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Venezuela: Between Ballots and Bullets

By James Petras

Introduction

Venezuela's democratically elected President Chavez faces the most serious threat since the April 11, 2002 military coup.

Violent street demonstrations by privileged middle and upper middle class university students have led to major street battles in and around the center of Caracas. More seriously, the former Minister of Defense, General Raul Isaias Baduel, who resigned in July, has made explicit calls for a military coup in a November 5th press conference which he convoked exclusively for the right and far-right mass media and political parties, while striking a posture as an 'individual' dissident.

The entire international and local private mass media has played up Baduel's speeches, press conferences along with fabricated accounts of the oppositionist student rampages, presenting them as peaceful protests for democratic rights against the government referendum scheduled for December 2, 2007.

The New York Times, the Wall Street Journal, the BBC News and the Washington Post have all primed their readers for years with stories of President Chavez' 'authoritarianism'. Faced with constitutional reforms which strengthen the prospects for far-reaching political-social democratization, the US, European and Latin American media have cast pro-coup ex-military officials as 'democratic dissidents', former Chavez supporters disillusioned with his resort to 'dictatorial' powers in the run-up to and beyond the December 2, 2007 vote in the referendum on constitutional reform. Not a single major newspaper has mentioned the democratic core of the proposed reforms – the devolution of public spending and decision to local neighborhood and community councils. Once again as in Chile in 1973, the US mass media is complicit in an attempt to destroy a Latin American democracy.

Even sectors of the center-left press and parties in Latin America have reproduced right-wing propaganda. On November the self-styled 'leftist' Mexican daily *La Jornada* headline read '*Administrators and Students from the Central University of Venezuela (UCV) Accuse Chavez of Promoting Violence*'. The article then proceeded to repeat the rightist fabrications about electoral polls, which supposedly showed the constitutional amendments facing defeat.

The United States Government, both the Republican White House and the Democrat-controlled Congress are once again overtly backing the new attempt to oust the popular-nationalist President Chavez and to defeat the highly progressive constitutional amendments.

The Referendum: Defining and Deepening the Social Transformation

The point of confrontation is the forthcoming referendum on constitutional reforms initiated by President Chavez, debated, amended and democratically voted on by the Venezuelan Congress over the past 6 months. There was widespread and open debate and criticism of specific sectors of the Constitution. The private mass media, overwhelmingly viscerally anti-Chavez and pro-White House, unanimously condemned any and all the constitutional amendments. A sector of the leadership of one of the components of the pro-Chavez coalition (PODEMOS) joined the Catholic Church hierarchy, the leading business and cattleman's association, bankers and sectors of the university and student elite to attack the proposed constitutional reforms. Exploiting to the hilt all of Venezuela's democratic freedoms (speech,

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assembly and press) the opposition has denigrated the referendum as 'authoritarian' even as most sectors of the opposition coalition attempted to arouse the military to intervene.

The opposition coalition of the rich and privileged fear the constitutional reforms because they will have to grant a greater share of their profits to the working class, lose their monopoly over market transactions to publicly owned firms, and see political power evolve toward local community councils and the executive branch. While the rightist and liberal media in Venezuela, Europe and the US have fabricated lurid charges about the 'authoritarian' reforms, in fact the amendments propose to deepen and extend social democracy.

A brief survey of the key constitutional amendments openly debated and approved by a majority of freely elected Venezuelan congress members gives the lie to charges of 'authoritarianism' by its critics. The amendments can be grouped according to political, economic and social changes.

The most important political change is the creation of new locally based democratic forms of political representation in which elected community and communal institutions will be allocated state revenues rather than the corrupt, patronage-infested municipal and state governments. This change toward decentralization will encourage a greater practice of direct democracy in contrast to the oligarchic tendencies embedded in the current centralized representative system.

Secondly, contrary to the fabrications of ex-General Baduel, the amendments do not 'destroy the existing constitution', since the amendments modify in greater or lesser degree only 20% of the articles of the constitution (69 out of 350).

The amendments providing for unlimited term elections is in line with the practices of many parliamentary systems, as witnessed by the five terms in office of Australian Prime Minister Howard, the half century rule of Japan's Liberal Democratic Party, the four terms of US President Franklin Roosevelt, the multi-term election of Margaret Thatcher and Tony Blair in the UK among others. No one ever questions their democratic credentials for multi-term executive office holding, nor should current critics selectively label Chavez as an 'authoritarian' for doing the same.

Political change increasing the presidential term of office from 6 to 7 years will neither increase or decrease presidential powers, as the opposition claims, because the separation of legislative, judicial and executive powers will continue and free elections will subject the President to periodic citizen review.

The key point of indefinite elections is that they are free elections, subject to voter preference, in which, in the case of Venezuela, the vast majority of the mass media, Catholic hierarchy, US-funded NGO's, big business associations will still wield enormous financial resources to finance opposition activity – hardly an 'authoritarian' context.

The amendment allowing the executive to declare a state of emergency and intervene in the media in the face of violent activity to overthrow the constitution is essential for safeguarding democratic institutions. In light of several authoritarian violent attempts to seize power recently by the current opposition, the amendment allows dissent but also allows democracy to defend itself against the enemies of freedom. In the lead up to the US-backed military coup of April 11, 2002, and the petroleum lockout by its senior executives which devastated the economy (a decline of 30% of GNP in 2002/2003), if the Government had possessed and utilized emergency powers, Congress and the Judiciary, the electoral process and the living standards of the Venezuelan people would have been better protected. Most notably, the Government could have intervened against the mass media aiding and abetting the violent overthrow of the democratic process, like any other democratic government. It should be clear that the

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amendment allowing for 'emergency powers' has a specific context and reflects concrete experiences: the current opposition parties, business federations and church hierarchies have a violent, anti-democratic history. The destabilization campaign against the current referendum and the appeals for military intervention most prominently and explicitly stated by retired General Baduel (defended by his notorious adviser-apologist, the academic-adventurer Heinz Dietrich), are a clear indication that emergency powers are absolutely necessary to send a clear message that reactionary violence will be met by the full force of the law.

The reduction of voting age from 18 to 16 will broaden the electorate, increase the number of participants in the electoral process and give young people a greater say in national politics through institutional channels. Since many workers enter the labor market at a young age and in some cases start families earlier, this amendment allows young workers to press their specific demands on employment and contingent labor contracts.

The amendment reducing the workday to 6 hours is vehemently opposed by the opposition led by the big business federation, FEDECAMARAS, but has the overwhelming support of the trade unions and workers from all sectors. It will allow for greater family time, sports, education, skill training, political education and social participation, as well as membership in the newly formed community councils. Related labor legislation and changes in property rights including a greater role for collective ownership will strengthen labor's bargaining power with capital, extending democracy to the workplace.

Finally the amendment eliminating so-called 'Central Bank autonomy' means that elected officials responsive to the voters will replace Central Bankers (frequently responsive to private bankers, overseas investors and international financial officials) in deciding public spending and monetary policy. One major consequence will be the reduction of excess reserves in devalued dollar denominated funds and an increase in financing for social and productive activity, a diversity of currency holdings and a reduction in irrational foreign borrowing and indebtedness. The fact of the matter is that the Central Bank was not 'autonomous', it was dependent on what the financial markets demanded, independent of the priorities of elected officials responding to popular needs.

As the Chavez Government Turns to Democratic Socialism: Centrists Defect and Seek Military Solutions

As Venezuela's moves from political to social transformation, from a capitalist welfare state toward democratic socialism, predictable defections and additions occur. As in most other historical experiences of social transformation, sectors of the original government coalition committed to formal institutional political changes defect when the political process moves toward greater egalitarianism and property and a power shift to the populace. Ideologues of the 'Center' regret the 'breaking' of the status quo 'consensus' between oligarchs and people (labeling the new social alignments as 'authoritarian') even as the 'Center' embraces the profoundly anti-democratic Right and appeals for military intervention.

A similar process of elite defections and increased mass support is occurring in Venezuela as the referendum, with its clear class choices, comes to the fore. Lacking confidence in their ability to defeat the constitutional amendments through the ballot, fearful of the democratic majority, resentful of the immense popular appeal of the democratically elected President Chavez, the 'Center' has joined the Right in a last ditch effort to unify extra-parliamentary forces to defeat the will of the electorate.

Emblematic of the New Right and the 'Centrist' defections is the ex-Minister of Defense, Raul Baduel, whose virulent attack on the President, the Congress, the electoral procedures and the referendum mark him as an aspirant to head up a US-backed right-wing seizure of power.

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The liberal and right wing mass media and unscrupulous 'centrist' propagandists have falsely portrayed Raul Baduel as the 'savior' of Chavez following the military coup of April 2002. The fact of the matter is that Baduel intervened only after hundreds of thousands of poor Venezuelans poured down from the 'ranchos', surrounded the Presidential Palace, leading to division in the armed forces. Baduel rejected the minority of rightist military officers favoring a massive bloodbath and aligned with other military officials who opposed extreme measures against the people and the destruction of the established political order. The latter group included officials who supported Chavez' nationalist-populist policies and others, like Baduel, who opposed the coup-makers because it radicalized and polarized society – leading to a possible class-based civil war with uncertain outcome. Baduel was for the restoration of a 'chastised' Chavez who would maintain the existing socio-economic status quo.

Within the Chavez government, Baduel represented the anti-communist tendency, which pressed the President to 'reconcile' with the 'moderate democratic' right and big business. Domestically, Baduel opposed the extension of public ownership and internationally favored close collaboration with the far-right Colombian Defense Ministry.

Baduel's term of office as Defense Minister reflected his conservative propensities and his lack of competence in matters of security, especially with regard to internal security. He failed to protect Venezuela's frontiers from military incursions by Colombia's armed forces. Worse he failed to challenge Colombia's flagrant violation of international norms with regard to political exiles. While Baduel was Minister of Defense, Venezuelan landlords' armed paramilitary groups assassinated over 150 peasants active in land reform while the National Guard looked the other way. Under Baduel's watch over 120 Colombian paramilitary forces infiltrated the country. The Colombian military frequently crossed the Venezuelan border to attack Colombian refugees. Under Baduel, Venezuelan military officials collaborated in the kidnapping of Rodrigo Granda (a foreign affairs emissary of the FARC) in broad daylight in the center of Caracas. Baduel made no effort to investigate or protest this gross violation of Venezuelan sovereignty, until President Chavez was informed and intervened. Throughout Baduel's term as Minister of Defense he developed strong ties to Colombia's military intelligence (closely monitored by US Defense Intelligence Agency and the CIA) and extradited several guerrillas from both the ELN and the FARC to the hands of Colombian torturers.

At the time of his retirement as Minister of Defense, Baduel made a July 2007 speech in which he clearly targeted the leftist and Marxist currents in the trade union (UNT) and Chavez newly announced PSUV (The Unified Socialist Party of Venezuela). His speech, in the name of 'Christian socialist', was in reality a vituperative and ill-tempered anti-communist diatribe, which pleased Pope Benedict (Ratzinger).

Baduel's November 5 speech however marks his public adherence to the hard-line opposition, its rhetoric, fabrications and visions of an authoritarian reversal of Chavez program of democratic socialism. First and foremost, Baduel, following the lead of the White House and the Venezuelan 'hard right', denounced the entire process of Congressional debate on the Constitutional amendments, and open electoral campaigning leading up to the referendum as 'in effect a coup d'etat'. Every expert and outside observer disagreed – even those opposed to the referendum. Baduel's purpose however was to question the legitimacy of the entire political process in order to justify his call for military intervention. His rhetoric calling the congressional debate and vote a 'fraud' and 'fraudulent procedures' point to Baduel's effort to denigrate existing representative institutions in order to justify a military coup, which would dismantle them.

Baduel's denial of political intent is laughable – since he only invited opposition media and politicians to his 'press conference' and was accompanied by several military officials. Baduel resembles the dictator who accuses the victim of the crimes he is about to commit. In calling the referendum on constitutional

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reform a 'coup', he incites the military to launch a coup. In an open appeal for military action he directs the military to 'reflect of the context of constitutional reform.' He repeatedly calls on military officials to 'assess carefully' the changes the elected government has proposed 'in a hasty manner and through fraudulent procedures'. While denigrating democratically elected institutions, Baduel resorts to vulgar flattery and false modesty to induce the military to revolt. While immodestly denying that he could act as spokesperson for the Armed Forces, he advised the rightist reporters present and potential military cohort that 'you cannot underrate the capacity of analysis and reasoning of the military.'

Cant, hypocrisy and disinterested posturing run through Baduel's pronouncements. His claim of being an 'apolitical' critic is belied by his intention to go on a nationwide speaking tour attacking the constitutional reforms, in meetings organized by the rightwing opposition. There is absolutely no doubt that he will not only be addressing civilian audiences but will make every effort to meet with active military officers who he might convince to 'reflect'...and plot the overthrow of the government and reverse the results of the referendum. President Chavez has every right to condemn Baduel as a traitor, though given his long-term hostility to egalitarian social transformation it may be more to the point to say that Baduel is now revealing his true colors.

The danger to Venezuelan democracy is not in Baduel as an individual – he is out of the government and retired from active military command. The real danger is his effort to arouse the active military officers with command of troops, to answer his call to action or as he cleverly puts it 'for the military to reflect on the context of the constitutional reforms.' Baduel's analysis and action program places the military as the centerpiece of politics, supreme over the 16 million voters.

His vehement defense of 'private property' in line with his call for military action is a clever tactic to unite the Generals, Bankers and the middle class in the infamous footsteps of Augusto Pinochet, the bloody Chilean tyrant.

The class polarization in the run-up to the referendum has reached its most acute expression: the remains of the multi-class coalition embracing a minority of the middle class and the great majority of the working power is disintegrating. Millions of previously apathetic or apolitical young workers, unemployed poor and low-income women (domestic workers, laundresses, single parents) are joining the huge popular demonstrations overflowing the main avenues and plazas in favor of the constitutional amendments. At the same time political defections have increased among the centrist-liberal minority in the Chavez coalition. Fourteen deputies in the National Assembly, less than 10%, mostly from PODEMOS, have joined the opposition. Reliable sources in Venezuela (Axis of Logic/Les Blough Nov. 11, 2007) report that Attorney General General Isaias Rodriguez, a particularly incompetent crime fighter, and the Comptroller General Cloudosbaldo Russian are purportedly resigning and joining the opposition. More seriously, these same reports claim that the 4th Armed Division in Maracay is loyal to 'Golpista' Raul Baduel. Some suspect Baduel is using his long-term personal ties with the current Minister of Defense, Gustavo Briceno Rangel to convince him to defect and join in the pre-coup preparations. Large sums of US funding is flowing in to pay off state and local officials in cash and in promises to share in the oil booty if Chavez is ousted. The latest US political buy-out includes Governor Luis Felipe Acosta Carliz from the state of Carabobo. The mass media have repeatedly featured these new defectors to the right in their hourly 'news reports' highlighting their break with Chavez 'coup d'etat'.

The referendum is turning into an unusually virulent case of a 'class against class' war, in which the entire future of the Latin American left is at stake as well as Washington's hold on its biggest oil supplier.

Conclusion

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Venezuelan democracy, the Presidency of Hugo Chavez and the great majority of the popular classes face a mortal threat. The US is facing repeated electoral defeats and is incapable of large-scale external intervention because of over-extension of its military forces in the Middle East; it is committed once more to a violent overthrow of Chavez. Venezuela through the constitutional reforms, will broaden and deepen popular democratic control over socio-economic policy. New economic sectors will be nationalized. Greater public investments and social programs will take off. Venezuela is moving inexorably toward diversifying its petrol markets, currency reserves and its political alliances. Time is running out for the White House: Washington's political levers of influence are weakening. Baduel is seen as the one best hope of igniting a military seizure, restoring the oligarchs to power and decimating the mass popular movements.

President Chavez is correctly 'evaluating the high command' and states that he 'has full confidence in the national armed forces and their components.' Yet the best guarantee is to strike hard and fast, precisely against Baduel's followers and cohorts. Rounding up a few dozen or hundred military plotters is a cheap price to pay for saving the lives of thousands of workers and activists who would be massacred in any bloody seizure of power.

History has repeatedly taught that when you put social democracy, egalitarianism and popular power at the top of the political agenda, as Chavez has done, and as the vast majority of the populace enthusiastically responds, the Right, the reactionary military, the 'Centrist' political defectors and ideologues, the White House, the hysterical middle classes and the Church cardinals will sacrifice any and all democratic freedoms to defend their property, privileges and power by whatever means and at whatever cost necessary. In the current all-pervasive confrontation between the popular classes of Venezuela and their oligarchic and military enemies, only by morally, politically and organizationally arming the people can the continuity of the democratic process of social transformation be guaranteed.

Change will come, the question is whether it will be through the ballot or the bullet.

CRG Newsletter – Venezuelan Referendum: A Post-Mortem and its Aftermath

Venezuela's constitutional reforms supporting President Chavez's socialist project were defeated by the narrowest of margins: 1.4% of 9 million voters. The result however was severely compromised by the fact that 45% of the electorate abstained, meaning that only 28% of the electorate voted against the progressive changes proposed by President Chavez. While the vote was a blow to Venezuela's attempt to extricate itself from oil dependence and capitalist control over strategic financial and productive sectors, it does no change the 80% majority in the legislature nor does it weaken the prerogatives of the Executive branch. Nevertheless, the Right's marginal win does provide a semblance of power, influence and momentum to their efforts to derail President Chavez' socio-economic reforms and to oust his government and/or force him to reconcile with the old elite power brokers.

Internal deliberations and debates have already begun within the Chavista movement and among the disparate oppositional groups. One fact certain to be subject to debate is why the over 3 million voters who cast their ballots for Chavez in the 2006 election (where he won 63% of the vote) did not vote in the referendum. The Right only increased their voters by 300,000 votes; even assuming that these votes were from disgruntled Chavez voters and not from activated right-wing middle class voters that leaves out over 2.7 million Chavez voters who abstained.

Diagnosis of the Defeat

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Whenever the issue of a socialist transformation is put at the top of a governmental agenda, as Chavez did in these constitutional changes, all the forces of right-wing reaction and their ('progressive') middle class followers unite forces and forget their usual partisan bickering. Chavez' popular supporters and organizers faced a vast array of adversaries each with powerful levers of power. They included:

- 1) numerous agencies of the US government (CIA, AID, NED and the Embassy's political officers), their subcontracted 'assets' (NGO's, student recruitment and indoctrinations programs, newspaper editors and mass media advertisers), the US multi-nationals and the Chamber of Commerce (paying for anti-referendum ads, propaganda and street action);
- 2) the major Venezuelan business associations FEDECAMARAS, Chambers of Commerce and wholesale/retailers who poured millions of dollars into the campaign, encouraged capital flight and promoted hoarding, black market activity to bring about shortages of basic food-stuffs in popular retail markets;
- 3) over 90% of the private mass media engaged in a non-stop virulent propaganda campaign made up of the most blatant lies – including stories that the government would seize children from their families and confine them to state-controlled schools (the US mass media repeated the most scandalous vicious lies – without any exceptions);
- 4) The entire Catholic hierarchy from the Cardinals to the local parish priests used their bully platforms and homilies to propagandize against the constitutional reforms – more important, several bishops turned over their churches as organizing centers to violent far right-wing resulting, in one case, in the killing of a pro-Chavez oil worker who defied their street barricades.

The leaders of the counter-reform quartet were able to buy-out and attract small sectors of the 'liberal' wing of the Chavez Congressional delegation and a couple of Governors and mayors, as well as several ex-leftists (some of whom were committed guerrillas 40 years ago), ex-Maoists from the 'Red Flag' group and several Trotskyists trade union leaders and sects. A substantial number of social democratic academics (Edgar Lander, Heinz Dietrich) found paltry excuses for opposing the egalitarian reforms, providing an intellectual gloss to the rabid elite propaganda about Chavez 'dictatorial' or 'Bonapartist' tendencies.

This disparate coalition headed by the Venezuelan elite and the US government relied basically on pounding the same general message: The re-election amendment, the power to temporarily suspend certain constitutional provisions in times of national emergency (like the military coup and lockouts of 2002 to 2003), the executive nomination of regional administrators and the transition to democratic socialism were part of a plot to impose 'Cuban communism'. Right-wing and liberal propagandists turned unlimited re-election reform (a parliamentary practice throughout the world) into a 'power grab' by an 'authoritarian'/'totalitarian'/'power-hungry' tyrant according to all Venezuelan private media and their US counterparts at CBC, NBC, ABC, NPR, New York and Los Angeles Times, Washington Post. The amendment granting the President emergency powers was de-contextualized from the actual US-backed civilian elite-military coup and lockout of 2002-2003, the elite recruitment and infiltration of scores of Colombian paramilitary death squads (2005), the kidnapping of a Venezuelan-Colombian citizen by Colombian secret police (2004) in the center of Caracas and open calls for a military coup by the ex-Defense Minister Baduel.

Each sector of the right-wing led counter-reform coalition focused on distinct and overlapping groups with different appeals. The US focused on recruiting and training student street fighters channeling hundreds of thousands of dollars via AID and NED for training in 'civil society organization' and

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'conflict resolution' (a touch of dark humor?) in the same fashion as the Yugoslav/Ukrainian/Georgian experiences. The US also spread funds to their long-term clients – the nearly defunct 'social democratic' trade union confederation – the CTV, the mass media and other elite allies. FEDECAMARAS focused on the small and big business sectors, well-paid professionals and middle class consumers. The right-wing students were the detonators of street violence and confronted left-wing students in and off the campuses. The mass media and the Catholic Church engaged in fear mongering to the mass audience. The social democratic academics preached 'NO' or abstention to their progressive colleagues and leftist students. The Trotskyists split up sectors of the trade unions with their pseudo-Marxist chatter about "Chavez the Bonapartist" with his 'capitalist' and 'imperialist' proclivities, incited US trained students and shared the 'NO' platform with CIA funded CTV trade union bosses. Such were the unholy alliances in the run-up to the vote.

In the post-election period this unstable coalition exhibited internal differences. The center-right led by Zulia Governor Rosales calls for a new 'encounter' and 'dialogue' with the 'moderate' Chavista ministers. The hard right embodied in ex-General Baduel (darling of sectors of the pseudo-left) demands pushing their advantage further toward ousting President-elect Chavez and the Congress because he claimed "they still have the power to legislate reforms"! Such, such are our democrats! The leftists sects will go back to citing the texts of Lenin and Trotsky (rolling over in their graves), organizing strikes for wage increases in the new context of rising right-wing power to which they contributed.

Campaign and Structural Weakness of the Constitutional Reformers The Right-wing was able to gain their slim majority because of serious errors in the Chavista electoral campaign as well as deep structural weaknesses.

Referendum Campaign:

1) The referendum campaign suffered several flaws. President Chavez, the leader of the constitutional reform movement was out of the country for several weeks in the last two months of the campaign – in Chile, Bolivia, Colombia, France, Saudi Arabia, Spain and Iran) depriving the campaign of its most dynamic spokesperson.

2) President Chavez got drawn into issues which had no relevance to his mass supporters and may have provided ammunition to the Right. His attempt to mediate in the Colombian prisoner-exchange absorbed an enormous amount of wasted time and led, predictably, nowhere, as Colombia's death squad President Uribe abruptly ended his mediation with provocative insults and calumnies, leading to a serious diplomatic rupture. Likewise, during the Ibero-American summit and its aftermath, Chavez engaged in verbal exchange with Spain's tin-horn monarch, distracting him from facing domestic problems like inflation and elite-instigated hoarding of basic food stuffs.

Many Chavista activists failed to elaborate and explain the proposed positive effects of the reforms, or carry house-to-house discussions countering the monstrous propaganda ('stealing children from their mothers') propagated by parish priests and the mass media. They too facily assumed that the fear-mongering lies were self-evident and all that was needed was to denounce them. Worst of all, several 'Chavista' leaders failed to organize any support because they opposed the amendments, which strengthened local councils at the expense of majors and governors.

The campaign failed to intervene and demand equal time and space in all the private media in order to create a level playing field. Too much emphasis was placed on mass demonstrations 'downtown' and not on short-term impact programs in the poor neighborhoods –solving immediate problems, like the disappearance of milk from store shelves, which irritated their natural supporters.

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Structural weaknesses There were two basic problems which deeply influenced the electoral abstention of the Chavez mass supporters: The prolonged scarcity of basic foodstuffs and household necessities, and the rampant and seemingly uncontrolled inflation (18%) during the latter half of 2007 which was neither ameliorated nor compensated by wage and salary increases especially among the 40% of self-employed workers in the informal sector.

Basic foodstuffs like powdered milk, meat, sugar, beans and many other items disappeared from both the private and even the public stores. Agro-businessmen refused to produce and the retail bosses refused to sell because state price controls (designed to control inflation) lessened their exorbitant profits. Unwilling to 'intervene' the Government purchased and imported hundreds of millions of dollars of foodstuffs – much of which did not reach popular consumers, at least not at fixed prices.

Partially because of lower profits and in large part as a key element in the anti-reform campaign, wholesalers and retailers either hoarded or sold a substantial part of the imports to black marketers, or channeled it to upper income supermarkets.

Inflation was a result of the rising incomes of all classes and the resultant higher demand for goods and services in the context of a massive drop in productivity, investment and production. The capitalist class engaged in disinvestment, capital flight, luxury imports and speculation in the intermediate bond and real estate market (some of whom were justly burned by the recent collapse of the Miami real estate bubble).

The Government's half-way measures of state intervention and radical rhetoric were strong enough to provoke big business resistance and more capital flight, while being too weak to develop alternative productive and distributive institutions. In other words, the burgeoning crises of inflation, scarcities and capital flight, put into question the existing Bolivarian practice of a mixed economy, based on public-private partnership financing an extensive social welfare state. Big Capital has acted first economically by boycotting and breaking its implicit 'social pact' with the Chavez Government. Implicit in the social pact was a trade off: Big Profits and high rates of investment to increase employment and popular consumption. With powerful backing and intervention from its US partners, Venezuelan big business has moved politically to take advantage of the popular discontent to derail the proposed constitutional reforms. It's next step is to reverse the halting momentum of socio-economic reform by a combination of pacts with social democratic ministers in the Chavez Cabinet and threats of a new offensive, deepening the economic crisis and playing for a coup.

Policy Alternatives

The Chavez Government absolutely has to move immediately to rectify some basic domestic and local problems, which led to discontent, and abstention and is undermining its mass base. For example, poor neighborhoods inundated by floods and mudslides are still without homes after 2 years of broken promises and totally inept government agencies.

The Government, under popular control, must immediately and directly intervene in taking control of the entire food distribution program, enlisting dock, transport and retail workers, neighborhood councils to insure imported food fills the shelves and not the big pockets of counter-reform wholesalers, big retail owners and small-scale black marketers. What the Government has failed to secure from big farmers and cattle barons in the way of production of food, it must secure via large-scale expropriation, investment and co-ops to overcome business 'production' and supply strikes. Voluntary compliance has been demonstrated NOT TO WORK. 'Mixed economy' dogma, which appeals to 'rational economic calculus', does not work when high stake political interests are in play.

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To finance structural changes in production and distribution, the Government is obligated to control and take over the private banks deeply implicated in laundering money, facilitating capital flight and encouraging speculative investments instead of production of essential goods for the domestic market.

The Constitutional reforms were a step toward providing a legal framework for structural reform, at least of moving beyond a capitalist controlled mixed economy. The excess 'legalism' of the Chavez Government in pursuing a new referendum underestimated the existing legal basis for structural reforms available to the government to deal with the burgeoning demands of the two-thirds of the population, which elected Chavez in 2006.

In the post-referendum period the internal debate within the Chavez movement is deepening. The mass base of poor workers, trade unionists and public employees demand pay increases to keep up with inflation, an end to the rising prices and scarcities of commodities. They abstained for lack of effective government action – not because of rightist or liberal propaganda. They are not rightists or socialist but can become supportive of socialists if they solve the triple scourge of scarcity, inflation and declining purchasing power.

Inflation is a particular nemesis to the poorest workers largely in the informal sector because their income is neither indexed to inflation as is the case for unionized workers in the formal sector nor can they easily raise their income through collective bargaining as most of them are not tied to any contract with buyers or employers. As a result in Venezuela (as elsewhere) price inflation is the worst disaster for the poor and the reason for the greatest discontent. Regimes, even rightist and neo-liberal ones, which stabilize prices or sharply reduce inflation usually secure at least temporary support from the popular classes. Nevertheless anti-inflationary policies have rarely played a role in leftist politics (much to their grief) and Venezuela is no exception.

At the cabinet, party and social movement leadership level there are many positions but they can be simplified into two polar opposites. On the one side, the pro-referendum dominant position put forth by the finance, economy and planning ministries seek cooperation with private foreign and domestic investors, bankers and agro-businessmen, to increase production, investment and living standards of the poor. They rely on appeals to voluntary co-operation, guarantees to property ownership, tax rebates, access to foreign exchange on favorable terms and other incentives plus some controls on capital flight and prices but not on profits. The pro-socialist sector argues that this policy of partnership has not worked and is the source of the current political impasse and social problems. Within this sector some propose a greater role for state ownership and control, in order to direct investments and increase production and to break the boycott and stranglehold on distribution. Another group argues for worker self-management councils to organize the economy and push for a new 'revolutionary state'. A third group argues for a mixed state with public and self-managed ownership, rural co-operatives and middle and small-scale private ownership in a highly regulated market.

The future ascendance of the mixed economy group may lead to agreements with the 'soft liberal' opposition – but failing to deal with scarcities and inflation will only exacerbate the current crisis. The ascendance of the more radical groups will depend on the end of their fragmentation and sectarianism and their ability to fashion a joint program with the most popular political leader in the country, President Hugo Chavez.

The referendum and its outcome (while important today) is merely an episode in the struggle between authoritarian imperial centered capitalism and democratic workers centered socialism.

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