of the Chavez government, agreements were also signed with the US state, which involved the 'Bolivarian' state assuring US capital that it would be treated as domestic, that its investments would be protected, and if nationalised ample compensation would be provided<sup>25</sup>. In other countries such laws and agreements have been widely condemned by leftists as part of the neo-liberal agenda and have been viewed as a drive by multinational companies to expand their power. But when applied in Venezuela, silence seems to be the order of the day.

In addition to the Constitution, other laws classify private investment as a supposed tool for social development, and expressly defend the principles of competition<sup>26</sup>. Venezuela also has ample legislation that protects intellectual property rights, which have

<sup>24</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>25</sup> Gott, R. 2005. *Hugo Chavez and the Bolivarian Revolution*. Verso Books: United Kingdom

<sup>26</sup> <http://venezuela-us.org/inversion-extranjera-en-la-republica-bolivariana-de-venezuela/>

building companies owned by, or with links to, key current or ex high-ranking military officers have reportedly been the main beneficiaries of state contracts to build houses and healthcare centres linked to the missions. In the process under-handed dealings, bribes, abuse of power and kickbacks have been rampant. The reality that corruption is rife within and around the missions has also meant that millions of people lack adequate and safe housing. This backlog is being addressed at a snails pace – slower according to some than it was under previous administrations in the 1990s – by the contractors hired by the 'Bolivarian' state<sup>158</sup>. With regards to the healthcare mission (Barrio Adentro), the costs of the buildings have reportedly also been inflated by contractors. Some of the centres have cost almost five times more than buildings of a similar size<sup>159</sup>. Thus, while some benefits have flowed from the missions to the poor, high-ranking state officials and private companies have been milking the system and reaping the real financial rewards.

Many of the problems faced by communities have not been effectively addressed by the missions. While much money has been spent by the state on Barrio Adentro, to provide primary healthcare and pay for the building of the centres, secondary and tertiary hospitals remain under-funded and on the verge of collapse<sup>160</sup>. According to some left critiques only just over half of the approximately 8 500 planned primary healthcare centres associated with Barrio Adentro had been built by 2007 (3 years after the mission was initiated)<sup>161</sup>. While spending money paying private contractors, many

<sup>158</sup> PROVEA. 2008. *Informe anual octubre 2007 – septiembre 2008 sobre la situación de los derechos humanos en Venezuela*. PROVEA: Venezuela

<sup>159</sup> Lopez, S. *Venezuela and the 'Bolivarian Revolution'*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

<sup>160</sup> Wetzel, T. *Venezuela from below*. <http://www.zcommunications.org/venezuela-from-below-by-tom-wetzel> 22<sup>nd</sup> August 2011 22<sup>nd</sup> August 2011

<sup>161</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

of these problems that capitalism and class rule generates. If it did not, it would become clear to the working class how unfair the rule of the elite really was; and the possibility of revolution would be opened up. Thus, states provide some welfare to try and maintain the status quo, defined by an elite exploiting and ruling over the working class. This, unfortunately, applies to Venezuela too.

Welfare provision in Venezuela as elsewhere, consequently, is a victory for the working class as well as a sign of the exploitation and domination waged on the working class. States always, nevertheless, try to make propaganda mileage out of the fact that they provide welfare, yet they are part of the system that leads to the need for welfare. When states deliver welfare they claim to be acting as the servants of the poor and workers; while in reality they facilitate their exploitation and oppression. It is this duplicity that led Malatesta to argue that the state: “cannot maintain itself for long without hiding its true nature behind a pretence of general usefulness; it cannot impose respect for the lives of the privileged people if it does not appear to demand respect for human life, it cannot impose acceptance of the privileges of the few if it does not pretend to be the guardian of the rights of all”<sup>157</sup>. Forced to provide some basic welfare, the state then pretends to do so out of kindness. Via its policies, the Venezuelan state too rules in the interests of an elite (especially a ‘Bolivarian’ aligned elite), whilst handing out some welfare to try to mask this reality and alleviate the worst impacts of continued class rule.

Despite the benefits that have come with the missions, along with the propaganda mileage the state has made out of it, there have also been major problems. The missions are defined by hierarchical relations with current and former members of the armed forces playing a prominent role in their planning and administration. This has left the missions open to corruption. Private

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<sup>157</sup> Malatesta. E. 1891. *Anarchy*. [http://theanarchistlibrary.org/HTML/Errico\\_Malatesta\\_\\_Anarchy.html](http://theanarchistlibrary.org/HTML/Errico_Malatesta__Anarchy.html), p. 3

been used to great effect by corporations to privatise and monopolise knowledge with the aim of maximising profit<sup>27</sup>. Thus, the Bolivarian Constitution and the legal system surrounding it, despite what some leftists want to believe, can hardly be seen as representing a break with capitalism. Some of the laws of the country are still permeated with elements of neo-liberal ideology.

In protecting property rights including private property, and accompanying class rule, and the unequal relations that flow from it, the Venezuelan state, despite its rhetoric, is simply acting as all modern states do. For capitalism to function and for class rule to be maintained, a state is vital. It is central to protecting and maintaining the very material basis on which the power of the elite is derived. Without a state, which claims a monopoly of violence within a given territory, an elite could not rule nor could they claim or hold onto the ownership of wealth and the means of production. In fact, the state as an entity is the “defender of the class system and a centralised body that necessarily concentrates power in the hands of the ruling classes; in both respects, it is the means through which a minority rules a majority”<sup>28</sup>.

State managers also have their own reasons for wanting to protect the minority ownership of property – which includes private and state owned property – because their own privileged positions rest on capitalist exploitation. As such all states’, which includes the ‘Bolivarian state’, maintain capitalism and minority rule through hierarchies, a chain of command, the legal system and policing. If minority ownership of property is threatened, the state’s role is to end that threat whether through violence, imprisonment, intimidation or co-option. As argued by Rudolf Rocker the state is “indispensable to the possessing minority for

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<sup>27</sup> <http://venezuela-us.org/inversion-extranjera-en-la-republica-bolivariana-de-venezuela/>

<sup>28</sup> Schmidt, M. & van der Walt, L. 2009. *Black Flame: The Revolutionary Class Politics of Anarchism and Syndicalism*. AK Press: United States, pp. 52

the protection of its privileges”<sup>29</sup>. In defending and enshrining private property rights, amongst other things, the Venezuelan state commits itself to playing this role too. Through the state enforcing property rights, the theft of the means of production that has been undertaken by the ruling class – made up of capitalists and state managers – over centuries is sanctioned, sanctified and protected<sup>30</sup>.

It is important too that state-ownership, which is promoted in some sections of the ‘Bolivarian Constitution’, be recognised for what it is: ownership and control by a minority. State-ownership, therefore, should not be confused with collective or common ownership. This is because under a state system, power is concentrated in the hands of a few. Even in a parliamentary system a handful of state managers and politicians get to make all important decisions; not the ‘people’. These state managers then instruct others what to do through the hierarchical state. This means under state ownership, the ‘people’ or working class don’t own, control or have a real say over state-owned companies; rather state managers do. Workers too are still forced to sell their labour except under nationalisation they have to sell their labour to state managers. The products and services produced in such state-owned companies do not belong to the workers or the wider working class, but the state. State managers, therefore, have the power to decide what to do with the products produced; not the workers or the working class as a whole. The vast majority of nationalised industries throughout history, including those in Venezuela, have also strived to make a profit, hence there has been a drive to extract surplus value from workers. Thus, nationalisation creates a situation whereby instead of an individual capitalist owning, controlling and benefiting from

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<sup>29</sup> Rucker, R. 2004. *Anarcho-Syndicalism: Theory and Practice*. AK Press: United States, pp. 11.

<sup>30</sup> McKay, I., Elkin, G., Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)

It also needs to be recognised that extremely high oil prices have given the state the space to role out the missions. This means many people have had some improvements, even if limited, in their lives without the state ever having to go against its own real interests or jeopardise the ruling class’s position at the apex of society. High-ranking state officials and capitalists in Venezuela continue to enjoy exceptionally lavish lifestyles. The poor, despite getting some assistance, still live in poverty and this is not being overturned by the state. Only a social revolution will alter this, as only a genuine social revolution would be capable of creating genuine equality and establishing a society in which all people’s needs can be met.

Another important consideration with regards to welfare in Venezuela is to realise that the working class through historical and current struggle have won and defended the right to at least get some welfare from the ruling class. Massive struggles like the *Caracazo* played a huge part in this. As such, it needs to be recognised that welfare is also a concession that has been forced upon the Venezuelan ruling class, including the ‘Bolivarian’ elite. By using populist rhetoric, to get re-elected, the PSUV elite also have to try and continue to maintain the missions. Without them, they would have absolutely no credibility and their self-interest and pro-business policies would become clearly evident to all.

In providing welfare, the Venezuelan state is not unique. Under pressure, all states provide some welfare, but they cannot end the system that generates the need for welfare. This is because states cannot end capitalism and class rule, which are the reasons why there is a need for welfare in the first place. In exploiting and oppressing people, capitalism and class rule will always generate and maintain a situation whereby some people have very little. Linked to this, the fact that a minority of people under capitalism have a monopoly over the means of production, through property rights that the state enforces, leads to a majority of people being dispossessed and even unemployed. The state, in order to maintain class rule and a semblance of stability, has to intervene to alleviate some

hands of a few, and using state structures that are hierarchical, ensures that this won't happen and that freedom and socialism will be postponed rather than prepared for<sup>153</sup>. Indeed, if people genuinely self-governed and self-managed society there would be no need for a state as there would be no rulers and no ruled. In a society that is genuinely equal, hierarchical institutions were a minority have power like the state would be obsolete and, in fact, counter-revolutionary.

### The 'Bolivarian' Missions

Due to being blinded to the reality that a state can never be an emancipator, many leftists have come to see welfare and the 'missions' in Venezuela, provided and run by the 'Bolivarian' state, as being building blocks of socialism and an attempt to create a participatory society<sup>154</sup>. The missions, though, were not established by the state to create socialism; but to provide the poor with access to primary healthcare, housing, improved basic education, and subsidised foodstuffs within capitalism. This is not to deny that the missions have had some benefits. According to the UNDP, Venezuela has a 95% literacy rate and its Human Development Index improved from 0.656 in 2000 to 0.735 in 2011<sup>155</sup>. Millions of people too have access to subsidised basic foodstuffs through the missions; while unemployment, in the narrow sense, dropped from 13.2% in 2000 to 6.9% in 2009<sup>156</sup>. The fact that there have been improvements in the lives of the poor should not be dismissed or minimised, but it should also not be claimed that this is socialism or exaggerated.

<sup>153</sup> McKay, I., Elkin.G. Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)

<sup>154</sup> <http://venezuelanalysis.com/analysis/1834>

<sup>155</sup> <http://hdrstats.undp.org/en/countries/profiles/VEN.html>

<sup>156</sup> <http://data.un.org/CountryProfile.aspx?crName=Venezuela%20%28Bolivarian%20Republic>

a company, the state bureaucracy do. When the state owns the means of life and production, the majority of people are still denied control and are non-owners; meaning they remain wage slaves<sup>31</sup>. It is this that led Emma Goldman to argue that when property or a company is nationalised:

*"it belongs to the state; this is, the government has control of it and can dispose of it according to its wishes and views...such a condition of affairs is called state capitalism but it would be fantastic to consider it in any sense communistic"*<sup>32</sup>

### 'Revolutionary' Profits and the Spectre of Neo-liberalism

While the supporters of the 'Bolivarian process' have tended to play up the role of the state in the economy, the reality is that the Venezuelan economy, along with being defined by the protection of minority property ownership, is market based and profit driven. Whether state or privately owned, the aim of the majority of corporations in Venezuela is to make profits. To do so, by definition, workers are exploited and surplus value is extracted from them. Even the much vaunted PDVSA is a multinational corporation with interests stretching from Sweden to the US. It is driven by profit and not, as companies in a socialist economy would, to meet people's needs based on direct democracy<sup>33</sup>. In 2010 alone the PDVSA recorded profits in excess of 3 billion US dollars<sup>34</sup>. While some of the staunch ideologues in the Venezuelan state may call

<sup>31</sup> McKay, I., Elkin.G. Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)

<sup>32</sup> Shulman, A. 1998. *Red Emma Speaks: An Emma Goldman Reader*. AK Press: United States, pp. 406.

<sup>33</sup> <http://www.pdvsa.com/>

<sup>34</sup> <http://www.eluniversal.com/2011/.../pdvsa-gets-net-profit-at-usd...> - Venezuela

the PDVSA socialist, the reality is far different (more of which will be discussed later).

Despite the state playing a role in the economy (as states do in all capitalist economies), private companies continue to generate 70% of GDP<sup>35</sup>. State spending as a percentage of GDP in Venezuela in 2007 was also markedly lower than in other capitalist economies such as France and Sweden<sup>36</sup>. Added to this, between 1998 and 2008 the private sector's share of the economy grew from 64.7% to 70.9%<sup>37</sup>. Such figures are certainly at odds with the picture of greater state involvement in the economy that has been painted by many international supporters of the 'Bolivarian Revolution'.

In Venezuela, the private sector has been growing at a faster rate than the state sector, which is capitalist anyway, under the 'Bolivarian Revolution'. The finance and insurance sectors have been major beneficiaries of this and have been growing in leaps and bounds. Under the Chavez-headed state this sector has grown an astronomical 258.4 percent, averaging 26.1 percent annually<sup>38</sup>. Clearly an environment that is extremely favourable to finance corporations has been created, with a fixed exchange rate offering stability but also opportunities for massive profits that involve black market deals facilitated and protected by high-ranking state officials and bureaucrats<sup>3940</sup>. In terms of legal deals, it should also

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<sup>35</sup> Martinez, C. *Daily Chronicles from the Consumerist Dictatorship in Venezuela*. <http://venezuelanalysis.com/analysis/bolivarian-project> 5<sup>th</sup> Jan 2012

<sup>36</sup> Weisbrot, M. & Sandoval, L. 2007. *The Venezuelan Economy in the Chávez Years*. Center for Economic and Policy Research: United States

<sup>37</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States, pp. 131

<sup>38</sup> Wiesbrot, M. , Ray, R., & Sandoval, L 2009. *The Chavez Administration at 10 Years: The Economy and Social Indicators*. Center for Economic and Policy Research: United States

<sup>39</sup> <http://www.ft.com/intl/cms/s/0/cd1bcace-c0b5-11dd-b0a8-000077b07658.html#axzz1ltNsKBq0>

<sup>40</sup> [http://www.eluniversal.com/2009/12/17/en\\_eco\\_esp\\_the-centrifuge-that\\_17A3197171.shtml](http://www.eluniversal.com/2009/12/17/en_eco_esp_the-centrifuge-that_17A3197171.shtml)

age, has also created a situation whereby corruption is rife within some community councils<sup>151</sup>.

The state's hierarchical and controlling logic has proved incompatible with direct democracy and people in the community councils having real control over their lives. Direct democracy either involves communities having full control over their lives and having the ability to decide collectively and democratically on all important matters that affect them and the ability to implement those decisions without rulers; or direct democracy does not exist. As a state always involves the delegation of power into the hands of a few; its very logic violates any notion of equality, freedom and direct democracy. Those who make up the governing bodies and departments of a state, as elected representatives and unelected bureaucrats, have real power. They have the ability to make decisions on behalf of the population. As such, the state is the antithesis of equality, and does not allow for direct democracy to truly exist in the entities it controls. The state's very existence also ensures that the existing divisions in society, defined by those who give orders and those who are expected to obey them are not broken down<sup>152</sup>. It is farcical to claim, consequently, that direct democracy and self-management is present in the institutions that the state ultimately controls, like community councils.

Many leftists will not admit that direct democracy does not exist in Venezuela's community councils. This is because they fail to see that a hierarchical institution, like the state, cannot by its very nature bring freedom. It cannot allow genuine direct democracy to flourish, which would entail people self-governing using direct democracy, mandates, rotating and recallable delegates through federated assemblies and councils. Placing power in the

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<sup>151</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>152</sup> McKay, I., Elkin.G. Neal, D. & Boraas, E. 2009. *The Anarchist FAQ*. [http://theanarchistlibrary.org/HTML/The\\_Anarchist\\_FAQ\\_Editorial\\_Collective\\_\\_An\\_Anarchist\\_FAQ.html](http://theanarchistlibrary.org/HTML/The_Anarchist_FAQ_Editorial_Collective__An_Anarchist_FAQ.html)



sports fields. Funds for these projects, nevertheless, are held by the President's Office and distributed via regional and national 'committees' that are tied to the state<sup>149</sup>. The state, therefore, has the final say over which projects to fund (each project can receive up to US \$ 13 000). This has meant that from the beginning the state played a major role in decision making; and it has not been the community councils that have the final say over what is and is not funded.

The state moreover has used the projects associated with the community councils to engender a sense of loyalty to it amongst communities. This has even seen the state trying to draw some community council members into its intelligence gathering network. At one meeting hosted by DISIP – the state political police – 450 community council members were encouraged to become involved in gathering information for state intelligence branches<sup>150</sup>. Such practices are totally incompatible with building genuine direct democracy, and are rather about building loyalty to the state and monitoring people, including leftists, that may be dissidents.

The reality that ultimately the state can decide which projects to fund, or not, has also left the community council projects open to party political manipulation, even beyond trying to ensure loyalty to the state. Projects proposed by PSUV members have almost inevitably been funded; while those put forward by non-PSUV members have often been rejected. The community councils have also reportedly come under pressure from the state managers to integrate themselves into PSUV in terms of gathering votes for the Party and training cadre. The reality that the state decides on what projects to fund, and uses this power to practice political patron-

be noted that the current 'Bolivarian' state works with a wider number of private banks than its predecessors, and the contracts it hands out are highly lucrative<sup>41</sup>. The attractiveness of the banking sector in Venezuela can be seen by the growing investment by some huge multinationals. Most of the large banks in Venezuela are still privately owned, with multinationals corporations such as Banco Bisboa, Liberty Mutual, ABM-AMRO and Citibank playing major roles<sup>42</sup>. The state too is indebted to a number of private multinational banks. These banks, amongst other things, are the main buyers of Venezuelan state bonds<sup>43</sup>. In fact, multinationals play a major role throughout the economy. For example, Mitsubishi-Hyundai looms large in the manufacturing sector, Vale is a major player in mining, and Movistar plays a big role in telecommunications<sup>44</sup>.

While the 'Bolivarian Revolution' was and is opposed by some sections of the local capitalist elite, it is by no means opposed by all. The state and the ruling United Socialist Party of Venezuela (PSUV) have close relationships with important sections of the Venezuelan capitalist elite. Most prominent amongst these is billionaire Wilmer Ruperti. Ruperti is the owner of shipping companies, Suramericana de Transportes de Petróleo and Global Ship Management; and TV stations such as Canal i. In 2002/03 he played a key role in breaking the strike by the old guard of the PDVSA that was aimed at toppling the government. He did so by shipping petrol into Venezuela and selling it to the state, which desperately needed it to keep the economy running and blunt the right wing plot. He has been handsomely rewarded for this loyalty. Along with being awarded a medal by Chavez, his company has since received the bulk of the

<sup>149</sup> Wetzel, T. *Venezuela from below*. <http://www.zcommunications.org/venezuela-from-below-by-tom-wetzel> 22<sup>nd</sup> August 2011 22<sup>nd</sup> August 2011

<sup>150</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>41</sup> Dudley, S. *Oil spawns a wave of newly rich*. [www.venezuelareal.zoomblog.com/archivo/2006/07/23/ 23<sup>rd</sup> July 2006](http://www.venezuelareal.zoomblog.com/archivo/2006/07/23/23rd%20July%202006)

<sup>42</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>43</sup> Lopez, S. *Venezuela and the 'Bolivarian Revolution'*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

<sup>44</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

contracts to ship the PDVSA's oil<sup>45</sup>. It should also not be forgotten that Chavez's 1999 election campaign was funded by sections of the business elite<sup>46</sup> and in recent years a pro-Chavez business federation was formed<sup>47</sup>. Even some members of the old guard that initially wanted to topple Chavez have been welcomed into the fold. This includes telecommunications magnate Gustavo Cisneros. He was directly involved in the 2002 coup plot and his TV company, Venevision, carried out the associated propaganda campaign against Chavez and his government. By 2004, after a very cordial meeting, Chavez and Cisneros became firm allies. Although the details of the agreements reached were never fully made public, this new found friendship saw Venevision altering its editorial stance in a more pro-Chavez direction. It is also perhaps no co-incidence that when the state elected not to renew the broadcasting license of Radio Caracas Television (RCTV), Venevision was the main beneficiary<sup>48</sup>.

While some leftists will acknowledge that the private sector is still dominant in Venezuela, many have argued that Chavez and his allies are attempting to use the state to change this situation and break the stranglehold that private companies have on the economy<sup>49</sup>. Many supporters, for instance, have celebrated the fact that the Venezuelan state has raised taxes on oil companies as a socially progressive move<sup>50</sup>. Such windfall taxes, nevertheless, are not unknown in other countries. Saudi Arabia, hardly a bastion of socialism, has an 85% tax rate for companies involved in oil production.

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<sup>45</sup> Dudley, S. *Oil spawns a wave of newly rich*. [www.venezuelareal.zoomblog.com/archivo/2006/07/23/23rd July 2006](http://www.venezuelareal.zoomblog.com/archivo/2006/07/23/23rd_July_2006)

<sup>46</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>47</sup> <http://www.workersliberty.org/story/2009/09/05/impressions-class-struggle-venezuela>

<sup>48</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States, pp. 122 -125

<sup>49</sup> Saatdjian, M. *Capitalist vs Socialist State Intervention in the Economy*. <http://venezuelanalysis.com/analysis/3846> 1<sup>st</sup> October 2008

<sup>50</sup> <http://venezuelanalysis.com/news/6148>

lowing worker self-management to genuinely emerge from below, the 'Bolivarian' state has constantly initiated top down plans, often aimed at curtailing genuine workers' power, and has even waded in to suppress strikes in the name of protecting state-owned or private property.

## Community 'Democracy' and Welfare

Whilst it is clear that worker control and any semblance of worker self-management does not exist within the vast majority of Venezuelan workplaces, nor in the economy as a whole, numerous leftists internationally have argued that direct democracy and self-management exists in poor neighbourhoods and communities. More specifically, it has been argued that the community councils, which have been set up in neighbourhoods, form the basis of this "direct democracy and power at a grassroots level"<sup>148</sup>. Like in partly or fully nationalised factories, however, when the rhetoric is compared to the practice; the state's initiatives around community councils are found wanting.

The most important point is that the community councils did not develop organically nor were they created directly by communities themselves. Rather, the state created them through a top down process. An army general, Jorge Luis Gracia Carnerio, was given responsibility for their initial establishment. To set up community councils it was decided that up to 200 families would be grouped into each community council. The main task assigned by the state to these community councils was to identify and apply for funding for local community projects, and to identify 'housewives' that would be given a wage by the state. Certainly many local projects have been built under this scheme, like parks and

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<sup>148</sup> Jauch, H. 2009. *The Search for Alternatives: Venezuela's Participatory Democracy*. Paper Deliver at the RLS Conference 'The Global Crisis and Africa: Struggles for Alternatives', p. 2

haps no surprise that corruption, rather than widespread and real workers' power, has marked the 'Bolivarian' unions. Considering too that loyalty to the state is seen as a priority, it is not astonishing that 243 collective bargaining agreements with the state had expired and had not been renegotiated in 2007<sup>144</sup>.

It seems Chavez and the 'Bolivarian' elite are afraid of the idea of worker controlled independent unions being formed because it would undermine the state's abilities to keep the struggles of workers in check. Chavez openly admitted this by stating that: "the unions should not be autonomous...it is necessary to do away with this"<sup>145</sup>. At the partly state-owned Velteca, the management have echoed this sentiment. When workers tried to set up an independent union in the aftermath of a protest action the management immediately blocked this. The justification for doing so was that "the word 'union' does not fit within a socialist company...within a socialist system there is no need for a union"<sup>146</sup>.

This atmosphere of oppression towards worker militants, and fear of genuine working class power, by the 'Bolivarian' state has led long time left worker activist, Orlando Chirino, to comment that he has "never seen the extreme to which we've arrived today with the criminalization of protests...when you're... handing out flyers at a factory gate, speaking through a megaphone, participating in an assembly, they use repressive bodies of the state to detain the leaders, take them to jail, and while in jail they accuse them. This ends up with union militants being prohibited from going near the businesses where they do their political work"<sup>147</sup>. Far from al-

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<sup>144</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>145</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States, p. 43

<sup>146</sup> <http://libcom.org/library/venezuela-vetelca-story-first-ever-bolivarian-factory>

<sup>147</sup> Wetzel, T. *Venezuela from below*. <http://www.zcommunications.org/venezuela-from-below-by-tom-wetzel> 22<sup>nd</sup> August 2011 p. 5

Such taxes do not amount to a move towards socialism, but are rather undertaken within the confines of capitalism<sup>51</sup>. What has tended to be ignored or underplayed by international Chavistas are the pro-business policies of the state. As a matter of fact, the reason why multinationals are continuing, and in some cases even expanding, their investment in Venezuela is because a number of incentives are available to them from the state. Such incentives include debt-to-equity swaps, special credit financing, and export incentives. Companies investing in 5 of Venezuela's states and 36 industrial parks are also exempted from tax<sup>52</sup>. There are also fiscal credits available, to the equivalent to 20% of the investments, in the agricultural, processing, livestock, tourist and fishery sectors<sup>53</sup>, while special incentives are offered to companies investing in the exploration of hydrocarbons<sup>54</sup>. Over and above this, the state launched *Reimpulso Productivo* in 2009 to explicitly promote corporate investment in Venezuela. Under this, tax on financial transfers was eliminated, restrictions on foreign exchange for businesses importing materials and machinery valued up to \$50 million were eased, and a \$1 billion fund to promote private development of strategic industries was announced<sup>55</sup>. Many of these measures would rightfully be condemned by leftists internationally as neo-liberal if they were in place in any other country; but not so when it comes to Venezuela.

Many leftists have furthermore argued that the Venezuelan state's drive for people to set up co-operatives represents a firm break with neo-liberalism and an attempt to set up a social economy<sup>56</sup>. The reality is that although some genuine independent

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<sup>51</sup> <http://www.taxrates.cc/html/saudi-arabia-tax-rates.html>

<sup>52</sup> Deloitte. 2012. *International Tax: Venezuela Highlights 2012*: Deloitte: Great Britain

<sup>53</sup> <http://www.venezuela.org.my/Business/Foreign%20Investment.html>

<sup>54</sup> <http://www.venezuela.org.my/Business/Foreign%20Investment.html>

<sup>55</sup> <http://www.fifthinternational.org/content/ch%C3%A1vez-turns-right>

<sup>56</sup> [www.copac.org.za/files/ECSECC\\_workingpaper\\_5.pdf](http://www.copac.org.za/files/ECSECC_workingpaper_5.pdf)

co-operatives – that may even allow for some internal democracy – have been established, the vast majority of these co-operatives have to compete in the capitalist market. This means there are constant pressures for workers in the co-operatives to cut costs, including wages<sup>57</sup>. Aggravating this situation is the reality that workers have been forced to take loans, usually via the state, to start up co-operatives. Immense pressure exists on these workers to reduce costs to pay back these loans. The result has been that most of the workers in the co-operatives earn well below minimum wage<sup>58</sup>. Many co-operatives too have disappeared because they could not pay their start-up debt<sup>60</sup>. Those that remain are often highly dependent on, or even connected to, the state, which as will be discussed later under co-management has dire consequences for any semblance of democracy in the workplace.

Neo-liberal practices can also be found in the ‘co-operative’ sector of the economy, and such practices have been promoted by the state. The state and a number of private companies outsource many service functions to the co-operatives. In the case of the state, it outsources services like rubbish collection, road maintenance and cleaning to co-operatives (the South African state too has similar plans as part of its outsourcing drive). As is the case around the world, this outsourcing often involves the state and private companies attempting to cut costs and avoid labour laws. Workers in co-operatives in Venezuela are, in fact, not covered by the country’s labour laws. It is thus easier to fire co-operative workers by cancelling the contract with the co-operative than going through the ‘rigmarole’ of firing workers employed directly. Many of the

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<sup>57</sup> Pineiro, C. 2009. Main challenges for co-operatives in Venezuela. *Critical Sociology* 35: 841–862

<sup>58</sup> Uzcatogui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>59</sup> <http://ipsnews.net/print.asp?idnews=31071>

<sup>60</sup> Uzcatogui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

that this is not just an isolated policy; it is a state policy, which we call criminalisation of our struggle”<sup>143</sup>.

While the state has sometimes heeded calls by workers to nationalise factories, especially when they have been the factories of the Bolivarian elite’s intra-ruling class rivals, the state in many instances has firmly aligned itself with private corporations against workers. This has been prevalent in cases where such capitalists have had links to the state elite or when the companies involved have been seen as key investors. For example, in 2009 after a series of battles, workers at Mitsubishi-Hyundai factory decided to occupy the plant to try and win unpaid salaries and to try and ensure contract workers were employed directly by the company. The state, far from supporting the workers, moved swiftly and strongly against them. Special forces were deployed to evict the occupiers and restore operations. In the process, they shot dead 2 workers and seriously injured another 6. The reason why the state moved so swiftly and ruthlessly was because Mitsubishi-Hyundai was identified as a key investor. Clearly, favoured capitalists and prominent investors take precedence for the state when compared to workers.

The Chavista parties, including the PSUV, also have a long history of attempting to establish unions under their control, which are aimed at smothering genuine workers’ power and the prospect of widespread struggles. In using this strategy, the ‘Bolivarians’ have been no different to past ruling parties; who wanted compliant unions to blunt any possible threat posed by the working class. All of the ‘Bolivarian’ initiatives to set up unions have, as a result, been top down. According to a leftist union based group, *Opcion Obrera*, this has seen the Chavista elite using underhanded methods to keep control of the newer unions, and also using unions as vote gathering machines for the Party. Part of the desire to control unions by the ‘Bolivarian’ elite is also to ensure they remain loyal and unquestioning towards the state. In the light of this it is per-

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<sup>143</sup> <http://ipsnews.net/news.asp?idnews=53858>

strikes and protests have also been threatened with redundancy. At the height of the strikes in state-owned industries in 2009, Chavez also verbally launched an attack, ridiculing the demands of the workers and threatening that he would send the police in to deal with them<sup>138</sup>. In fact, he stated that: “If they threaten to stop work or they do stop work, I will deal with them myself...people who go on strike in a state enterprise are bothering the President of the Republic”<sup>139</sup>.

The state’s willingness to use violence against strikes in state-owned industries has been evident in recent years. In 2009 alone more than 40 strikes and occupations were attacked by state forces, leading to over 100 people being injured. Some workers identified as ringleaders in these strikes or protests were sentenced to long terms in prison<sup>140</sup>. Some of the victims of this state repression have been grassroots Chavistas. A member of the PSUV and unionist, Ruben Gonzalez, was sentenced to 7 years in prison by the state, which accused him of violence during a strike at the state-owned Ferrominera Orinoco<sup>141</sup>. After over a year behind bars he was eventually released following large-scale protests and the threat of a general strike should he continue to be held in prison. Upon release, severe restrictions continued to be placed on him and he has to report every 15 days to the authorities. The plight of Gonzalez is not an isolated incident. Reportedly, at least 125 worker militants remain in prison for being involved in various strike actions or occupations<sup>142</sup>. The unionist and steelworker, José Rodríguez, perhaps summed up the situation when he said: “we are convinced

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<sup>138</sup> <http://libcom.org/library/bolivarian-government-against-union-autonomy-fai>

<sup>139</sup> [http://es.internationalism.org/ismo/2000s/2010s/2010/58\\_edito](http://es.internationalism.org/ismo/2000s/2010s/2010/58_edito)

<sup>140</sup> <http://libcom.org/news/el-libertario-why-there-popular-protest-venezuela-21032010>

<sup>141</sup> <http://revolutionaryfrontlines.wordpress.com/category/latin-america/venezuela/>

<sup>142</sup> <http://www.socialistworld.net/doc/4915>

workers in the co-operatives also receive wages that are below minimum wage and don’t receive benefits, which makes it cheaper to hire workers through co-operatives for the state and private companies, than hiring them directly<sup>61</sup>. Far from helping establish a social economy or workers’ power, the state’s practice of outsourcing certain functions to precarious low paid workers in co-operatives should be seen as part of neo-liberalism.

Corruption has also wracked many of the 15 000 co-operatives that remain in Venezuela<sup>62</sup>. Many co-operatives have been fraudulently established by capitalists, often with links to PSUV politicians, to get state contracts and access to finance. In some cases this has involved business owners transforming their private companies into ‘co-operatives’ without handing workers real power. In the process, and to maximise profits, workers have often lost their leave and bonuses that they had accumulated and have been forced to enter into service with the new ‘co-operatives’ for lower wages and on less favourable conditions<sup>63</sup>. The state, in awarding contracts to such ‘co-operatives’, is turning a blind eye to such practices.

If truth be told, the state under the ‘Bolivarian Revolution’ has been able to push through some pro-business projects and aspects of neo-liberalism that its predecessors never could. This can be clearly seen in events that have surrounded the restructuring that has taken place in the gas industry since 1999. The gas industry in Venezuela was nationalised in 1971. Gas production until 1999 was undertaken almost exclusively under the auspices of the state-owned companies like Corpoven, Sagas and later PDVSA Gas<sup>64</sup>.

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<sup>61</sup> [http://en.internationalism.org/wr/295\\_chavez](http://en.internationalism.org/wr/295_chavez)

<sup>62</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>63</sup> <http://thecommmune.co.uk/2009/02/09/the-revolution-delayed-10-years-of-hugo-chavezs-rule/>

<sup>64</sup> Gonzalez, M. 2009. *Venezuela Natural Gas Market: A Proposal for its Growing*. [www.igu.org/html/wgc2009/papers/docs/wgcFinal00783.pdf](http://www.igu.org/html/wgc2009/papers/docs/wgcFinal00783.pdf)

There were, nonetheless, also some joint projects with foreign capital, but they were on the whole limited. Ironically, it only became possible to expand private sector involvement in the gas industry with the ascendancy of the Chavez regime into power.

In September 1999, the Organic Law of Gaseous Hydrocarbons, passed by the Chavez-headed state, had a major impact on the gas industry. This law opened up the entire industry to private companies, whether foreign or national. They were allowed to own 100% shares in entities throughout the gas chain, including exploration, production, transmission, storage, distribution and marketing<sup>65</sup>. While the PDVSA's subsidiaries still produce most of the gas in Venezuela, a number of multinationals are now producing gas, such as Repsol. In 2001, Chevron also purchased gas blocks in Plataforma Deltana and this was welcomed by Chavez who later stated that the company has been "great friends of the revolutionary process"<sup>6667</sup>. The PDVSA and officials from the Ministry of Energy and Mines (MEM) by 2003 were undertaking huge public relations campaigns to attract foreign investors, including to the gas sector<sup>68</sup>. This paid off as in 2009 the largest gas well in the history of the country, a joint venture and public-private partnership between the PDVSA, Repsol-YFP and ENI, began operating. At the opening ceremony Chavez shared the platform with the Repsol vice-president, with both men declaring their pride in the project<sup>69</sup>. Far from being the vanguard of state ownership, the Bolivarian government has undermined important parts of the nationalisation of the gas industry that was carried out in 1971.

<sup>65</sup> [www.beg.utexas.edu/energyecon/new.../Apertura\\_in\\_Venezuela.pdf](http://www.beg.utexas.edu/energyecon/new.../Apertura_in_Venezuela.pdf)

<sup>66</sup> Gonzalez, M. 2009. *Venezuela Natural Gas Market: A Proposal for its Growing*. [www.igu.org/html/wgc2009/papers/docs/wgcFInal00783.pdf](http://www.igu.org/html/wgc2009/papers/docs/wgcFInal00783.pdf)

<sup>67</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378). p. 16

<sup>68</sup> [www.beg.utexas.edu/energyecon/new.../Apertura\\_in\\_Venezuela.pdf](http://www.beg.utexas.edu/energyecon/new.../Apertura_in_Venezuela.pdf)

<sup>69</sup> [www.telesurtv.net/noticias/secciones/not/59710-NN/chavez-inaugura-el-mayor-pozo-de-gas-del-pais-y-uno-de-los-mas-grandes-del-mundo/](http://www.telesurtv.net/noticias/secciones/not/59710-NN/chavez-inaugura-el-mayor-pozo-de-gas-del-pais-y-uno-de-los-mas-grandes-del-mundo/)

a historical oxymoron: a tactical and ideological dead end that undermines true workers' control and self-management. The same has come to pass in Venezuela: workers remain wage slaves, who are also oppressed and exploited in the nationalised factories and state-owned institutions.

## A Wholesale Attack on Workers' Struggles

The truth that workers have little power in the fully or partly nationalised factories in Venezuela, and feel exploited and oppressed, can be seen in the wave of strikes that have erupted between 2008 and today. Undeniably, the fully or partly state-owned factories in the steel, aluminium and iron sectors have been central sites of these strikes. This has seen workers in partly or fully nationalised workplaces such as Alcasa, Sidor, Ferrominara, Bauxilum, Velteca, Matesi, and Corporacion Venezolana de Guayana confronting their state appointed managers. Some of the workers' grievances have included unsafe working conditions; not being paid on time or for months; having benefits and bonuses arbitrarily revoked; being forced to take extended periods off because the state can't meet the wage bills; and being pressurised to work extra hours 'voluntarily'. Workers in these factories have also often banded together to try and force management to end casualisation and outsourcing and have demanded contract workers be hired permanently<sup>134135136137</sup>.

The state has responded to such strikes in typical ruling class fashion: with a combination of some concessions and a dose of repression. While sometimes claiming that the issues that have been raised by workers will be looked at, many of the workers involved have been arrested. Workers that had embarked upon

<sup>134</sup> [http://es.internationalism.org/ismo/2000s/2010s/2010/58\\_edito](http://es.internationalism.org/ismo/2000s/2010s/2010/58_edito)

<sup>135</sup> <http://www.steelorbis.com/steel-news/latest-news/strike-at-sidor-affecting-national-steel-supply-565481.htm>

<sup>136</sup> <http://signalfire.org/?p=10617>

<sup>137</sup> <http://www.wsws.org/articles/2012/feb2012/wkrs-f14.shtml>

There are also ample examples from history that demonstrate that the interests of workers' self-management and state-ownership are incompatible. States have shown to have almost no interest in allowing workers to run their own affairs or to allow democracy in the workplace; because it would undermine the state's ability to control production and erode the power of the ruling class. The Soviet Union itself is a prime example of this. It was the Soviet state, under the dictatorship of the Bolshevik Party, which crushed worker self-management. This happened shortly after the October Revolution when the interests of the working class began to openly clash with those of the elite in the Bolshevik Party. As such, it was in 1918 that Lenin ended worker self-management through decreeing the implementation of one-man management<sup>132</sup>. This saw the Soviet state appoint new managers, often from the ranks of the old elite, and forcefully end any pretence of democracy in the workplace – often at the point of a gun. The fact that the Soviet state had nationalised most of the factories, which had originally been seized by workers from capitalists, contributed to this: it gave the Soviet state immense power which it wielded against the workers<sup>133</sup>. As workers were not, and could never be the state (due to its oppressive and hierarchical nature it was designed for a minority to rule over a majority), state ownership never translated into the socialisation of property and wealth, it never led to an end to capitalism, and it smothered workers' control. Nationalisation, what's more, never broke the relations of production that defined capitalism; it rather re-instituted and entrenched it. Therefore, the very logic of all states has proven to be centralist, authoritarian and elitist. This means states are incompatible with genuine self-management. As such, nationalisation under workers' control has proved to be

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<sup>132</sup> Brown, T. 1995. *Lenin and Workers' Control*. AK Press: United States

<sup>133</sup> Brinton, M. 1970. *The Bolsheviks and Workers' Control*. Black Rose Books: Canada

The 'Bolivarian' state has also carried out other major projects associated with neo-liberalism. Most of these were initially planned by previous administrations and the Bolivarian government has worked towards bringing them to fruition. An excellent example of this, are the major infrastructure and coal mining projects, which were initially planned by the Perez regime, in the Zulia province. In 1992 the Venezuelan state unveiled extensive plans to entice investors to exploit coal reserves in Zulia for the purpose of exporting to Europe and North America. Part of this saw plans unveiled to build an extensive road and railway network, a bridge spanning Lake Maracaibo and a massive deep water harbour that could handle coal exports. It was planned that coal from Colombia would also be exported via these facilities<sup>70</sup>. Opposition soon arose to the planned infrastructure projects and deep water port. Indigenous groups, fishing communities and environmentalists banded together to resist, and pointed out that the infrastructure projects and coal mining would destroy people's livelihoods and the environment. Chavez and his co-conspirators that undertook the failed 1992 coup also partly justified their actions on account of being opposed to the infrastructure plans and coal mining in Zulia<sup>71</sup>.

Once in power Chavez and his associates changed tune. Despite initial promises to the contrary, the infrastructure developments and coal mining have gone forward under the 'Bolivarian' state<sup>72</sup>. This has included breathing new life into the plans to develop a deep water harbour, and the railway and road network to service the coal mining industry. Coupled to this, the state has promoted and entered into public-private partnerships in the coal mining sector. This has seen the majority of Venezuela's coal now being extracted from two massive mines in Zulia: Mina Norte and Mina Paso Diablo. Multinational corporations have invested in both of

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<sup>70</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>71</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>72</sup> Guerrero, C. What's so Revolutionary About Venezuelan Coal? *Earth First! Journal* July-August 2005

these mines, with the state holding a share through Corpozulia. Some of these multinational corporations have included Vale<sup>73</sup>, Chevron, Meta, Peabody Energy, and the South African linked Anglo Coal<sup>74</sup>. These coal mines have had devastating impacts on communities, workers and environment. Waterways surrounding the mines have become heavily polluted. Due to the adverse health effects of coal dust generated from mining, many workers have contracted lung diseases and numerous communities have been forced to relocate for health reasons<sup>75</sup>. Communities and environmentalists in the area continue to fight against the mines, but they have faced repression from private security guards and the National Guard<sup>76</sup>. As part of this, they have been branded as agents of imperialism or terrorists by the 'Bolivarian' state for opposing Corpozulia and its corporate partners<sup>77</sup>.

The reality is, therefore, that elements of neo-liberalism are alive and well in Venezuela. While using anti-imperialist, nationalist and even anti-capitalist rhetoric, the Venezuelan state has been quite willing to put policies in place to attract and work with multinational corporations. Sections of the local capitalist elite – who have aligned themselves to the 'Bolivarian Revolution' – have also benefited from contracts and concessions from the state. As will be discussed later, various companies have been partly or fully nationalised, but the neo-liberal aspects of the 'Bolivarian' state's policies should also not be overlooked. To do so amounts to myth making and does not serve the interests of the struggles of the working class, both in and outside Venezuela.

<sup>73</sup> <http://intercontinentalcry.org/bombing-venezuelas-indians/>

<sup>74</sup> <http://www.noalamina.org/english/venezuela/the-environmental-cost-of-coal-mining-in-venezuela>

<sup>75</sup> Fernandes, S. 2010. *Who Can Stop the Drums? Urban Social Movements in Chavez's Venezuela*. Duke University Press: United States

<sup>76</sup> Lavelle, D. 2009. *Indigenous Land Rights and Coal Mining in Zulia, Venezuela*. Berkeley University: United States

<sup>77</sup> <http://www.noalamina.org/english/venezuela/the-environmental-cost-of-coal-mining-in-venezuela>

of lacking a socialist ethos, of being “greedy” and “individualistic”, and patronisingly prescribed courses of political education to rectify this<sup>129</sup>. The state, seemingly disappointed that workers failed to recognise that outsourcing and other neo-liberal practices were ‘socialist’, eventually ended up changing the top management. Each time the state has given the new director Orwellian sounding titles like worker-president. Genuine worker self-management, conversely, has not been allowed<sup>130</sup>.

Far from being havens that are nurturing worker self-management, state-owned enterprises in Venezuela are marked by relations of domination, oppression and exploitation. The state has even, at times, tried to undermine the ability of workers to challenge bad working conditions and poor wages. It, consequently, matters little whether the state or a capitalist owns a factory, workers still do not have power or direct democracy in the workplace. ‘Co-management’ and other state schemes have often become a way for the state to exploit workers even further, including pushing through aspects of lean production, casualisation and outsourcing. Such relations and practices are not marginal matters. In a society where there is a hierarchical and oppressive pattern in the relations of production, genuine socialism does not and cannot exist. Oppressive relations of production are a common denominator in all class based societies, including Venezuela. As Maurice Brinton pointed out:

*“without revolutionising the relations of production...the society is still a class society for production is still managed by an agency other than the producers themselves. Property relations, in other words, do not necessarily reflect the relations of production. They may serve to mask them – and in fact they often have.”*<sup>131</sup>

<sup>129</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>130</sup> <http://www.bnamericas.com > Home > Metals>

<sup>131</sup> Brinton, M. 1975. *The Bolsheviks and Workers' Control 1917–1921*. Black Rose Press: Canada, p. 7.



agers' in practice had little power and the state continued to unilaterally set conditions of employment and wages. In 2006, when the state decided to reduce the end of year bonuses for the workers, the workers were once again angered. This time they took to the streets in protest. This situation led the workers to comment that 'co-management' and part state-ownership had not improved their working lives and conditions<sup>127</sup>. They said: "It's like always ... exploitation is the same before and after"<sup>128</sup>. As a matter of fact, the material conditions for the workers worsened under 'co-management' as they ended up being lumped with the debt for their 'share' of the company.

Invepal has not been the only example of 'co-management' being a complete farce. The poster-child of 'co-management', Alcasa, has also experienced major problems. There too when the company became 'co-managed', the state appointed the director. Workers' assemblies were set up, but these assemblies had very limited power. They were allowed to deal with relatively trivial matters, such as the distribution of work clothes and cleaning schedules, but the major decisions were made by state functionaries and the state appointed director. The director and the state, despite their rhetoric which proclaimed that they wanted to build workers' control, were not averse to using elements of neo-liberalism in production. Contract workers were used on a large scale and their working conditions have been appalling. They were completely excluded from 'co-management' and were not allowed to participate in the assemblies. They were also forbidden from using the company's amenities, including the canteen, were paid far lower wages and were excluded from receiving any bonuses. Workers were also routinely expected to undertake extra 'voluntary' work with no extra pay. When workers denounced this situation, the state responded by accusing them

<sup>127</sup> <http://libcom.org/library/the-myth-co-management-venezuela-reflections-alcasa-invepal>

<sup>128</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States, p. 188

## The Oil Industry, PDVSA, Intra-Ruling Class Rivalries, and the Struggle for Power

Sadly, the ardent supporters that write on the 'Bolivarian Revolution' often tend not to cover the elements of neo-liberalism described above. Part of the reason for this has been that it would contradict their neat story that Chavez and his allies are building "Socialism for the Twenty First Century". Rather, much attention has been given to the actions of the state in the oil industry. For instance, much has been made by certain left writers of how the Chavez-headed state implemented joint ventures with multinational oil companies in the Orinoco oil belt in 2006, in which it took majority stakes. This has included describing such agreements as nationalisation and even as a possible step towards socialism<sup>787980</sup>. Some Chavez backer's in South Africa, perhaps in a bout of wishful thinking, have incorrectly written that the state has taken over the entire oil industry, via Chavez nationalising all of it in 1999<sup>81</sup>! Most of the left backers of the 'Bolivarian' state, therefore, tend to portray state involvement in the oil industry, and even joint ventures, as an attack of some sort upon market forces or capitalism or, in extreme cases, as building socialism. In doing so, there has been a tendency to also downplay the fact that multinational oil companies are still welcomed by the 'Bolivarian' state as partners and investors in the oil industry.

Some of the left analysis also often fails to recognise that the actions of the 'Bolivarian' state are not unique in Venezuelan history,

<sup>78</sup> Huyen, N, M. *Venezuela expands nationalization agenda*. [http://21stcenturysocialism.com/article/chavez\\_expands\\_nationalisation\\_agenda\\_01440.html](http://21stcenturysocialism.com/article/chavez_expands_nationalisation_agenda_01440.html) March 2007

<sup>79</sup> [http://axisoflogic.com/artman/publish/Article\\_29432.shtml](http://axisoflogic.com/artman/publish/Article_29432.shtml)

<sup>80</sup> Wilpert, G. *Venezuela decrees nationalization of last foreign controlled oil fields*. <http://venezuelanalysis.com/news/2245> 27<sup>th</sup> February 2007

<sup>81</sup> Amandla Editorial Staff. 2009. Can Nationalisation be Done? *Amandla* Issue 9 pp. 16.

and that sections within the ruling class, those who have been more nationalistic minded, have historically attempted to maximise revenue from the oil industry for the state (for their benefit). This has included forging a greater role for the state directly in the sector, and attempting to use the capital derived from this to diversify the country's capitalist economy<sup>82</sup>. In attempting to gain a greater share of the oil wealth, these sections within the ruling class have sometimes pitted themselves against other sections of the Venezuelan elite that have historically been far closer to imperialist capital<sup>83</sup>. Anarchists have long pointed out that the interests of such ruling class nationalists are obvious: they may aim to blunt aspects of imperialism (and thus are ruling class anti-imperialists), but they are ultimately attempting to do so in order to open more avenues for themselves to exploit the local working class and to develop local capitalism<sup>84</sup>.

The historic battles that have been waged by the nationalistic sections of the ruling class in Venezuela, nevertheless, have also always been constrained, and in the end limited. This is due to the fact that even the more nationalistic elements of the ruling class, although aiming to increase their bargaining power with regards to the US, have historically never wanted to completely alienate imperial capital and multinational oil corporations. A classic example of this, were the actions of the elite in the state in the 1970s. In the early 1970s, with oil prices sky-rocketing, the state had raised taxes to 80% for multinational oil companies. In 1976 this was followed by the state nationalising the interests of companies like Exxon, Shell and Mobil and founding the PDVSA out of this. While the state asserted that these nationalisations were about claiming

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<sup>82</sup> Uzategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>83</sup> Hellinger, D. 2002. Political overview: The breakdown of Puntofijismo and the rise of Chavismo. In Ellner, S & Hellinger, D. (eds.) *Venezuelan Politics in the Chavez Era: Polarization and Social Conflict*.

<sup>84</sup> <http://struggle.ws/issues/war/afghan/pamwt/antiimp.html>

In many co-managed workplaces, workers are even regularly not paid on time.

'Co-managed' enterprises also usually involve the state having a majority share in the company with workers being organised into a co-operative and holding a minority share. In most cases to buy a minority share, the workers in these co-operatives have to go into debt either to the state, the company or a private bank. There are a number of so-called co-managed enterprises in Venezuela including Invepal, Alcasa, and Inveval. The fact that the state has a majority share in the 'co-managed' factories has given it a massive amount of power when compared to the workers, and it has not been shy to use this power when it has come into conflict with the workers. The much celebrated Invepal is a good example of how this has played out.

When the state took over Invepal, it took a majority share and workers were encouraged to form a co-operative to take a minority stake in the company through acquiring a loan from a private bank. Despite the claim that the company was co-managed, the President of Invepal was directly appointed by the state. The state and the President of the company held real power. The share that the workers owned in the company was largely meaningless as they were not involved in making important decisions. In 2005 this saw the Invepal President unilaterally deciding to appoint a new management team. The new management team, in order to impress their state benefactors, took a decision to cut the costs of production by employing contract labourers. The contract workers were forced to work under worse conditions than the other workers and received less pay for doing the same job. Protests erupted at the company as a result. The state, far from backing down, proceeded to fire 120 of the protesting workers<sup>126</sup>.

After a long struggle the remaining workers reportedly eventually won the right to elect their own line 'managers'. These 'man-

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<sup>126</sup> <http://www.bolshevik.org/1917/no30/no30-Venezuela.html>

Metro and to fire all of the striking workers. Union leaders, who were PSUV members, also placed heavy pressure on the workers to end the strike. Under such state repression, workers were eventually forced to give in<sup>120121</sup>.

## The Myth of ‘Co-Management’

Within a number of partly or fully nationalised factories the state, nevertheless, has tried to claim that a system of co-management – where the workers and state supposedly manage the enterprise together – has been put in place. These supposed co-managed enterprises have often been hailed as being some kind of workers’ paradise on various international left-wing websites<sup>122123124</sup>. Once more the truth is not so rosy and the state’s rhetoric has not lived up to its practices. Many of the ‘co-managed’ factories have been riddled with elements of hierarchical and authoritarian management, with workers being fired at will and having very little control over anything important. Even in the best cases co-management has involved the workers giving advice about the day to day problems faced in production, while strategic decisions are made by the state<sup>125</sup>. Within many of the co-managed factories the state and workers have often been at loggerheads. Vast gaps also exist in terms of pay between the state officials that control the ‘co-managed’ factories and the workers.

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<sup>120</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>121</sup> Lopez, S. *Venezuela and the ‘Bolivarian Revolution’*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

<sup>122</sup> <http://www.workers.org/2005/world/venezuela-0519/>

<sup>123</sup> <http://www.greenleft.org.au/node/38072>

<sup>124</sup> [http://directaction.org.au/issue28/developing\\_workers\\_control\\_in\\_venezuela](http://directaction.org.au/issue28/developing_workers_control_in_venezuela)

<sup>125</sup> Lopez, S. *Venezuela and the ‘Bolivarian Revolution’*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

Venezuela’s sovereignty, it provided generous compensation packages to the affected companies and most were retained as service providers to the PDVSA. This meant that the involvement of these multinational oil companies in Venezuela’s oil industry was never completely ended. The reason for this is that even the nationalist sections of the ruling class never wanted to completely push out imperialist capital; as they believed that to do so would lead to a massive crisis, and that would possibly impact on their positions in the ruling class. This they wanted to avoid<sup>85</sup>. It is in the light of these intra-ruling class battles, and the drive by some elite sections to gain a greater share of the oil revenue for the state without completely estranging imperialist capital, that many of the more ‘radical’ policies with regards to oil, besides those that are outright neo-liberal, of the ‘Bolivarian’ state should be seen.

While never forgetting the centrality of working class struggles, it is important to trace in greater detail the intra-ruling class battles that have marked Venezuela’s history, as in this context it becomes evident that the actions of the ‘Bolivarian’ state with regards to the oil industry are not that exceptional. At different points in Venezuela’s history, different factions of the ruling class have had the upper hand. The early Twentieth Century dictatorship of General Juan Vicente Gomez was very closely aligned to, and very supportive of, imperialist powers especially the US. By the time of his death he had also come to develop very close links to members of the Wall Street elite. By the 1970s the more nationalistic elements of the ruling class, conversely, had gained some dominance and it was during this period that the nationalisation of the oil industry occurred.

During the late 1980s the ground started to shift under the feet of the nationalistic sections of the ruling class. Oil prices had nosedived and the country was experiencing a profound economic cri-

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<sup>85</sup> Lopez, S. *Venezuela and the ‘Bolivarian Revolution’*. [www.internationalist-perspective.org/IP/ip.../ip\\_51-52\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip.../ip_51-52_venezuela.html)

sis. The section of the ruling class that were very closely aligned with imperial capital and the US state were also on the rise again, as global politics shifted further to the right. Many of the people in top positions in the PDVSA were from this section of the ruling class and had material and ideological links to US and European imperialism (some were even the ex-heads of Exxon's, BP's and Total's Venezuelan operations). While being forced to accept nationalisation, they had during the early 1980s attempted to reduce the amount of tax that the PDVSA paid to the state. They did this by transforming the PDVSA into a multinational company and in the process they used the corporation's reserves to purchase companies like Citgo and embark on transfer pricing. This was done to move resources beyond the reach of the state, as the pro-imperialist section of the ruling class were resentful that money earned through the PDVSA was being siphoned off by members of the then nationalistic orientated state bureaucracy, spent on industrialisation, and used to deliver some social services. In addition, the PDVSA executives had manoeuvred so that they, and not the MEM, were in a position to negotiate the terms of the PDVSA's contracts with multinational service providers<sup>86</sup>. These contracts were both lucrative to the PDVSA-linked elite and the multinational corporations, and kickbacks and corruption were widespread<sup>87</sup>.

By 1989 many within the nationalistic section of the ruling class, like Perez, were jumping ship and embracing neo-liberalism and the dominance of the US state over Venezuela's affairs. They, along with the PDVSA executives, decided to further open up the oil industry to foreign investment. Their justification for doing so was that this would help expand the oil industry and only this, according to them, could end the economic crisis. Long term contracts that involved investment were signed with various multinational

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<sup>86</sup> Mommer, B. 2002. Subversive oil. In Ellner, S & Hellinger, D. (eds.) *Venezuelan Politics in the Chavez Era: Polarization and Social Conflict*.

<sup>87</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

have been criminalised<sup>117</sup>. Far from being defined by socialist relations, the state appointed managers and executives of the PDVSA have acted in a highly oppressive manner towards the very workers who helped save the government during the 2002/03 strike.

The same lack of genuine workers' control and self-management can be seen throughout all state or 'public' service sectors. The situation is so dire for low ranking workers in the state sector that it was reported in 2009 that there had not been any collective bargaining in some state run institutions since 2004. Working conditions and pay in these institutions were unilaterally implemented by management, with workers having no say or real control over operations or production. Even basic collective bargaining agreements were not in place. This has contributed to the situation whereby nearly 70% of 'public' sector workers reportedly earn minimum-wage, while high-ranking state officials continue to be well paid<sup>118119</sup>. Even when agreements are negotiated and reached, they are sometimes ignored by state managers, as the strikes at the Caracas Metro show.

Workers on the state-owned Caracas Metro had to fight for a year and a half with high-ranking state managers to try and reach an agreement around wages and working conditions. The director of the Metro, along with Chavez himself, felt the agreement that was eventually reached was too favourable to the workers and ignored it. When the workers went on strike to try and enforce the agreement, Chavez unleashed the state political police (DISIP) and the military intelligence (DIM) to try to break the strike. When this failed, Chavez threatened to send in the military to take over the

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<sup>117</sup> Wetzel, T. *Venezuela from below*. <http://www.zcommunications.org/venezuela-from-below-by-tom-wetzel> 22<sup>nd</sup> August 2011

<sup>118</sup> Uzcategui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>119</sup> Lopez, S. *Venezuela and the 'Bolivarian Revolution'*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

self-management simply does not exist. Venezuela is another classic example of how well paid state managers and their allies benefit from, and control all important aspects of production under nationalisation, at the expense of workers.

A good example of how workers are denied power by the state can be seen in the events that happened in the aftermath of the 2002/03 oil strike. During the strike, workers (those who had remained at work to try and break the strike) took over the PDVSA's operations and began implementing aspects of workers' self-management. Once the situation had stabilised, the state stepped in and ended self-management. New managers and executives were appointed by the state and the relations of production returned to those that define capitalism: that is executives and managers instructing workers what to do, ordering them about, and threatening punishment even in cases where such orders are ludicrous<sup>114115</sup>. The new managers/executives also began to take a disproportionately large part of the wealth generated by the workers, and lucrative contracts were handed to politically linked service providers. Some of the new executives, like Eudomario Carruyo Jnr, and new contractors, like Ruperti, became extremely wealthy as a result<sup>116</sup>. None of this could have been done had workers deepened self-management. Hence, the state-linked elite wanted and needed to end self-management to ensure that they could get high salaries and lucrative contracts. In fact, since the state squashed aspects of worker self-management – because it also contradicted the state's hierarchical and controlling logic – working conditions for lower ranking workers in the PDVSA have declined. Wages for workers were frozen by the state appointed executives between 2007 and 2009, management ended over-time pay, and workers making demands for better working conditions

<sup>114</sup> Uzcatogui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

<sup>115</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>116</sup> [http://www.sptimes.com/2007/12/17/State/Politically\\_connected.shtml](http://www.sptimes.com/2007/12/17/State/Politically_connected.shtml)

companies to undertake exploration, drilling, development, operations, and transportation on behalf of the PDVSA. Many sections of the state elite accepted this, as the state itself was experiencing a crisis and it suited their interests to reduce spending and attract investment. Around this time, the PDVSA also entered into profit sharing schemes and long term contracts with multinational oil giants to extract extra-heavy grade oil from the Orinoco Belt<sup>88</sup>. On the advice of the PDVSA executives, the royalty and tax rates on these service providers were lowered.

Linked to growing dominance of the pro-US faction of the ruling class, other neo-liberal policies began to be adopted by the state beyond the oil industry. This saw elements of state welfare slowly being rolled back, and projects that were supposedly aimed at deepening – but in reality controlling – ‘democracy’ in communities ended (these programmes that were ended were similar in many ways to the current ‘Bolivarian’ missions and community councils). Some of the measures associated with rolling back elements of welfare sparked an uprising by the working class in the form of the *Caracazo*<sup>89</sup>. It was clear, nevertheless, that by the 1990s the section of the ruling class that were very closely allied with imperialist capital, and the main imperialist states, had come to hold sway both in the PDVSA and within many state departments.

Resentment, nonetheless, was growing within one branch of the state, and one of the strongholds of the nationalistic elements of the ruling class: the military. Many high ranking officers had become disenchanted with the direction that affairs had taken since the mid-1980s. This discontent had partly arisen due to the economic crisis, and many felt this could only be addressed by the state playing a greater role in the economy. Many also felt that multinational oil companies were benefiting too much from the oil industry; and

<sup>88</sup> <http://www.cfr.org/economics/venezuelas-oil-based-economy/p12089>

<sup>89</sup> Mommer, B. *Subversive Oil*. [www.isioma.net/sds00703.html](http://www.isioma.net/sds00703.html) November 2004

they themselves were benefiting too little. They did not wish to see an end to the involvement of multinationals in the oil industry, but they wanted to return to the days when the state received a greater share of the profits, so that other sectors of the economy could be developed and so that their positions in the ruling class could be bolstered. Coupled to this, many felt that the state and the PDVSA had become riddled with corruption and that many of the elite aligned firmly to the US state and capital had siphoned off too much money<sup>90</sup>. For this reason, a couple of secret nationalist organisations, including Chavez's Revolutionary Bolivarian Movement – 200 (MBR-200), were created by officers in the military.

Whilst many leftists point out that some of the officers that were involved in such secret nationalist groups, including the MBR-200, originally hailed from the less well off sections of Venezuelan society – and hence they implicitly attempt to make a claim these factions were 'working class' – the reality is that as high-ranking officers, they had become part of the ruling class already. As it turned out, they were an ambitious part of the ruling class that were not content with their current positions, but wanted the very top positions in the state for themselves. To be sure, the MBR was headed by Chavez who was a colonel and Francisco Visconti Osorio, a General, while an Admiral, Hernan Gruber-Odreman, later formed another nationalistic faction in the military (it is no accident that all of these officers ended up holding high ranking positions in the 'Bolivarian' state). Hence, the aim of such nationalist secret organisations in the military, including the MBR-200, was to stage coups in order for the officers involved to seize state power. Once done, there were vague plans about asserting the right of the state to claim a greater share of the oil wealth and to develop and diversify the capitalist economy.

In the run up to its 1992 coup, the MBR-200 had begun a process of attempting to develop a more in-depth ideological orienta-

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<sup>90</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

cal move to protect the larger financial industry, and the capitalist economy of Venezuela (during the same period many other states took over banks to try and stem the financial crisis they too were experiencing)<sup>113</sup>.

## Nationalisation does not equal Socialism

In a couple of cases the state has nationalised or partly nationalised companies that have not been in huge trouble and that were still viable. The fact that some companies were fully or partly nationalised, whether they were in trouble or not, cannot be used as evidence that Venezuela is building socialism or even slowly moving in that direction. The nationalisation of key industries has been undertaken in the past by numerous capitalist states. This was done to diversify the capitalist economy, to enable the state to better direct the economy, or for the benefit of sections of capital. Without doubt, some capitalists, whether today or in the past, dislike nationalisations as they deprive them of direct ownership. They have, and do, therefore resist it; but because they do so does not automatically mean nationalisations are socialist or even beneficial to the workers. In some cases nationalisations, like in Spain in the late 1930s, were used by the state to seize factories from workers to stop collectivisation and worker self-management.

It is thus completely flawed to simply suggest that because the Venezuelan state owns a number of factories – even if this is growing – that socialism is slowly being created; rather capitalism remains firmly in place but with some factories under state control. In Venezuela, as will be discussed below, state ownership too does not equal control by workers or the 'people', but high ranking officials. Relations of production have not changed, and despite what some leftists try and claim, they remain hierarchal and capitalistic in the partly or fully nationalised factories. Genuine workers

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<sup>113</sup> <http://www.voxeu.org/index.php?q=node/4647>

turer, Inveval, for instance was bought from the ex-owner by the state only after it was declared bankrupt<sup>109</sup>.

Many left groups, like the British based *Revolutionary Communist Group* (RVG), have failed to see this and instead have hailed every nationalisation as another step towards socialism. On the RVG's website the 'Bolivarian' state was extolled for "nationalising 3 banks" in 2010. Claims were made that this was a sign that "the state is taking over and formulating alternative ways of managing production and distribution"<sup>110</sup>. In reality, the state's banking regulator took control over the running of at least 12 banks in 2009/10 because they were bankrupt. In one case, Ricardo Fernandez Barreco, who made a fortune as the main supplier to the state's subsidised supermarkets, had led a group of investors to buy Banco Canarias by illegally using depositors' funds and state resources fraudulently provided by officials within the 'Bolivarian' government<sup>111</sup>. When this came to light, it was soon realised that Banco Canarias was in dire straits and Ricardo Fernandez Barreco and his cohorts were arrested. Along with the problems that the global financial crisis had brought, other fraudulent deals by executives who also had very close links to the state meant that a number of banks in 2009/10 could not meet their minimum reserve requirements. The state was forced into taking over these banks, which accounted for 20% of the sector, to prevent them collapsing and to stop the crisis spreading to larger operations including those banks owned by multinationals. More stable and larger banks, on the other hand, were not touched by the state<sup>112</sup>. It is, thus, a mistake to attribute the state's take over of a few failing banks as a move inspired by socialism or as an initiative that was aimed at seizing the leading heights of the economy. It was rather a practi-

<sup>109</sup> <http://www.bolshevik.org/1917/no30/no30-Venezuela.html>

<sup>110</sup> <http://www.revolutionarycommunist.org/.../1669-venezuel...> – United Kingdom

<sup>111</sup> <http://news.bbc.co.uk/2/hi/business/8401020.stm>

<sup>112</sup> [http://www.nytimes.com/2009/12/07/world/americas/07venez.html?\\_r=1](http://www.nytimes.com/2009/12/07/world/americas/07venez.html?_r=1)

tion, which could flesh out their basic nationalist position. To do so, at a symbolic level, the MBR and later Chavista parties, like the MVR and PSUV, drew heavily on the images of 'national liberation' heroes such as Bolivar and Zamora<sup>91</sup>. Promoting the cult around the likes of Bolivar, and embracing strongman '*caudillismo*' has often been a prominent practice amongst sections of the Venezuelan ruling class, and the 'Bolivarian' military men have been no different<sup>92</sup>. The leading figures in the MBR, who now are also leading figures in the PSUV, were also heavily influenced by the nationalist populist military regimes that ruled Peru from 1968 to 1975 and Panama from the late 1970s to the early 1980s. Chavez too, from the beginning, was also inspired by Latin American populists like Peron; and has borrowed much of the ideology, rhetoric and practices associated with nationalist populism. Nationalist populism in the context of Latin America has always involved a section of the ruling class accepting the need for some reforms, but in return this elite expected the working class to be subordinated to both the state and the interests of important private enterprises. In Venezuela, the 'Bolivarian' military men have continued with this tradition. In practice this nationalist populist ideology has seen central figures associated with 'Bolivarianism' using nationalistic, anti neo-liberal, anti-imperialist, and even anti-elitist rhetoric to gain support from a wider section of the population outside of the military; while following economic policies that are capitalist and in some cases even neo-liberal. Indeed, the main aim of nationalist populism is to secure the positions of sections of the ruling class by promoting the idea that a common interest exists between themselves and the working class. As is well known, such rhetoric has also included asserting that the Venezuelan state needed, and needs, to reclaim the oil industry, and that it must use this revenue to develop other sec-

<sup>91</sup> Gott, R. 2005. *Hugo Chavez and the Bolivarian Revolution*. Verso Books: United Kingdom

<sup>92</sup> Gott, R. 2000. *In the Shadow of the Liberator: Hugo Chavez and the Transformation of Venezuela*. Verso: United Kingdom

tors of the economy like industry and agriculture in order to supposedly regain sovereignty. In doing so, the likes of Chavez have actually followed in the footsteps of the Venezuelan ruling class nationalists of the past – who also claimed to have wanted to do the exact same thing.

Once in power, via the 1998 elections, the leading heads of ‘Bolivarianism’, often ex-military men, wanted to use the state’s power **not** to get rid of multinationals in the oil industry; but to directly gain control over the PDVSA. This, they believed, was key to achieving the goal of using revenue from oil to fund other areas of the capitalist economy and roll out some social services that could, to some degree, back up their populist rhetoric: and thus bolster their positions in the ruling class. To do so though, they realised they would have to deal with their intra-ruling class rivals – the pro-US faction whose stronghold was the PDVSA and other important sectors of the economy like the media. Almost immediately, therefore, the leading ‘Bolivarians’ tried to extend greater state control, since they were now firmly at the reins, over the PDVSA. This involved attempting to, at first, place a limit on the power that the pro-US faction of the ruling class, as managers, had over it. Naturally the PDVSA centred elite were not enthralled by this. They, along with their allies – in the form of a capitalist elite in the Venezuelan Federation of the Chamber of Commerce, the elite in the old traditional parties, the conservative union bureaucracy in the Confederation of Venezuelan Workers and leading elements in the US state – responded by fomenting the 2002 coup attempt and the failed oil ‘strike’ of 2002/03. With popular support, mostly due to their populist rhetoric, the confrontation saw the Bolivarian elite sweeping aside and removing the old guard of the PDVSA. They were then replaced by key elite ‘Bolivarians’ and the MEM took direct control over approving and monitoring the contracts that the PDVSA had with multinationals. Ever since, the nationalist faction of the ruling class – who have managed to draw in many leftists in as allies (more of which later)

nationalisation, these public-private partnerships have entrenched aspects of neo-liberalism in the oil industry<sup>104105106</sup>.

## What about Nationalisations in other Sectors of the Economy?

It is clear that the ‘Bolivarian’ state has, in many ways, furthered certain aspects of neo-liberalism, including in the oil sector. Nonetheless, due to higher revenue from oil, the state has nationalised or partly-nationalised some enterprises in the steel, telecommunications, cement, food processing, banking, and packaging sectors. According to the state’s propaganda machine, these companies were “nationalised” because they were strategic companies, and were important to diversify the economy and develop ‘socialism’<sup>107</sup>. The reality that these companies were fully or partly nationalised has also been hailed by some on the international left as being a strong signal that Venezuela was, and is, heading down a socialist path and that the state is living up to its rhetoric<sup>108</sup>.

The truth is somewhat different. Some of the full or part nationalisations have occurred in the context where the companies involved were in deep financial trouble. In essence, the state intervened to save them. While this has meant some jobs have been retained, the ex-owners were often the main beneficiaries through receiving compensation for failing companies. The valve manufac-

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<sup>104</sup> [www.anarkismo.net/newswire.php?story\\_id=3378](http://www.anarkismo.net/newswire.php?story_id=3378)

<sup>105</sup> Lopez Padrino, J.F. *Socialist revolution or state capitalism* <http://devilsexcrement.com/2007/04/07/socialist-revolution-or-state-capitalism-by-jose-rafael-lopez-padrino/> 2 April 2007

<sup>106</sup> Lopez, S. *Venezuela and the ‘Bolivarian Revolution’*. [www.internationalist-perspective.org/IP/ip-archive/ip\\_53\\_venezuela.html](http://www.internationalist-perspective.org/IP/ip-archive/ip_53_venezuela.html) April 2009

<sup>107</sup> <http://links.org.au/node/1088>

<sup>108</sup> Perez Borges, S. *Sidor nationalisation marks ‘new revolution within revolution’*. <http://links.org.au/node/363> 19<sup>th</sup> April 2008



It is also in this context that the state's move to set up joint ventures with multinationals in the Orinoco Belt must be seen. For many years the PDVSA had long term contracts with multinational oil companies that saw these companies operating as service providers in the Orinoco Belt. In 2006 the 'Bolivarian' state decided to convert these long term contracts into joint ventures. The state claimed it was doing so to try and stop corrupt practices, to ensure that a larger share of profits went to the PDVSA, and to ensure greater control<sup>101</sup>. Some of the international left, at the time, applauded the move – perhaps not understanding the ramifications of the conversion from contracts to joint ventures – and wrote that the establishment of such joint ventures amounted to nationalisation<sup>102</sup>. However, under the old service contracts, the PDVSA had formal legal ownership. Certainly the contracts were lucrative to the service providers, but they were not legally the real owners. By setting up joint ventures, and hence joint companies, the state allowed the multinationals involved to have some formal ownership – although limited at most to 49%. Nonetheless, this meant private-public partnerships and companies were established in the Orinoco Belt. While some companies did not want any changes in their contracts, like Exxon, most were happy to set up joint companies with the PDVSA. This can be seen by the fact that there are 27 different multinational companies, from 21 countries, involved in joint companies with the PDVSA in the Orinoco Belt<sup>103</sup>. A few leftists, including sections of Venezuelan anarchists, have rightly pointed out that far from being a form of

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<sup>101</sup> Mather, S. *Joint Ventures: Venezuela's Faustian Pact with foreign capital*. [www.venezuelanalysis.com](http://www.venezuelanalysis.com) 30<sup>th</sup> September 2006

<sup>102</sup> <http://www.zcommunications.org/the-new-venezuela-of-president-hugo-ch-and-aacute-vez-by-salim-lamrani>

<sup>103</sup> [http://www.pdvsa.com/index.php?tpl=interface.en/design/salaprensa/readnew.tpl.html&newsid\\_obj\\_id=8358&newsid\\_temas=1](http://www.pdvsa.com/index.php?tpl=interface.en/design/salaprensa/readnew.tpl.html&newsid_obj_id=8358&newsid_temas=1)

– has maintained its grip on the state and the PDVSA in the guise of 'Bolivarianism'.

Linked to the above, leading figures in the 'Bolivarian' state, like previous Venezuelan ruling class nationalists, have also sought to strengthen OPEC, in order to drive up oil prices and increase the revenue of the PDVSA<sup>93</sup>. To do so, the Venezuelan state has been willing to work with various corporations and reactionary regimes like the Saudi Arabian, Iranian, and Libyan states. In attempting to drive up oil prices, the 'Bolivarian' state has, nonetheless, also drawn the disapproval of the US state. It is in this context that the 'Bolivarian' state's international 'anti-imperialism' should also be seen – it is a form of ruling class anti-imperialism that revolves around oil prices, and ultimately is aimed at shoring up the positions of the 'Bolivarians' in the local ruling class. Consequently, it would be wrong to view it as anti-imperialism for the benefit of the working class: the ruling class in Venezuela disproportionately has reaped the rewards of higher oil prices; while internationally rising prices have also impacted negatively on the working class as the cost of living has risen steeply due to high prices in recent years.

## Not so Radical Oil Politics

In power and at the head of the PDVSA, the leading 'Bolivarians', besides their role in OPEC, have not always lived up to their own rhetoric, even when it comes to the oil sector. Certainly, under the 'Bolivarian revolution', the state has increased royalties and taxes on multinational oil companies. As pointed out earlier, high tax rates in the oil sector internationally are not unheard of. Added to this, it has been the high prices of oil that have enabled the 'Bolivarian' state to increase taxes, without completely ending the vi-

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<sup>93</sup> Gott, R. 2005. *Hugo Chavez and the Bolivarian Revolution*. Verso Books: United Kingdom

ability of extracting oil in Venezuela for multinational oil companies. Nevertheless, while increasing royalties and taxes on multinational oil corporations, many of the 'Bolivarian' state's policies and practices with regards to the oil sector have been less radical than their nationalist leaning predecessors of the 1970s. Elements of neo-liberalism in some cases have been further entrenched in the oil industry and within the PDVSA with the 'Bolivarians' at the helm.

Even policies that have often been seen as radical by the international left, when contextualised and compared to other countries, turn out not to be unique. Thus, whereas much praise has been heaped on the 'Bolivarian' state for implementing laws that confirmed state-ownership over all hydrocarbon reserves within the country's boundaries, such laws are not exceptional. The main aim of stipulating that the state owns the reserves is so that it can provide concessions and contracts to explore and exploit these hydrocarbons to favoured private third parties and to partly or fully state-owned companies. In turn, the state is then also in a position to levy royalties, rental, and taxes on these companies; that is take its share<sup>94</sup>. In Venezuela the state has used such laws to deepen its partnerships and contracts with a whole array of favoured multinationals in the oil industry<sup>95</sup>, including the likes of Halliburton; whilst sometimes excluding those it has fallen out with, like Exxon<sup>96</sup>. Such laws are also not that unknown internationally and it is a mistake to argue that they are progressive, amount to nationalisation, or that they are building blocks of socialism. They are rather laws that the state elite use in order to benefit themselves and selected partners. The South African state, for

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<sup>94</sup> Cuervo, L. 2010. The uncertain fate of Venezuela's Black Pearly: The Petrostate and its ambiguous oil and gas legislation. *Houston Journal of International Law* Vol 33. No. 3, pp. 637–693

<sup>95</sup> [www.ainfos.ca/06/apr/ainfos00394.html](http://www.ainfos.ca/06/apr/ainfos00394.html)

<sup>96</sup> Uzcatogui, R. 2010. *Venezuela: Revolution as Spectacle*. Sharp Press: United States

instance, owns the rights to all mineral reserves within the country's boundaries<sup>97</sup>. It does so to keep control over which private and state-owned companies receive concessions – ones that are beneficial for the ANC aligned elite are usually favoured. It would be completely wrong to argue that this amounts to some progressive undertaking, let alone an aspect of socialism.

Even when one looks beneath the fact that the Bolivarian Constitution stipulates that the state should be the sole shareholder of the PDVSA, one finds loopholes and practices that are far from revolutionary. While the Constitution reserves ownership of the PDVSA for the state, it is vital to recognise that the PDVSA itself has become a holding company. It tends not to drill, mine, process, or even transport oil itself; rather its subsidiaries and service providers do. Importantly, there is no stipulation in Venezuela's legal code that prevents private and multinational oil companies owning a part of these subsidiaries<sup>98</sup>. In reality a number of multinational corporations have come to own shares in the PDVSA's subsidiaries. Chevron alone owns shares in at least 3 of the PDVSA's subsidiaries, which are Petroboscan (39.2%), Petroindependiente (25.2%), Petropiar (30%)<sup>99</sup>. One of the PDVSA's subsidiaries, Petropiar, jointly owned by Chevron and the PDVSA, is set to list on the Hong Kong Stock Exchange<sup>100</sup>. Thus, the fact that the Constitution stipulates that the holding company, the PDVSA, must be state-owned does not amount to "nationalisation" as the real operations, which are undertaken by subsidiaries, function as public-private partnerships with state owning between 51% and 60% of the shares and private companies the rest. Far from "re-nationalising" the oil industry the Chavez government has rather promoted public-private partnerships.

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<sup>97</sup> <http://www.thepresidency.gov.za/pebble.asp?reid=1258&t=79>

<sup>98</sup> Mommer, B. *Subversive Oil*. [www.isioma.net/sds00703.html](http://www.isioma.net/sds00703.html) November 2004

<sup>99</sup> <http://www.chevron.com/ChevronWorldwide>

<sup>100</sup> <http://www.petroleumworld.com/storyt12030102.htm> 1<sup>st</sup> March 2012