

CHAPTER III

FACTORS OF SOCIALISM IMPLEMENTATION BY HUGO CHAVEZ IN VENEZUELA

In this chapter will describe the factors and the reason behind socialism implementation by Hugo Chavez to address economic crisis in Venezuela.

A. The Turmoil of Economic Reforms

Since Venezuela committed to the set of economic policies as the prescription by the International Financial Institution such as the International Monetary Fund in 1989, neoliberalism affected the economic growth. The decision of Carlos Andres Perez to reform the economy of Venezuela as hoped to reduce dependence on oil by developing non-traditional exports, besides that Venezuela also openness as wide as possible to foreign investors. The formed of development plans comes from the prescription of the IMF which stated that could help the problems faced by Venezuela. In fact, the values applied to economic development in Venezuela indicate the values of neo-liberalism which reduce the government intervention in controlling the market. As a result some of oil companies in Venezuela were privatized and unfair competition arose between external and domestic industries.

In particular, neo-liberalism is characterized in confidence in sustained economic growth as the means to achieve human progress, its belief in free markets as the most efficient allocation of resources, the emphasis on minimal state intervention in economic and social affairs, and a

commitment to the freedom of trade and capital. In the 1980s, IMF and economic analyst form a set indemnity policies in developing countries as the prescription of the problem that they are facing. Accentuated by three ideas; stability, privatization, and liberalization.

Neoliberalism is the new form of liberalism which emphasized the value of market competition. It is rooted in the 'classical liberalism' that emphasized minimal state intervention. Laissez – nous fair, simply means ask 'to leave us alone' from the economic system from government intervention such as regulation, privileges, and tariffs or taxes.

According to Friedrich Hayek,

“Neoliberalism it is the crucial modification of older belief in a free market and a minimal state 'classical liberalism' merchants simply asked the state to “leave us alone”- to laissez-nous fair. In Neoliberalism recognized that the state must be active in the organization of a market economy. The conditions allowing for a free market must be won politically, and the state must be re-engineered to support the free market on an ongoing basis” (Metcalf, 2017).

The idea of Hayek about neo-liberalism, the government should be active and assure that provide the free market. To prevent government cannot provide the market free, within the policy is the one protection that could keep market free. The state should provide the legal framework remains a universal, neutral and fixed, in the market forces operate spontaneously. Within emphasize free market, it means competition, and they further assume that competition means quality is kept high, prices kept low, and it drives

innovation, and distribute resources efficiently to the people who want them the most. Neo-liberalism is, as we see it, a loosely demarcated set of political beliefs which most prominently and prototypically include the conviction that the only legitimate purpose of the state is to safeguard individual, especially commercial, liberty, as well as strong private property rights.

Through the explanation in the chapter II, the development plans under Perez remains a failure. Venezuela cannot avoid the economic crisis and left a huge debt to IMF. It shown in the table 2, that Venezuela external debt has been increased annually. Contrast to the economic policy under Perez administration Eight National Development Plans, the oil industry continued to develop major projects that increased the economy's dependence on it. Its contribution to net investment in the capital increased from 8.37 percent in 1988 to 33.15 percent in 1992 (Fierro, 1996), for the fourth consecutive year exceeding that of the private sector. The share of the oil industry in gross investment in fixed capital, which had reached 12.4 percent in 1988, increased to 30.6 percent in 1992.

As a believed of IMF and economic analyst the adjustment program could readdress the problem and sustained the economic growth in contrary just to make sure the developing countries such as Venezuela could pay its debt. Perez succeeded to bring Venezuela to had very low inflation and a strong currency, contrary he also brought inflation soared; from 7.2% in 1978 to 81% in 1989 (Gracia, 2017).

The triumph of neo-liberalism in Venezuela has ended. Neo-liberalism lost its legitimacy, Venezuelan is no longer obeys and believes in the policies made by the ruling regime. Neo-liberal shows that it is unable to solve the most pressing issues faced by Venezuela. The economic crisis was

one of the factors that gave neo-liberalism a deadly blow (Harnecker M. , 2010).

In the case of Venezuela under Carlos Andres Perez there were several protest including Caracazo riots and the attempted coup led by Hugo Chavez in 1992. Venezuelan responded towards the crisis faced by the government causes increased of poor people moreover they were suffering.

There are two alternatives to this situation;

- Capitalism underwent additional equipment or
- Venezuela move on to alternative projects that are not based on profit logic but on solidarity-based humanist logic that works to meet human needs and enable a kind of economic development in Venezuela that not only benefits the elite but benefits a large majority of the people.

Alternative Project

Young Hugo Chavez interested in many things such as baseball and radio including politic, history and “Marxism-Leninism”. He got the influenced by his friend Jose Ruiz, the first book he read on communism and socialism. Ruiz also pursued Chavez’s interest in Simon bolivar and began to speak Bolivarianism toward Latin America. The spirit of revolution grew since he was young and what from what he has learned from socialism figure. Revolutionary movement – 200 a new movement created after that.

With the crisis of the neo-liberal as a background

- People’s movements develop in the context of the crisis of the legitimacy of neo-liberal through the crisis experienced by political institutions.

- In the beginning this movement rejected politics and politicization but immediately the process of struggle progressed they shifted from merely criticizing neo-liberalism towards the political stance of asking the established power.

Chavez initially speak in front of 1200 officers and troops related the ideas that he had been learned from “Marxism-Leninism” and also Simon Bolivar idea as the spirit to liberate his country, Venezuela. Revolutionary Movement – 200 established afterwards at the initiative of Chavez and friends to criticize the government. In 1991, the movement drafted a plan to conduct coup against the government related to the crisis experienced by Venezuelan. Coup 1992 under the plan of the movement initiated with the spirit of Zamora, the general that fight for the idea of Simon Bolivar to liberate the people in Latin America.

The first coup attempted on February and the second attempted on November, but the coup has gone wrong because unprepared led. Chavez take the responsibility of coup against the government and he jailed for two years. The incident did not make Chavez stop fighting for Venezuela people. He was inspired by the spirit of the Cuban revolution and took the initiative to meet with Fidel Castro. People of Latin America know that Cuban revolution is the brave and honorable actions in 1959.

Fidel Castro’s nationalistic charismatic and retrospective character made the majority of Cuban support the revolution. People were believes that the Batista government supported by the US has only negative consequences for the Cuban. The rampant corruption, cruelty and dictatorship that flourished under the Batista government became a source of public unrest. This fact forced the US to withdraw its support slowly

from Batista. The US prefers to look for other alternatives to overthrow Fidel Castro and Che Guevara. The US is afraid of the indication that could arise if Castro could seize the Cuban Government. The US unanimously challenged the revolutionary movement Fidel Castro and Che Guevara because they were seen as endangering US security. Keep in mind that the US is afraid of Castro because he is believed to be in a left-wing ideology that is contrary to the US, the US government believes that Castro can attack the US anytime.

B. The Alternative Idea of Venezuela's Dependence

After leaving jail, Hugo Chavez invited to Cuba and got the chance to meet Fidel Castro in September 1994. Returning from Cuba he began to travel around the country. Chavez talked to the people about the problem and asked the suggestion for what the government supposed to do. He also wanted the people to support him if Chavez took political action in Venezuela. Chavez formed an intimate relationship with Fidel Castro and expressed his intention to bring Venezuela to similar path with Cuba. When many people support Chavez as an alternative to a corrupt two-party system, others are alienated by an increasingly radical agenda. His campaign started in 1996, and he formed *the Revolutionary Movement – 200 to Movimiento Quinta Republica* (Fifth Republic) (Levin, 2007). AD and COPEI the two strong parties that he wanted to end. *Punto Fijismo* is referring to the two-party system which controlled Venezuela.

The revolution of Cuba is the great example of the struggle of people in Latin America including Venezuela. Since then the left-wing government has spread widely. In the 1960s, there was a tendency to define the left-wing with the goals pursued, but in the way used to achieve that goal. The purpose of implying socialism, the method is armed struggle

or institutional struggle, and the left is labeled as revolutionary or reformist, according to which method is used. According to Martha Harnecker,

“The left-wing label to the forces that struggle to build a society that is an alternative to the exploitative capitalist system and the logic of profit, a working society organized by a humanitarian and solidarity-based logic, whose purpose is to meet human needs; a society that is free from material poverty and from the spiritual humanity caused by capitalism; and a society that not only issues orders but is built from below, with people as perpetrators. In other words, a socialist society.” (Harnecker M. , p. 21)

Hugo Chavez became president in 1999 and bring Venezuela into Bolivarian Revolution. A local struggle that inspired by the idea of Simon Bolivar to liberate Latin America from imperialism. A situation in which the masses began to participate actively in politics and take their fate into their own hands. At is peak the Venezuela Revolution provided a powerful stimulus for the growth of left-wing and revolutionary tendencies both in Latin America and internationally. When the ideas of socialism and Marxism are attacked by all parties, it encourages those who struggle for the cause of socialism on world scale.

Besides, the values of socialism that Chavez wants to apply can be found in the socialism of indigenous people, such as social ethics based on loved, solidarity and welfare between men and women, everyone. Therefore Chavez proposed that the indigenous practices, which were mixed with the socialist spirit, must be saved and strengthened. It was all contained in the Constitution what called *Constitution Bolivariana* which was changed by Hugo Chavez after he became president. In the process he involved the Venezuelan so he knew what people needed.

Socialism

Government based on social and popular mobilization that have a clear desire for change, want to break ties with neo-liberal policies and have new understanding of the economy, regional integration, and integration of nations. According to Roberto Regaldo, these government implemented reforms that were strategical and aimed at being anti-capitalist and therefore could lead to revolution (Harnecker M. , 2010).

No privatization, where the society committed to the fulfillment of all social need including public health, food, and education, where the capital public not privately owned, refers to the means of socialism. Lenin therefore once defined it as 'Soviet power plus electrification', while a British politician, Herbert Morrison argued that socialism was 'what a labor government does'. Hugo Chavez strongly against the opposite ideology called neo-liberalism which causes economic failure in previous time.

In the 1980s we were told by government leaders such as Margaret Thatcher, Ronald Reagan, most economist, media pundits such as Thomas Friedman that there is no alternative (TINA) to unregulated market capitalism (Bohmer, 2009). This economic model and the related policies are called neo-liberalism in Latin America.

Venezuela is not socialist until Chavez determined his revolutionary goal into economic and social transformation. Under Hugo Chavez, social movement and the popular class involvement in local power and in economic decision-making process had improved. David Hernandez stated (2009) that a long-term labor organizer and socialist pointed out Chavez's administration deserves credit for this development of growing socialist consciousness and popular power. Hugo Chavez played a very important role in reopening the debate on socialism at a time when many had written it off. The

president frequently recommended reading the works of Marx, Lenin, and Trotsky. This was enormously positive.

The achievements of Bolivarian Revolution in the fields of health, workers, and education stood in sharp contrast to the vicious attacks on living standards that were inflicted on the workers of Europe and other countries in the name of capitalist austerity. The development of Hugo Chavez's political ideas represented an evolution, in which many factors were involved. He developed and grew in stature together with the revolution. The revolution itself is a mighty school in which millions men and women learn through their experience. Lenin, who was one of the greatest Marxist theoreticians, one said that for the massed an ounce of practice is worth a ton of theory.

New Form of Socialism

Economic and social reform is the focus of this form of socialism and the marginalized and poor is the central aspect of the construction of 21st century of socialism. This form of socialism reform social and economy from above and from below, where the government under Chavez is fully committed to meeting people needs and supports the activities of the popular classes towards transforming their local governance, communities, and workplace.

The socialism failure in the pastime must be replaced by “participatory democracy,” “direct democracy,” or what detractors have called radical populism. Therefore, Chavez involving people in the decision-making process and their development processes such as poor organizing and self-management workers. Economic transformation with 21st century of socialism has three different types of conceptual; maximizing the profits, nationalized the private sectors, and social economy through the workers (Bohmer, 2009).

The first major, capitalist sector comprises about 2/3 of the economy in Venezuela. The goal primarily is organized and maximizing profits and that the capital – money, structures, equipment, and inventor – are privately owned. From table 1, the rapid growth in employment and outputs has been the most rapid in construction, transport, communication, finance and retail and wholesale trade and services.

The second sector is nationalized the private sector whose employees are public employees. Including PDVSA, the revenues of PDVSA goes to fund free health care and education programs, housing program, and infrastructure.

the real GDP for oil sector is 13.5 percent annually and hit the jump growth in 2004 for about 13.7 percent.

Towards Chavez's administration social policy the revenue of oil sector goes to fund social program such as provide education, health and also self-management of workers in most of the state sectors. Through the next explanation, the development under Chavez administration meets its improvement.

Education

The programs to provide education are visible for both young and adult. At the basic education grade, 1-9 has increased from 85 percent to 93.6 percent. Children age 5 through 14 increased in basic education enrollment represent 8.6 percent or half million children in school. At secondary education increase 14.7 percent children age 5 through 19 or nearly 400,000 children, have been able to stay in school as a direct result of improved social investment (Mark Weisbrot, 2009, p. 13).

For adult students, the government provides the Ribas Mission. It was begun in 2003 and graduated over half a million students about three percent of country's adult population within three years of the program. Mission Robinson also one of education program as the literacy training program for adults.

Health

The efforts of Chavez to provide healthcare through many of program and policy meets the improvement. The government had been concerned with the children's health, benefited from the government social policies through improved health outcomes. The greatest benefit has been for children between the ages of 1 to 11 months: postneonatal mortality has been cut by more than half, falling from 9.0 to 4.2 deaths per 1,000 live births. Infant mortality has decreased

by over one-third, falling from 21.4 to 14.2 deaths per 1,000 live births.

Moreover, child mortality has fallen by over one-third, from 26.5 to 17.0 deaths per 1,000 live births (Mark Weisbrot, 2009, p. 11).

Through the crisis and uneven development make Venezuela face the malnutrition problem. Venezuela could face the malnutrition problems by creating two programs. Programa Alimentico Escolar (PAE) school feeding program related malnutrition deaths. Began in 1999, the government provides a free breakfast, lunch, and snack serving a quarter-million students. Secondly, the Mercal network of government food stores began in 2003 selling 45,662 metric tons of deeply discounted food.

Worker Empowerment

Better improvement within the self-management of workers and also workers empowerment. In 2003, the unemployment rate has dropped the number was 11.3 percent improve to 7.8 percent; it rose to 19.2 percent. A significant increase is shown in job quality as measured by formal sector employment. In the formal sector over half of the labor are employed improve from 45.4 percent in 1998, about 51.8 percent. The rate of employment has increased enormously during the economic expansion, from 80.8 percent. Measured from 1999 it is much less but still substantial, increasing from 88.7 percent. Most of the growth of employment has been in the private sector, but both sectors have outpaced the growth in the labor force; has seen a 47.2 percent increase in public-sector jobs and a 30.6 percent had increased in private-sector jobs (Mark Weisbrot, 2009, p. 15).

The third sector is the social economy, socialist enterprises include farm self-managed of a worker, cooperatives, and firms that are jointly run between the state and workers such as the cacao factory in Barlovento. The

concept was equal income for employees and the surplus shared with the community that extends beyond those employed. The surplus used to build public infrastructures such as, a medical clinic which provides health care services or to build a community cultural center.

The social economy requires the continued growth of the state and social economy at the expense of the public sector. Social economy in Venezuela also means economic justice, increasingly equal incomes producing in objective in the case of fulfillment the people need by maximizing revenues or profits.

Solidarity Bolivarian

In chapter II the writer already explained the integration forum to counter the Free Trade Area of Americas (FTAA) called ALBA. Alternative Bolivariana Para las Americas comes Simon Bolivar's idea which is Gran Colombia, strengthen the region. This forum is against the US domination through the trade liberalization in a whole Latin America, not only Venezuela. Hugo Chavez speech in the United Nation 2005 declared to fight for the integration in the name of peace and justice (Foster, 2007);

“We fight for Venezuela, for Latin American integration and the world. We reaffirm our infinite faith in humankind. We are thirsty for peace and justice in order to survive as a species. Simon Bolivar, the founding father of our country and guide to our revolution swore to never allow his hands to be idle or his soul to rest until he had broken the shackles which bound us to the empire. Now is the time to not allow our hands to be idle or our souls to rest until we save humanity.”

ALBA is one of the 21st Century of socialism form and also the Bolivarian revolution as the solution to counter neo-liberalism influenced in Latin America region. The forum agreed a new form of the economic model, social, culture, ecology, which socialist requirement to fulfillment the right of people. The economic model that espoused by ALBA member countries is the 21st Century of socialism, which try to involve the governance-based approach to support local participation related to the leader of the state.

The integration acquired the agreement of exchange of product and services within the signing among member countries which prioritized solidarity and cooperation in the market. Noam Chomsky, (2005) said they practice a barter system, each relying on its strengths. As the issue in the region, as elsewhere around the world, are alternative social and economic models. Enormous, unprecedented popular movements have developed to expand cross-border integration – going beyond economic agendas to encompass human rights, environmental concerns, cultural independence and people-to-people contacts.

With a number of values would like to apply to ALBA, creating several aims. The aims of ALBA tend to counter neo-liberalism and to avoid the Latin America from “free” trade. ALBA has the wide range to determine the aims:

1. Promote trade and investment between member governments, based on cooperation, and with the aim of improving people’s lives, not making profits.
2. For member states to cooperate to provide free healthcare and free education to people across the ALBA states.
3. To integrate the ALBA member’s energy sector to meet people’s needs.

4. To create alternative media to counterbalance the US and regional neo-liberal media and promote an indigenous Latin American identity.
5. Ensure land redistribution and food security within the member states.
6. Develop state-owned corporations.
7. Develop basic industries so that ALBA member states can become economically independent.
8. Promote workers movements, student movements, and social movements.
9. Ensure that projects under ALBA are environmentally friendly (Hattingh, 2008).

ALBA has been the success to ensure the agreement among the countries of exchange products and services. ALBA will not determine the activity with a “trade” because through the exchange the aim is improving people’s lives, not making profits. And also to integrate the ALBA member’s energy sector to meet people’s needs. On the other hand, it becomes an umbrella for economic development among the member countries. Within the program Venezuela ensured to supply oil to the ALBA members, considering Venezuela is one of larger oil producer in the region. Instead, the other countries supply Venezuela with the agricultural products and services.

ALBA was first made up of the initiative Hugo Chavez and Fidel Castro, and the great example of the exchange activity started in between Venezuela and Cuba. In 2004, Venezuela offered to supply oil with the exchange of Cuban doctors and teachers called Operation Miracle. The deal was Cuba has received \$1 billion worth of subsidized oil a year and for Venezuela is 30,000 Cuban doctors and teachers (Hattingh, 2008). They were benefited each other, towards the exchange Cuba allowed to improve its economy. And for Venezuela, it has allowed to providing public services

such as new clinics and school to millions of people. In another case of energy supplies, Venezuela provides discounted oil price to St. Kitts, Haiti, and the Dominican Republic. In the gas sector, Venezuela and Cuba helped to upgrade the gas sector, so Bolivia becomes self-sufficient toward its energy needs.

Besides to ensure the energy needs of member countries, under ALBA aims food security guaranteed. Cuba and Venezuela create five major agriculture projects to produce soybeans, rice, poultry, and dairy products. Its project benefited between the countries and Venezuela could provide free food to millions of people. Moreover, Cuba and Venezuela helped to buy soybeans from Bolivia because the US stopped in buying it in 2006. Between St. Kitts, Haiti, and the Dominican Republic to Venezuela they provide banana and sugar as the exchange with energy supply.

Through the exchange program, ALBA becomes center on development cooperative in the case to counterbalance US domination and neo-liberalism. Cooperate to improve public services across the member states had been done such as; Cuba has improved its public transport system after getting buses supplied from Venezuela. Besides, Venezuela assisted the construction of a massive aqueduct to improve its water supply. And also Cuba has assisting Bolivia in expanding its public school and hospitals.