

## **CHAPTER IV**

### **CONCLUSION**

The implementation of socialism is a big step that occurred in Venezuela under Hugo Chavez compared with the former administration. In the spirit of Simon Bolivar through the revolution, Chavez tends to release people from the suffering. From the previous chapter explained that Venezuela faced the crisis. Over the natural resources including the fact of fifth larger oil producer did not able safe Venezuela from the economic crisis. The wealth should be able to prosper his people thus the most miserable. Poorly manage and failure of the development plan is one of the causes.

According to the theory used in this research, found the dependency of Venezuela over the debt from IMF. Venezuela is the dependent country which relied on the single export commodity to their revenue. Try to reduce dependence on oil and reform the economic structure. IMF become the external forces to support the decision, lend some money and was well-received by Carlos Andreas Perez. Unfortunately, its coincide with the Washington Consensus which readdress developing countries such as Venezuela.

IMF claimed that the economy package designed to restore external viability and set the condition for sustained economic growth. The economic package and adjustment basically were not sustained the economic growth, it is just to guarantee that the debtor country will achieve the solvency required to pay its debts, and from this perspective, they are undoubtedly efficient to the developing countries, including

Venezuela. Contrary in belief of neo-liberalism 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 it is not proven in the settlement of Venezuela's economic crisis.

Development plans had been interpreted by Perez administration toward the Washington Consensus precisely a failure. Eight National Development Plans emphasized to reduced dependency on oil revenue, reduce state intervention in economy, deregulation and trade and capital liberalization. Privatization the public sector and the embracing of market principles were intended to reduce smothering state intervention of industry and opening Latin America through deregulation and trade and capital liberalization would attract foreign investment and increase healthy competition. The investment in the oil industry has increased and its contribution in net investment also increased in 1992, exceeding that of private sectors. Instead of reducing dependence on oil it increased.

Based on the explanation in chapter III, Fredrick Hayek explained neo-liberalism that the government should assure the policy as the protection of the free market. The free market created the new dependency for Venezuela towards the foreign products and reduced the productivity of the domestic industry. Besides, free market means competition to kept quality high, prices kept low, and it drives innovation, and distribute resources efficiently to the people who want them the most.

Hugo Chavez fought for neo-liberalism towards Washington consensus and dependency over IMF debt. It makes Chavez did various efforts from the coup against the

government until visiting the people around Venezuela to knowing its suffering. In 1999, Hugo Chavez became president and all his efforts paid off. Under his administration, the spirit of Simon Bolivar carried to reform Venezuela. No privatization, free market, or other aspects of neo-liberalism should be abolished. Chavez was involving people in the decision-making process and Constitution Bolivarian or Constitution of 1999 established.

In the article 229, the economic regime of the Bolivarian Republic of Venezuela is based on the principles of social justice, democratization, efficiency, free competition, protection of the environment, productivity and solidarity, with a view to ensuring overall human development and a dignified and useful existence for the community. Towards the economic policy under Hugo Chavez, Venezuela managed the developments from the oil revenue to finance the social sectors.

Venezuela is not socialist until Chavez determined his revolutionary goal into economic and social transformation. The social and economic reforms from above and from below where the government under Chavez is committed to fulfilling people need and support their activities by the popular classes by transforming their local governance, workplace, and communities called the 21<sup>st</sup> century of socialism.

Based on this research it can conclude implementation of socialism towards economic development could reduce Venezuela's dependency on external forces and support such as IMF to cover the budget of development plans moreover in case of economic suggestion or prescription. Nationalized the larger oil industry, PDVSA from the private sector's exploitation was appropriate measures. From the economic policy to nationalized PDVSA it is maximizing the profits directly to finance the social sectors. The government could

be able to provide free healthcare, free education and also public services. Under the Chavez administration established many social programs benefited the people. Free education improved the enrollment of children at the age of 5 until 19 to school. For an adult, the government provided Ribas and Robinson Missions to them continues the school and literacy training program.

Besides, with the initiative of Hugo Chavez ALBA was established to counter neo-liberalism and US domination in trade over Latin America. The aims of ALBA more or less helped the development in Venezuela. Instead, Venezuela guaranteed the oil supplies to the ALBA members. In 2004, Cuba was provided 30,000 doctors and teacher, So, Venezuela could provide public services such as new clinics and schools to millions of people.

On the other economic policy, the worker empowerment towards self-management increased the number of employees. After Venezuela faced the crisis in 1992, most of the manufacturing was bankrupt and Chavez decided to empower its worker to manage the manufacture by their selves. Including PDVSA, in early of Chavez administration the management replaced by some workers but in 2003 all the sectors of management handled by workers. In this case of indigenous people, they were also could improve the economic sector the great examples are Invepal and Venepal.

Beyond the solidarity of Bolivarian Chavez was brought the integration to the next level. Fairtrade and cooperative development manifest to the ALBA members after the monopoly-finance of free trade from the US. Under the ALBA, was not determined as the trade but more with the exchange or barter activity with the aim of improving people's lives, not making profits. Develop basic industries so that ALBA member states can become economically

independent. It was proved by Venezuela and Cuba cooperation among the countries to create five majors on agricultural sectors. Moreover, the cooperation guaranteed the food security among the countries.

In terms of independent and release from the external domination, Bolivia's case one of the example. When the US stopped for buying soybeans from Bolivia in 2004, Venezuela and Cuba helped to buy the soybeans and exchange with oil and public services. Instead, dependence on the external, the cooperation between ALBA members manifest and not making profits, moreover could meet the people need.