

## **VENEZUELA**

### **An unfolding tragedy**

“The right wing already has its prison cell waiting. All the criminals will go to prison for the crimes they’ve committed.”

[President Nicolás Maduro, *Morning Star – The People’s Daily*]

**IN DECEMBER 2015** the Bolivarian Revolutionaries of the PSUV – the *Unified Socialist Party of Venezuela* – lost the national assembly elections to a coalition of parties known by the acronym, MUD – *Mesa de la Unidad Democrática* (unfortunate in English, but not so bad in Spanish). This result has created something of a standoff over the last couple of years between the socialist government of Nicolás Maduro, and the majority in the National Assembly.

President Maduro has tried to annul or overturn the result of this election by attempting to abolish the National Assembly, arresting opposition leaders, and denouncing all opponents as criminals. The establishment of the ‘Constituent Assembly’, elected last Sunday is a formal constitutional device designed to overcome the National Assembly and MUD’s parliamentary majority. According to the *Morning Star – the People’s Daily*, “Mr Maduro has said that he wants the assembly to strip opposition constituent MPs, many of whom have openly incited violence, of their constitutional immunity from prosecution.” Clearly Nicolás Maduro intends to either dissolve the National Assembly or to whittle away his opponents’ majority by arresting and jailing MPs.

As a consequence Venezuela is facing a revolutionary crisis in which the socialist government

has responded by imprisoning opponents, and both sides have started to kill each other's organisers and militants. The reason for this descent into an incipient civil war – which is after all, what a revolution is – is that neither side can live with the consequences of their opponents' victory. The members of the PSUV and the left more broadly know that the restoration of what might be called 'Bourgeois Order' can only be achieved by the physical destruction of socialist organisations throughout the country. Alternatively, the activists and organisers of MUD know that the victory of President Maduro and the revolutionaries will result in the imprisonment, brutalizing, and murder of their supporters.

Of course, this is not how either side describes the situation. Aljazeera quotes President Madura's plea on behalf of his new Constituent Assembly "let the sovereign people impose peace, harmony and true national dialogue". This pious wish sounds absurd to the embattled majority in the National Assembly, and to their supporters on the streets. On the one hand, the intention is to deepen and broaden the socialist revolution, on the other, is the struggle for the restoration of the rule of law and ordinary capitalist relations in which markets determine prices and profitability directs investment.

However, the socialist government can claim some signal achievements. During the twelve years between 1999 and 2012 the government cut poverty by almost thirty per cent. Life expectancy rose by more than four years, healthcare improved, and school attendance increased considerably. According to the United Nations human development index, Venezuela had by last year climbed to the level of Turkey, positioning the country at 71 out of 188 nations assessed.

But, it seems that these improvements were the result of unsustainable policies, including price controls on foodstuffs and a failure to invest in industrial infrastructure, particular in the oil industry which

accounts for the bulk of the government's revenues. It is true that commentators like María Páez Victor and Dan Kovalik in the Huffington Post claim that the "Venezuelan economy is doing very well" with an export surplus, healthy reserves, and "no significantly onerous national or foreign debts." Other measures tell a radically different story.

Inflation, running at more than eight hundred per cent, and government price controls have created a situation in which goods are either sold on to the black market or simply not imported at all. Store shelves are empty and most ordinary people are unable to access sufficient food, medicine, or other essentials without paying black market rates. The Communist Party of Ireland in an echo of Venezuelan socialist voices, claims that these shortages are "artificial" and are the result of "even the deliberate destruction of food supplies".

Such conspiratorial arguments reveal a fundamental ignorance of how markets work – if the suppliers import goods at world prices, but are then compelled by the government to sell at prices fixed well below a level that can deliver a healthy mark-up, they will simply refuse to sell on the open market, and will resort instead to the informal or 'black' market, where they can get what they regard as a sustainable return. It is government price controls, and rigged exchange rates, not 'profiteers', and 'black marketeers' that have emptied the shelves of shops and supermarkets throughout Venezuela.

Earlier this year the two official exchange rates offered by the government were 10 bolívares to one US dollar [Dipro] or 710 bolívares to one US dollar [Dicom], whereas the 'free' or black market rate was running at more than 3000 bolívares to one US dollar – now, in August, the free or informal exchange rate is in the region of more than 10,000 bolívares to the dollar. Hyperinflation is taking hold and the economy is clearly in free fall.

Collapsing oil production, together with falling oil prices, have destroyed the capacity of the socialist government to ameliorate the conditions of the very poor with government programmes and subsidies. Between 1999 and 2013 oil production fell by a quarter and has not recovered. To this must be added falling oil prices that have also been undermining government income since the end of 2014.

The socialist governments of Hugo Chávez and Nicolás Maduro have over the last eighteen years attempted to address the glaring inequalities and the profound poverty that scars Venezuelan society by deploying substantial oil revenues in poverty alleviation schemes and doing all they could to improve the general condition of the poor. In the process they've alienated great swathes of the skilled working class, many leading trade unionists, people in the professions, and of course, business owners and investors. Their policies resulted in low levels of investment in petroleum extraction and refining, and in transport and other essential industrial infrastructure. This has, inevitably, led to the decay of government's capacity to deliver its promise to the poor or to satisfy the needs of the middle class of technicians, professionals, and business people.

The tragedy of the Chávez-Maduro years has been the manner in which, no doubt from the best of intentions, socialists have conducted the Venezuelan economy as if the poor were government clients to be assuaged by subsidies and poverty alleviation schemes. Whereas, the skilled workers and middle classes, those who complained of falling investment and mismanagement of industrial production, were treated as enemies and pawns of the United States.

For a revolution to succeed – at a minimum to make life better and fairer than it was before – it must be able to mobilise the poor, the mainstream of the working class, and the professional and technical people essential to industrial and commercial activity.

Without all three layers of the population fully on board oligarchies, composed of leading capitalists, traditional elites, and their international allies, cannot be defeated.

The resulting rhetoric of the class war, and of the accompanying bitterness and violence, will not produce a good outcome whoever prevails in the present struggle. The lesson that all socialists can take from the Bolivarian Revolution is that it is foolhardy to imagine that you can improve the conditions of the very poor by alienating the skilled working class and the technicians and professionals essential to maintaining and improving state revenues.