

Venezuelan
Economic Development
A Politico-Economic
Analysis

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LORING ALLEN

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Chapter I

The Venezuelan Setting

The Venezuelan nation stands on the summit of success in 1975. On every side evidence of maturity, prosperity and promise brightens the economic and political landscape. Petroleum policy has finally brought that behemoth into the public domain through nationalization after decades of mounting public participation. The petroleum price increases of 1973 and 1974, for which Venezuela may claim some credit, have provided the financial resources for economic growth and diversification. Economic and financial policies have yielded the highest growth rate and per capita income in Latin America and a sound basis for expansion. Democratic processes function smoothly yet vigorously.

On the other hand, Venezuela was a pathetic country in 1935. The dictator, General Juan Vicente Gómez, had ruled with absolute authority for twenty-seven years. Only the favorites of the dictator prospered. The small petroleum enclave benefitted foreigners and the dictator. Most Venezuelans eked out a mean living from the soil. The cities were dreary, the countryside bleak, the people disheartened. The twentieth century had not arrived in Venezuela.

Between 1935 and 1975 change convulsed this country. Not the ordinary change which often leaves many things the same, but a searing, rending economic and political upheaval in which almost nothing remained the same. It was a metamorphosis, a transformation in which the form and content of the Venezuela of 1975 resembled only remotely the Venezuela of 1935. Some might call it a miracle or a revolution; elements of both were in the burst of energy which created today's Venezuela.

In 1935 the economy was dependent on petroleum. In 1975 the economy was still dependent on petroleum. The nature of the depend-

ence, however, had changed. Recognized and government-managed dependence had replaced the earlier uncontrolled dependence. Public policies eliminated some kinds of dependence, including private, foreign decision-making in the petroleum sector. Other kinds of dependence, such as trade, fiscal and technological dependence remained, but under more control. The transformation of the last forty years has moved Venezuela closer to interdependence.

The transformation has two principal dimensions: economic and political. A vegetating, malformed and malfunctioning economy became a sturdy and growing economy. A ruthless dictatorship became a workable democracy. Petroleum was the engine of change; petroleum policies converted the oil into revenues that economic and financial policies put to work to propel the economy into modernity. All of these components interacted to produce the present politico-economic system of Venezuela. This book analyzes the interaction of petroleum, politics, policies and performance in the context of changing dependence in the last generation.¹

The Saga of Juan Bimba

Consider the case of Juan Bimba, the national caricature: this lean and hungry-looking Venezuelan was born in the year the dictator died. In the early years he lived in a shack on the side of a hill with his father and mother and six other children. As soon as he was able, he helped his father farm a little plot which provided the family with little more than subsistence. He did not go to school because he had to help his father and anyway, the nearest school was eighteen kilometers away. As a teenager his social life consisted of taking produce to the small city on Saturday and getting drunk on the proceeds. On one such excursion he met a girl and she became pregnant. Thus, in 1950, the odyssey of Juan Bimba begins.²

He moved to town and married the girl. It was the first and last time he was ever in church; yet he was a devout Catholic. He got a job driving a *por puesto*, a car that runs a regular route through the city streets. He lived in a little shack under the bridge on the outskirts of town. The years rolled by and each year he earned a bit more and his family grew larger. His *ranchito* also grew; first one more room, then another, made space for the annual new child. Pictures appeared on the wall; he bought a radio. Juan worked long hours and he spent his spare time repairing the car. The year 1958 was a red letter year. He bought, on credit, a half-interest in a car, his eldest son started going to school, and the family moved to a new *barrio* where his *ranchito* had a wooden floor.

In the country, all attention centered on Caracas. A new temporary military junta had ousted the dictator and promised free elections. Juan and his partner and their families moved to Caracas, in the hope of earning higher pay. The first years were hard. The country's economy was in depression and Juan's income fell instead of rising. His housing was worse, many of his friends could not find jobs, and Juan had a difficult time keeping his children in school. But then things began to get a little better.

Juan became politicized. He worked hard in his spare time for Acción Democrática. In 1963 his big break came. Through political friends he got a job driving a truck for the Ministry of Public Works at twice the pay he had been receiving. He sold his interest in the *por puesto*. Now he had his evenings free. At home he felt pressure from his children who could read and write. He went to night school, learned to read a newspaper and to write a few words. Deciphering the words and drawings of his truck technical manual was an arduous chore but he accomplished it. He avidly supported his party and attended all the big meetings. He managed to keep his children in school through the sixth grade. One, the eldest, was even going on.

Juan's political and economic sentiments were primitive and not well informed. He thought poor people, like himself, should have more. He couldn't understand why the United States sent its big crooked companies to his country and took all the oil without giving something in return. Maybe that's how the Yankees got so rich, he reasoned, taking things from other people. But anyway, he knew how to get along: do what you're told, know the right people, and be lucky. He believed in his party but he knew the government was corrupt. Those not being paid off by the Yankees were bought by Mendoza or some other rich man. Sometimes he day-dreamed about being given a lot of money just for knowing the right people.

Again through political friends an opportunity arose. He became a timekeeper on a big project. He talked to engineers and plumbers and electricians. He began to notice that the people who were the most able and worked the hardest made more money and got promotions. With time on his hands even at work he started reading the newspaper and some school books. He began to shave every day and wore better clothes to work. The idea began to grow in him that he was able to supervise a group of workers, that by knowing several jobs and working very hard, he could earn more pay. He studied what other people did. He moved out of the *barrio* into an apartment with water and a toilet. In 1970 his son graduated from liceo and entered the university to study engineering.

Finally, his efforts attracted the attention of the engineer in charge. He

promoted Juan to straw boss, responsible for six men on a cement crew. Juan's interest in politics dwindled but he remained a good party man. He was happy that his party was going to throw the North American companies out and take over the oil. If Venezuelans could build buildings and roads and a subway, they could run the petroleum industry, he thought. He fired two men from his crew; nothing unusual in that, except that they were from his own political party. It made him uncomfortable to do it, but the men were just not working hard enough. In 1975 his son graduated from the university; Juan was in charge of three crews. For the first time he had to pay income taxes. Juan Bimba had made it.

From Colonial Town to Modern Metropolis

Consider also the case of a small town up in the Andes Mountains. In 1935 it was a charming but very poor little town, isolated from the rest of the country, with only a corkscrew mountain road connecting it to nearby cities. The prisoners of Gómez had built the road. There was electricity, but the candlemaker and kerosene vendor did a brisk business. The town was small, all huddled around Plaza Bolívar, its gargoyled cathedral, and a clutch of shops. When the dictator died, the town's intellectuals began to think about reopening the university.

The town only had a few streets and few were paved. Only the very rich had cars, and the occasional out-of-town car was an event. Only a few children went to school because so few schools existed. The rich doctors and merchants sent their children to school in Caracas. The houses were all colonial style, with open patios in the middle. Going up and down the street one could hardly detect that this was well into the twentieth century, not the eighteenth.

Bit by bit the changes came. A new road, straighter and less dangerous, was driven through the mountains and automobile traffic increased. The government laid out an airport and regular flights connected the town to Caracas and other cities. Electric signs began to appear outside stores. Even neon lights. Imported goods, displayed behind plateglass storefronts, became ubiquitous. The town built more roads and paved some of the old ones. Apartment houses blossomed and many new-style houses appeared. Agriculture thrived and enterprising merchants constructed small factories. A fancy modern hotel with a swimming pool drew tourists from Caracas.

Population expanded rapidly as people from smaller towns and from the countryside arrived. More and more children were in the streets. New as well as antiquated school buildings burst at the seams with scrubbed,