

**IMPLEMENTATION OF SOCIALISM IN VENEZUELA'S ECONOMIC
DEVELOPMENT UNDER HUGO CHAVEZ
(2001-2006)**

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Abstract

Venezuela hit the big economic crisis and left a huge debt to IMF. The fifth largest oil producer in the world cannot save Venezuela from the crisis. Privatization, and poorly manage of the oil industry under Carlos Andres Perez made the society suffering through the economy. Reduce oil dependency brought the country to deal with IMF loans to support the economic transformation ended with the prescription which claimed sustained the economy. Washington Consensus was interpreted as the development plans indicate neo-liberalism, emphasized the free market and reduce the state intervention precisely new dependency on IMF. Through the crisis, Hugo Chavez tends to defend people for regardless from the suffering. Chavez offered socialism as the resolution to solve the crisis through the Bolivarian Revolution, the spirit of Simon Bolivar.

Keywords: Dependency, Socialism, Economic Development

INTRODUCTION

Venezuela is Latin America country which having potential in economic growth through its natural resources and considered as a country with stable democracy. Venezuela is the rich country of its natural resources, the world fifth largest oil producer until the end of the 1990s. Venezuelan journalist Francisco Toro explained (Levin, 2007, p. 69),

“Venezuelans saw themselves and were seen by others as the successful democracy in Latin America: they were different, better, more modern than other countries in the region. They drank the most expensive Scotch Whiskey and drove Jaguars. They were *Venezuela*

Saudita, “Saudi Venezuela”, rich and modern.”

The statement came out before the riots in Caracas, the capital of Venezuela in 1989. *Caracazo* was the name of chaotic protest towards President Carlos Andres Perez deemed to bring Venezuela into economic crisis. Carlos Andres Perez has led Venezuela twice; 1974-1979 and 1989-1994. 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). In his first term, Perez gave the effort to Venezuela economy growth; nationalized the iron, steel,

and especially for oil industries that have been a mainstay of Venezuela income. Food and oil prices were subsidized; the Bolivar also got his support at the high value so it could always be exchanged for the high price in dollars at the bank. Beside Carlos Andres Perez started to build public works such as; housing project, industrial parks, a subway in Caracas and *El Sistema*, a music-teaching programmed for the poor.

In his administration, Perez tried to reduce the dependence on oil as the single commodity to Venezuela's revenue. Within the development plans reformed by the government it is hoped that it can reduced 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.

Unwittingly, Perez never thought to pay off against everything he had done to develop Venezuela's economy. When Perez took Presidential for the second time, he left behind Venezuela's external debt \$8 billion to IMF (Levin, 2007, p. 60). Those number of Venezuela's external debt he borrowed for cover the budget of his development plans because he seems to think that oil price would never go down. Contrary, the nationalized of oil industries revealed the fragility of the single resource on economy dependent, yet it poorly managed. After the embargo of the Arab oil, the price of oil had quadrupled, through the worst of his second term Venezuela ended up borrowing \$4.5 billion from the IMF.

Venezuela was faced terrify economic crisis under Carlos Andres Perez Presidency, the country that rich through its natural resources especially oil left with a huge external debt to IMF. The consecutive administrations which took office in the middle of Perez twice period; President Luis Herrera Campins and President Jaime Lusinchi

could not handle it after tried to stabilize the currency by imposing price controls and foreign exchange controls (Gracia, 2017). In term of economic crisis, brought Perez administration to privatizing state companies, removing subsidize, and let the bolivar value felt down.

Washington Consensus is the series policies that developed to address 1980s crisis, above explanation are included in the policies as the measurement to stabilize the economy (Levin, 2007, p. 68). The policy is the form of neo-liberalism that required of him to IMF. Hugo Chavez believed the policies gave the benefit to big business but as a suffering for the poor. It was the stepping stone for Chavez against the Perez administration, the triggered to coup d' eta in 1992 crisis.

Unfortunately, coup d' eta by Hugo Chavez in 1992 failed because of chaotic unprepared led. But the failure of coup d' eta inspired Chavez to fight through democratic way by mobilizing society in view of revolution. The election of Hugo Chavez as President in 1998, become the most dramatic political transformation in the history of Venezuela (lapper, 2006).

Bolivarian Revolution is the social struggle that puts people's consciousness as a center of the movement to liberate Venezuela from neoliberalism (Hira & Morden, 2004, p. 3). Inspired by a local struggle to fight imperialism of European colonialism which has been exploited in Latin America. Socialism had been captured by the following election mechanism but carries the revolutionary forms in each of its policies. The Naming of Bolivarian Revolution intended as awards Chavez to Simon Bolivar as the father of liberation in Latin America.

Hugo Chavez offered 21st Century socialism (Harnecker, 2010, p. 62) as a form of socialism in the present. Socialism in Latin America sets it apart with the practices of socialism that ever existed in Europe. Socialism which gives an idea that there are other alternative forms of developed this world which more equitable and humanity which also author interest to explain in this research.

In the term of Venezuela conditions seemingly unchanged and harming the society, Chavez led his members and asserted his

views against the concern society's welfare, social justice, and equality. Chavez then does the action in politics. Chavez voiced demands over policy changes by following the general election in 1998. The election was followed by the party that formed Chavez such as; MVR (Movimiento Quinta Republica) opposite by AD (Accion Democratica) and COPEI (Comite de Organization Politica electoral Independence) (Manwaring, 2005). Chavez succeeds to led the election by comparison of the vote not significantly. As the elected President in 1999, Chavez introduced the Bolivarian Revolution, a constitutional revolution which adds the rights of marginal society and changes the structure of the government. A Victory of Hugo Chavez is the beginning of the radical change in Venezuela, which led the process of restoring economic crisis and the changes of a political system in Venezuela.

December 1999, a new constitution was done and the vote to approve the constitution (Gracia, 2017). The constitution of 1999 also named after the idea of revolution which brings by Hugo Chavez – *Constitucion Bolivariana*, Simon Bolivar's thought and philosophy was behind the spirit of the Bolivarian revolution. For the first time, the society involved to deciding their constitution by a referendum. The way to build the Constitution indicates Chavez tend to involve and listened to the society at decision-making process which did not do by the former.

Bolivarian Constitution or the Constitution of 1999 contains 350 articles, including the article about economic changes, had been a highlight. Chavez believed that economic changes are the most fundamental thing in the revolution. It was confirmed in the new constitution in order to arrange the economic order and the function of the country to meet the demand of society, states on 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. The State, jointly with private initiative, shall promote the harmonious development of the national economy, to the end of generating sources of employment, a high rate of domestic added value, raising the standard of living of the population and strengthen the economic sovereignty of the country, guaranteeing the reliability of the law; the solid, dynamic, sustainable, continuing and equitable growth of the economy to ensure a just distribution of wealth through participatory democratic strategic planning with open consultation (Constitution 1999).

The article 229 of the new constitution above shows that economic changes supposed to state with private initiative join to promote the harmonious development the national economy in a way to prospered the society even for utilizing their own wealth that was mentioned on it. Inversely to what have done before by the former, neo-liberal government was let the private investor exploited their own wealth especially oil. Since 1970, the foreign investors have controlled the oil sector such as Chevron Corps; Royal Dutch Shell, Repsol, and Exxon (Soyomukti, 2007, p. 109). Instead of being used for the development and meet the demand of society income of oil were just rotating on the elite of the government and the investor. Moreover, 50% of the biggest company in Venezuela ties by US financier since 1977.

The economic policy pursued by Chavez emphasized the nationalized the assets and wealth of Venezuela in financing social programs and public services that will be analyzed in chapter II. Some policies arranged to return the economic rights to the society, briefly (Soyomukti, 2007, pp. 83-148);

1. Nationalized PDVSA (Petroleos de Venezuela)
This policy aiming to nationalize the wealth in case of oil and natural gas

companies that initially by the private sector. Therefore, nationalized PDVSA is impacted the income that is used to financing the social and public.

2. Workers Empowerment
As the Marxists teaching, Chavez really cares about the welfare of labor. Labor Association was built to support the revolution beside, labor empowered to manage some of the state company.
3. Indigenous Development
Development based on the logic of cooperation and humanist against a capitalistic individualism in the global economy. This for stimulating the indigenous people which not being concerned by the former to improve the national industry under Chavez's policy.

In addition of the economic policies have been mention there is the foreign policy affected the economic development not only for Venezuela but also Latin America. Chavez initiated the establishment of ALBA (Alternative Bolivariana Para Las Americas) as the protest of FTAA (Free Trade Area of America). With the purpose to building the future of Latin America, destroying the social inequalities ALBA tend to against the brutal logic of neo-liberal economic policies that impose restructure in the economy of Latin America (Soyomukti, 2007, pp. 138-139). Neo-liberal economics seeks to eliminate the protection of national industries; to impose the logic of making products for the benefit of the market; the termination of the restrictions of foreign capital in the national economy; the privatization of the whole assets and the wealth of nation; and the last elimination of subsidies to the society.

Research Question

Based on background that has been explained above can be formulated as follows; "Why Hugo Chavez implement socialism in Venezuela for economic development in 2001-2006?"

Theoretical Framework

According to the background of the topic which talks about socialism implementation for Venezuela's economic development, the author uses the theory of Dependency:

- a. Dependency theory was rooted in Karl Marx economic structuralism which has economic relations rich and poor countries. Karl Marx stated that the rich country controls and exploit the economy of the poor state. Within the world system and international relations, the rich country could control the economic system of the poor state by its power. The 1950s, the modern formations of dependency theory established by the work of Raul Presbisch. Presbisch argued poor states should make improvement through the import-substitution so that they could avoid import the products from the richer states. Instead, the poor states should improve their industry in the domestic sector. Moreover, they can sell the product to the International market.

According to Vincent Ferraro,

Dependence is a historical condition which shapes a certain structure of the world economy such that it favors some countries to detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion

of another economy, to which their own is subjected. (Santos, 2009, p. 226)

In dependency theory there are three characteristics towards the definition;

1. The characteristic of dependency consists of two sets of state. They are dominant and dependent state or in other name are the center and periphery state.
2. There are external forces, such as international commodity markets, foreign assistance, multinational corporations, and any other forms. The external forces are common importance to the economic activities for dependent states.
3. Based on definitions due to dominant and dependent states relations indicate the dependency because its tendency to be not only strengthened but also unequal patterns. Moreover, dependency is the process in a very deep-seated history which is rooted in capitalism in the international. (Ferraro, 1996)

The basis of this theory is to explain that dependent (poor state) is being economically exploited by the dominant (rich country). Dependent was described as the country in southern that being underdevelopment in term of economy and dependent by the dominant country in Northern. Dominant utilize the dependent to export the raw materials because of the lack to manage their own resources.

In the case of Venezuela, the oil industry is a single resource on heavily econom dependence. Even Venezuela is the fifth largest oil producers in the world and nationalized, it poorly managed under Carlos Andres Perez Presidency. The formerly

government let the foreign investor controlled the oil market since 1970. Instead of being used for the development and meet the demand of society income of oil were just rotating on the elite of the government and the investor. It made Venezuela dependence on IMF to recover the huge development was done. In another way, it left Venezuela behind in with huge debt to them and they were required Washington Consensus to address the trouble.

Through the condition, Hugo Chavez believed the dependence on IMF and Washington Consensus implementation just gave the benefit to big business, not to the poor. Chavez performs changes after he was elected in 1999, economic changes considered important to the revolution. Chavez tends to against the privatization of foreign investment which controls the oil sector by his policy. By the policy also Chavez aimed to make Venezuela regardless of the dependence on external (IMF) and began to manage development from the income.

Research Method

To write this undergraduate thesis, the author uses a descriptive method to explain the idealism of actors that tried to solve economic crisis through the Bolivarian Revolution by implement socialism in Venezuela.

The author would analysis factors of Hugo Chavez which decided to implement socialism in Venezuela's economic development. In this research data is found through library research. The source of information will be collecting the references from printed media such as; books, newspaper, magazine, and journal as well as electronic media such as; article

and journal on the internet related to the topics in this research.

Transition of Economic Development in Venezuela.

Cacao became first a crop that Venezuelan depends on it. But all had changed after the independence of Venezuela. Coffee more profitable rather than cocoa, require only five years instead of cacao's eight or ten years. In Guzman Blanco administration, Venezuela faced world strong market, impact coffee and cacao prices high. Higher prices of cacao and coffee in the world market cannot be apart from Guzman role in advancing agriculture. Guzman attracts foreign investment to Venezuela to invest their money such as for Venezuela railroads. At that time, the success of the economy encouraged the development of modern infrastructure.

Venezuela began to discover petroleum in 1917 under Juan Vicente Gomez. He ruled Venezuela from 1908 until 1935 and at that time Venezuela becomes world's largest exporter. In Venezuela proceedings, oil is not entirely supporting Venezuela's economy. The manufacturing, construction, and service sector were growing faster and support the economy. Proved by certain policies which been took by Marcos Perez Jimenez in 1950. The telephone company was nationalized named *Compania Anonima Nacional Telefonos de Venezuela* (CANTV). And also, the government established the petrochemical company called *Instituto Venezolano de Petroquimica* moreover, there are so many of development banks was set up by the government.

The planned of Betancourt to nationalize the oil industry can be realized under Carlos Andreas Perez presidency. Perez gave the big push to socialism in his first time to ruled Venezuela. He had nationalized oil buying up the foreign companies for \$1 billion, steel and iron industries, subsidized food and oil prices and canceled the \$350 million in debt to the government by Venezuelan farmers. Perez spent money were not sensible, huge public works costly \$53 billion for infrastructures and social programmed. Venezuela hit the oil boom at that time impact of Arab oil embargo but

Perez never thought to increase external debt from \$0.7 billion in 1974 to \$6.1 billion in 1978 (Economist, 2011).

Factors of Socialism Implementation By Hugo Chavez

The deep economic crisis faced Venezuela when Perez reelected in the second term. He signed a readjustment programme with IMF who offered \$4.5 billion to stabilize the economy. President Carlos Andreas Perez accepted the first loan with IMF in 1989 to readdress economic situation in Venezuela which has suffered from slow growth because of oil price was fall. Perez announced to make an economic reform program to reduce dependency on oil export. UPI business writer, Carlos (Brezina, 1989) reported that IMF approved the first load to Venezuela \$443 million credit for support of the government's economic reform project. Venezuela also could receive \$4.5 billion in additional loans over the next three years.

Perez wanted Venezuelan believed that he would not depend on IMF from his statement. In fact, neo-liberal form implemented under his presidency called Washington Consensus. The series of policy against he had done before, privatizing state companies, removing subsidies, and devaluation. The inflation never fell below 30 percent before. The average income per person had dropped by more than 75 percent since 1977.

As the interpretation of Perez administration for the adjustment of the economy package formulated the Eight National Development plans (1989) for Venezuela development. The objectives following are:

1. To reduce state intervention and of the weight of the state in the economy;
2. To reduce dependency on oil as single revenue;
3. Sustained growth without inflation;
4. Priorities export-oriented industrialization;
5. Increasing the productivity of labor;
6. Increasing social expenditures and the elimination of extreme poverty;

7. To Improve distribution of incomes, the democratization of property and management, and transfer of property to associative forms of labor and;
8. Consolidation of the democratic system (Fierro, 1996, p. 56).

These policies can only be evaluated as a complete failure. 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.

The debt increased annually, coming with the economic package as the support to economic reforms program of Perez's administration caused the dependence into it. The condition which shapes a certain structure of the world economy such that it favors some countries to detriment of others and limits the development possibilities of the subordinate economics as the definition of Vincent (Ferraro, 1996) of dependency. The total outstanding debt had increased by US\$518 million over the debt outstanding in 1988. Total public external debt payment from 1989 until 1992 US\$6.4 billion, interest payments on the public external debt reached about US\$9.6 billion and the payment of the principal about US\$5.9 billion.

According to neo-liberalism, trade and capital liberalization would attract foreign investment and increase healthy competition. In Fact, with the policy of trade liberalization, the value of imports of assembled passenger vehicles increased from \$40 million in 1988 to \$1,292 million in 1992 (Fierro, 1996). 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, neo-liberalism stated means quality is kept high, prices kept low, and it drives innovation, and distribute resources

efficiently to the people who want them the most.

The competition between domestic industry and private sector went wrong, their particular conditions responded in different ways to the challenges posed by the new conditions of trade liberalization and increased competition, and the conflict between the various entrepreneurial sectors emerged. y, The Federacion Nacional de Camaras de Comercio y Produccion (National Federation of Chambers of Commerce and Production-FEDE CAMARAS) (Fierro, 1996), The chambers of commerce were in favor of trade liberalization, the association of the textile, apparel, and footwear industries and small and medium-sized enterprises charged that increased pressure from unfair competition and smuggling were threatening to bankrupt an increasing number of firms.

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.

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.

Venezuela Under Hugo Chavez

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.

See through the crisis in Venezuela causes of Perez administration, Chavez took action against the government and held some coup. He failed and jail for two years, it did not stop him to fought for Venezuelan and he inspired with Fidel Castro over his struggle on Cuban Revolution. 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.

Hugo Chavez became President of Venezuela after he won presidential election in 1998 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. Bolivarian Constitution or the Constitution of 1999 contains 350 articles, includes the article about economic changes had been a highlight. Chavez believed that economic changes are the most fundamental thing in the revolution. It was confirmed in the new constitution in order to arrange the economic order and the function of the country to meet the demand of society.

The economic policy pursued by Chavez emphasized the nationalized the assets and wealth of Venezuela in financing social program and public service. Some policies arranged to returns the economic rights to the society;

1. Nationalized Petroleos de Venezuela (PDVSA)

PDVSA is the biggest oil company in Venezuela, in fact, the income cannot meet the demand of society. Besides, the resources exploited the private. The State company PDVSA is the largest and most numerous hired labor; While Venezuela is a member of OPEC, and for the western countries is one of the fifth-largest oil exporter companies and third largest for the United States. The oil industry provides one-third full for the GDP of Venezuela. Control against PDVSA means not only gains control over Venezuela but also against the control of the world oil market. Daily crude oil production of 3 million barrels and 75% are exported. Foreign exchange earnings from oil export average between \$3 billion and \$4 billion per year.

"There can be no socialism if our country doesn't have control of its resources," Chavez declared on May Day 2007, announcing he would rip up contracts with foreign oil companies worth billions of dollars (Gluck, 2013).

Chavez decided that the government should control over the oil production in Venezuela, so the government could use the profits to finance the social programs. The government also changes the tax for foreign oil producer to 30% because for a decade the oil industry in Venezuela had enriched the foreign companies, instead it causing the poverty for the people. On the other hand, Chavez using OPEC to raising the oil prices to get more revenues. He was redistributed land to peasants and legalized the people to occupy the private land which unused. To prevent exploitation of the business that could be suffering the poor people, Chavez introduced the price controls. When businesses tried to export all of their goods to get around price controls, the state nationalized them.

Chavez did not implement the policy as a whole but he is applying periodically. He began to decrees a new oil law requiring PDVSA hold a majority in all upstream oil projects in 2011. Chavez sacks 20,000 employees, takes control of the company and quickly begins using it to finance social programs so-called Mission Robinson. The mission provides education, literacy skill and

arithmetic for adults. The government raises taxes and royalties on private oil companies, collects billions of dollars through retroactive tax hikes and orders companies running oilfield sub-contracting venture to give PDVSA control of those operations.

2. Workers Empowerment

As the Marxist teaching, Chavez has really cared about the welfare of labor. Besides, the role of worker movement or labor union is one of fundamental aspect to support the revolution till the end. Therefore Chavez calls the worker movement or labor union to play their rightful role in the revolution "I ask for the full support of the working class and of the genuinely revolutionary trade unions...I call upon the working class to once and for all play its rightful role in this revolution" (Hernandez, 2007).

Cogestion is a term that used by Venezuelan workers as a process in various participation and workers control for factory management. Cogestion also can be referred to Co-management but not similar to Europe co-management after World War II, co-management that made workers become aware of their power as a whole not only to run the companies but also to manage the society. The model of cogestion is adapted from Lenin decree on workers control, a direct control over the company or rights to vote their deputy to manage the companies as the democracy (Martín, 2006).

Thereby struggle against the former owner by the worker, because the company to cross the threshold of bankrupt. The workers faced among the choices. Either become unemployed in case of bankrupt or taking control of the company. There is the slogan from Chavez that also affected the action "factory closed, factory occupied". For the first occupying was Venepal in 2005, a paper industry that has been renamed became Venezuela Indigenous Paper Industry (Invepal). Worker control over Invepal

was the benefit to the Venezuelan as a whole. CNV then became the second occupying by the workers against the owner named, Andres Sosa Pietry about two years. CNV is an industry that produces valve for the oil industry. Venezuelan Indigenous Valve Industry (Inveval) started their production after two years under new management and workers control. Besides, the electricity company, *Compania de Administracion y Fomento Electrico* (CADAPE) and the aluminum production plant *Aluminio del Caroni S.A* (ALCASA) their company are being run by the workers. Since the state-owned 51% compared the company 49% (Martín, 2006), the workers have rights in decision-making body neither to vote.

The Confederation of Venezuelan Workers (CTV) is the largest labor union at that time which pro-imperialist and capitalist. They were protested towards Chavez decision to control PDVSA, a state oil company by the appointed loyalist to run the company and dismissing layer of the layer the top executives. Chaos between pro and anti-Chavez supporter crushed in Caracas streets. Workers union divided into two, the Confederation of Venezuelan workers (CVT) and the National Workers Union (UNT).

UNT is the workers union which pro to Chavez, in the other name Chivitas. They tend to support the decision towards its revolution. As already explained in the previous paragraph, workers movement or labor union should play a rightful role in the revolution, moreover, workers movement or labor union should change them self as the instrument that can seize the power. The Revolutionary Front Workers in Co-managed Factories (FRETECO) is the front of workers which encourage by the government to “get organized and promote revolutionary trade unionism within the UNT” and appeals to the new leadership of UNT “to launch a national campaign to take over and occupy factories under workers control” (Martín, 2006).

3. Indigenous Development

Since the Independence of Venezuela, its country could not regardless of the fact that 1.5 percent of the population is the indigenous people, they are divided into 28 different ethnic groups (Exchange, 2004). Its small numbers but diverse. Back then, indigenous has been always being left out by the government. As already explained in the history, since the colonialism era 1821 the indigenous people have long exploited.

After a reform of the constitution under Chavez, indigenous people are being concerned. The government will not engage in the extraction of natural resources from native lands without consultation with indigenous groups not in a manner that would harm their culture or economy.

Based on article 123, Constitution of 1999; Indigenous peoples have the right to maintain and promote their own economic practices based on reciprocity, solidarity and exchange; their traditional productive activities, their participation in the national economy and define its priorities. Indigenous peoples have the right to professional training services and to participate in the development, implementation, and management of specific training programs, technical assistance and financial assistance to strengthen their economic activities in the framework of sustainable local development. The state shall guarantee to workers belonging to indigenous peoples the enjoyment of rights under labor law (Constitution 1999).

The development based on the logic of cooperation and humanist against a capitalistic individualism in the global economy. This for stimulating the national industry, such as the establishment of Convisa is an Airline Company and Covotel is Telecommunication Company.

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).

Integration Forum to Counter Free Trade Area of America (FTAA)

Chavez initiated the establishment of Alternative Bolivariana Para las Americas (ALBA) as the protest of the Free Trade Area of America (FTAA). ALBA was established in Havana, Cuba with first signing between President Hugo Chavez and Fidel Castro the President of Cuba. With the purpose to building the future of Latin America, destroying the social inequalities ALBA tend to against the brutal logic of neoliberal economic policies that impose restructure in the economy of Latin America (Soyomukti, 2007, pp. 138-139).

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 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.

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.

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.

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 Robbinson Missions to them continues the school and literacy training program.

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