

A Rocky Road to State Reform in Venezuela from 1989 to 1999: Gran Viraje versus Grand Distrust*

Uk-Heon Hong**

Abstract

February 1989, the reelected President Carlos Andrés Pérez announced a drastic economic liberalization package, which signified a shift in national economic policy from an interventionist to a "minimalist" state. His economic reform, however, confronted with a severe public protests and was short-lived. President Rafael Caldera halted major parts of the reform program 1994 and resumed 1996. The Venezuelan march toward a minimalist state stalled again in the Hugo Chávez government. Why have the Venezuelan recent governments been passive in restructuring the state's economic roles in the era of market-oriented economies? This paper argues that the public distrust in traditional political elites is a critical element. The public, mainly urban lower classes, had supported CAP's reelection but discredited his reform efforts due to his lying, corrupted behaviors. Both Caldera and Chávez governments put more emphasis on keeping campaign slogans rather than launching an active economic reform.

* This work was supported by the Korea Research Foundation (grant #KRF-96-009-C0056)

** Professor at Dept. of International Relations, Uiduk University

Introduction: From Gran Viraje to Gran Venezuela

February 16, 1989, the newly elected President Carlos Andrés Pérez (CAP) announced a drastic economic reform package, so-called "Gran Viraje (Great Turnaround)," which signified a shift in national economic policy from an interventionist to a "minimalist" state. The program, which also aimed at macroeconomic stabilization and adjustment in Venezuela either immediately or over a relatively short period, included changes in the overall political economy. The major governmental measures were to: (1) allow the level of interest rates throughout the financial system to rise to a temporary cap set around 30 percent, (2) eliminate the four-tier preferential exchange rates maintained after 1983 and instead let the foreign currency market set the rate, (3) deregulate all prices except for 18 categories of basic consumer goods, (4) gradually increase the price of public services such as telephone, water, electricity, and cooking fuel and rationalize all prices charged by public firms, (5) raise domestic prices of oil products up to market prices annually for three years, with an initial 100 percent increase in gasoline, and a 30 percent increase in public transportation fares, (6) rationalize and phase out import tariffs, (7) reduce the fiscal deficit to no more than 4 percent of gross domestic product (GDP) and freeze hiring the public employees, (8) overhaul the tax system thoroughly, and (9) reduce the state's role in industrial production. To relieve economic difficulties of the lower classes, which the reform might affect most, the government would raise government employees' salaries between 5 and 30 percent and increase the minimum wage in urban and rural areas. (Kornblith, 1995: 80-84).

Although CAP's market-oriented reform policies could bring back the "golden age" of his previous presidency from 1974 to 1978, their implementation was confronted with severe domestic opposition from the public. Massive popular violence, such as looting, destruction of public and private properties, and attacks on residential areas broke out nationwide February 27, 1989, nine days after the announcement of the

program. For days, the armed forces were called to maintain public order and a nationwide curfew was imposed. The official death count was three hundred persons with over one thousand injured.

Until CAP was impeached down from the presidency in June 5, 1993 a half year earlier than his term of office, due to the mismanagement of his presidential campaign fund, US\$ 17 million, the CAP government had failed in reducing the public protest. Rather, rumors of possible coup attempts had haunted the government from the later half of 1991. February 4, 1992, a military revolt took place in the military garrisons in several states, including the Federal District. Some 2,700 military personnel were arrested. Another coup attempt occurred November 27, 1992. The rebels included high-ranking officers from all military branches (army, navy, airforce, and national guard) and some civilians. Coup leaders proclaimed that increasing popular demonstrations against the CAP government since the February 27 riot motivated their coup attempts.

In spite of the public unrest, the CAP government pursued the reform fairly actively. For example, it reduced the fiscal deficit down to less than 3 percent of GDP for the first three years. It also brought down the average import tariffs rate from 35 percent in 1988 to less than 10 percent in 1990 and maintained the price liberalization policy. To maintain an effective monetary policy, the government established a more independent central bank. Some of Venezuela's smaller public enterprises, including a handful of sugar mills and hotels, were sold off.

As a result, macroeconomic indicators showed signs of improvement. Average annual GDP growth rates rose from -7.8% in 1989 to 5.8% in 1990, 9.7% in 1991 and 5.8% in 1992. Annual inflation rates went down from 84% in 1989 to 41% in 1990, 34% in 1991, and 31% in 1992 (see table 1).

The CAP's economic reform, however, was short-lived. The following interim President Ramon José Velasquez implemented the reform little further. When Rafael Caldera succeeded power in February 1994, his government halted major parts of the Gran Viraje program. Instead the

Caldera government returned to interventionist policies by imposing price controls on food and other goods, subsidizing domestic petrol prices to the tune of US\$689 million a year, forcing interest rates down artificially, and fettering the country's foreign exchange system. The government also nationalized 19 of 43 commercial banks, including Banco Latino, the second largest bank in Venezuela, and 10 of 19 mortgage banks at a cost of US\$ 11 million. The government stripped the Central Bank of its independency considerably. The ratio of fiscal deficit to GDP recorded -6.5% in 1994 and -3.6% in 1995, and the bloated public sectors remained intact.

The Caldera government had stuck to interventionist policies until it redirected to a market-oriented economy April 15, 1996. Its program, "Agenda Venezuela," shared similar tenets with the Gran Viraje, and included that: (1) the exchange rate would be freed and float within a band, (2) currency controls would be lifted so that dollars could be more readily obtainable, (3) interest rates would be freed, (4) many price controls would be removed, especially the cost of gasoline increased by 470 percent, (5) sales tax rate would increase from 12.5 percent to 16.5 percent and consumers would pay it directly, (6) the notoriously lackadaisical tax collection system would be reformed, and (7) the republic's gigantic state payroll would be trimmed. For a smooth transition, a variety of subsidies and wage increases would be also in the works. (Casas González, 1996).

The Caldera government resumed economic reform but was considerably less active than the CAP government. The former did raise gasoline prices and sales tax rate, freed foreign exchange rates, and reduced government spending, as promised. However, The Caldera government achieved little in restructuring the public sector, which was the major target of its economic reform.

The Venezuelan march toward a minimalist state stalled in the subsequent Hugo Chávez government from February 1999. President Chávez, like President Caldera, advocated strong populist campaign rhetorics and tried to put them into reality. Although President Chávez

promised a more open, freer Venezuelan economy to foreign investors, he did not present any significant reform policy yet. Instead, he has scathed verbal attacks on business leaders and has been eager at the punishment of Venezuela's traditional political elites, who had ruled before 1998. (The Economist, 1999).

Table 1 Major Economic Indicators across Adjustment and Reform in Venezuela, 1981-1998

	Growth Rate of GDP (%)	Open Unemployment Rate(%)	Annual Rate of Inflation (%)	Ratio of Fiscal Deficit to GDP (%)	Ratio of Fixed Investments to GDP (%)	Ratio of Public Investment in Total Investment (%)	Nominal Effective Exchange Rate (1990=100)
1981	-0.9	6.8	16.2	2.2	30.1	63.3	685.2
1982	1.2	7.8	9.6	-2.1	29.8	69.6	745.4
1983	5.5	10.5	6.3	-0.6	23.2	74.6	692.5
1984	-0.6	14.3	12.2	2.8	17.9	53.7	574.6
1985	-0.1	14.3	11.4	2.0	19.1	58.0	538.1
1986	6.6	12.1	11.5	-1.5	19.6	58.9	429.2
1987	3.8	9.2	28.1	-5.0	17.9	54.5	258.8
1988	5.9	7.3	29.5	-6.2	19.5	50.0	247.3
1989	-7.8	9.2	84.2	-1.0	10.0	53.1	138.1
1990	5.8	10.4	40.8	-2.1	8.7	65.6	100.0
1991	9.7	9.5	34.2	-2.8	14.2	58.2	89.6
1992	5.8	7.8	31.4	-3.6	18.6	58.0	80.4
1993	-0.2	6.6	38.1	-3.4	15.2	62.0	70.7
1994	-2.9	8.5	60.8	-6.5	8.1	67.6	50.6
1995	3.7	10.3	59.9	-3.6	16.1	56.8	41.2
1996	-1.3	11.8	99.9	0.9	14.8	55.9	18.6
1997	5.1	11.4	50.0	2.2	16.9	50.0	16.1
1998	-1.0	11.2	35.8	-5.7	18.2	46.1	8.6

Sources: Sources: Banco Central de Venezuela, Indicadore Económicos, various years; International Monetary Fund, International Financial Statistics Yearbook, 1999; and CEPAL, Economic Survey of Latin America and the Caribbean, various issues.

As a result of delayed and passive transition toward a market-oriented economy, the Venezuelan economy got worse in the 1990s than in 1989. Economic growth stagnated or declined and inflation remained high. For example, GDP per capita reduced 5 percent during a decade after 1988. The economy contracted by more than 7 percent in 1999, with a tripled price of petroleum. The value of the bolívar crept down from BS46.9 per a US dollar in 1990 and to BS476 in 1996 and over BS600 in 1999. President Chávez's aggressive anti-business rhetoric has helped inspire the flight of at least \$8 billion to overseas banks. (Rohter, 2000). Murders increased more than triple times from 1,501 in 1986 to 4,961 in 1996. Annual thefts jumped from 12,798 to 85,613 during this period. Most of the killings were in the capital's slums, but crime was up in all parts of the city of 5 million people. (Jones, 1997).

A considerable success of the CAP's economic reform could have accelerated a stable economic growth, if continued further. Both Presidents Caldera and Chávez, however, delayed the reform. The state sector¹ still remained bloated and interventionist ideologies remained effective in the government. A decade long hesitation in the Venezuelan economic reform after 1989 raises a question: Why have the Venezuelan recent governments been passive in restructuring the state's economic roles toward a minimalist state in the era of market-oriented economies? In other words, why did the Caldera and following Chávez governments retreat to an interventionist state in spite of rising international and theoretical support for market-oriented economies?

This paper argues that the public distrust in political elites, especially those who ruled in the past three decades from 1959-1989, is a critical element to the Venezuelan delayed economic restructuring. On the eve of the CAP's reform, the majority of the public believed that the national economy was seriously ill and at least a half of the public held the opinion

¹ Here, the term "state sector" indicates governmental institutions which the state finances and runs directly. State enterprises, autonomous institutions, foundations, mixed institutions, and bureaucracy are among them.

that the private sector would be more efficient than the public sector for the economy. However, the public became infuriated with the announcement of the Gran Viraje. This was mainly because CAP cheated the people. He had advocated a return to his first presidency, economic boom period by state-led development under the slogan of the "Gran Venezuela (Grand Venezuela)," and hinted little of the reform during his 1988 presidential campaign but turned around from his campaign slogans. The public resent to the reform deteriorated, when CAP became known as a typical corrupted politician. Unending corruption scandals around the CAP government caused the people to believe that the traditional political elites have wasted national coffer for their own partisan interests since 1958. Even the old state-led development model could be maintained effectively if traditional political leaders, especially of two major parties, Democratic Action (AD) and Christian Democrats (COPEI), had managed the country honestly and patriotically without stealing coffer for their own interests. The public demanded that their leader restructure his corrupted, partisan behavior before forcing the people to adapt to a new market-oriented economy.

President Caldera, elected with campaign slogans of anti-reform policies and an honest government, focused on keeping his promises to avoid his predecessor's error. President Chávez, elected with anti-corruption slogans, tried to gain the public credit by removing the traditional politicians, symbols of corruption and dishonest, from political arena. Both Caldera and Chávez governments put more emphasis on acquiring the reputation of honest, promise-keeping leadership than launching an active economic reform in the midst of worsening economy.

Explanations for Retreat to Statist Model

Internationally and theoretically, "minimal state" models became a preferable alternative to "developmental state" in the developing countries especially after the mid-1980s. For example, in his summary of a 1989

conference on Latin America, Williamson listed ten market-oriented policies in what he called the Washington Consensus. (Williamson, 1990: 401). Among others are included reform policies (1) to generate macroeconomic stability through the control of public sector deficits, (2) to open the domestic market more freely to foreign competitors in the areas of trade and capital, and (3) to reduce the role of state in the production through privatization and deregulation. In 1992, the United Nations Economic Commission for Latin America and the Caribbean (CEPAL), once a strong supporter of inward-looking and state-led development model, import-substitution industrialization (ISI), also admitted that the most appropriate development model should emphasize global interdependence, trade liberalization, market forces, private sector, and macroeconomic balance. (CEPAL, 1992). After an extensive study of the role of the state, the World Bank suggested that the major lesson of recent years has been that much of the developing world had to face up to the failure of state-dominated development strategies. In this view, government leaders had to make a wrenching shift toward the market economy, because the state could no longer deliver on its promises. Even the mixed economies of the industrialized world, in response to the failures of government intervention, have opted for decisive shifts in favor of market mechanisms, that is, a "minimalist" state. "Such a state would do no harm, but neither could it do much good." (World Bank, 1997: i).

International financial institutes such as the International Monetary Fund (IMF) and World Bank pressed the Venezuelan governments considerably to adopt a market-oriented economy. It was IMF and World Bank that pushed the CAP and Caldera governments to adopt economic liberalization programs in 1989 and 1996 respectively. While President Caldera promised he would not tinker with the bloated public sector and would not go to IMF on bent knees during his election campaign, he went to the IMF after two years in office and agreed to adopt a market-oriented program in return for a \$2.5 billion standby loan from IMF. The Caldera government encountered considerably high international opposition when

it retreated to state interventionism in 1994. For example, Standard & Poor's, a United States credit analysis company, downgraded Venezuela's debt rating to a banana republic. Bear Stearns, a major United States investment broker, advised its investors not to touch Venezuelan paper. Foreign direct investment to Venezuela declined from \$650 million in 1994 to \$350 million in 1995. (Darwent, 1996: 1).

Considerable success cases of market-oriented programs in the neighboring countries also encouraged Venezuela to follow suit. Chile was quite successful in economic reform after the mid-1970s. Bolivia after 1985 and Peru after 1990 followed suit and maintained it. Argentina and Brazil did so from the early 1990s.

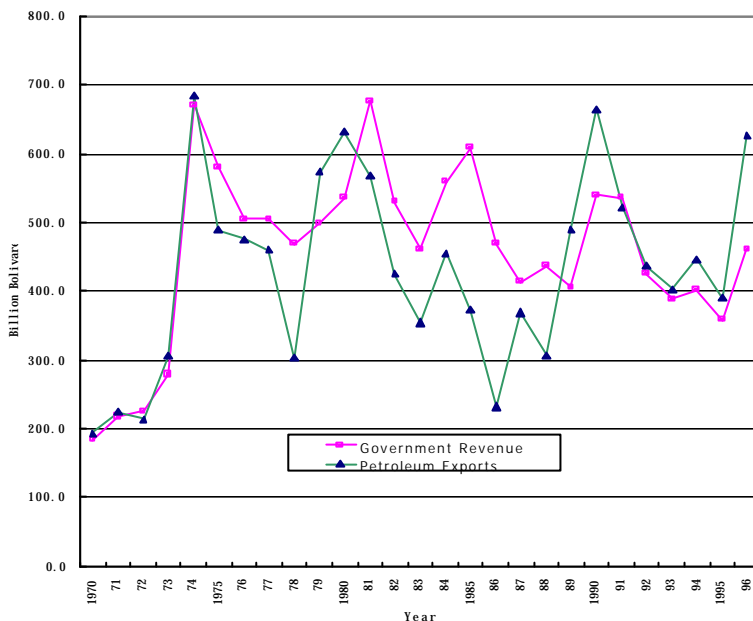
Under these internationally and theoretically favorable conditions, why were the following Caldera and Chávez governments passive or reluctant to implement economic reform toward a minimalist state? While various explanations have been suggested, they are still complicated and conflicting. (Maxfield, 1996: 219). Some argue that the populist tradition on both sides of political elites and the public impeded change into a minimalist state model, which has developed on the basis of individualism and pluralism. (Harrison, 1985 and 1992; Véliz, 1980). However, Venezuela cannot be said to maintain stronger populist traditions than other neighboring countries which pursued an active reform. The "weak bureaucracy" model helps to explain the Venezuelan case in that considerable numbers of employees were recruited politically rather than on meritocracy. Decades-long experience in patronage with politicians and interests groups impeded bureaucrats to develop an objective, efficient statecraft. Bureaucracy was the very target of the economic reform, which might resist most. However, the ministries of economic planning and finance, major government institutions for economic policies, are known for recruiting qualified elites. Moreover, the civilian professionals have a tradition to participate frequently in the government's decision making, which can strengthen the bureaucratic capability in pursuing economic reform. Between 1958 and 1989, Venezuelan governments created more

than 300 consultative commissions that have provided an important means of participation for civilian professional groups. These commissions used to draft and revise legislation, conduct research on specific issues, provide daily policy advice, and chart general patterns of administrative reform. (Crisp, Levine, and Rey, 1995: 153-58). The size of the Venezuelan bureaucracy is not small at all, even though it may be inefficient to implement economic reform. 1.3 million of 21 million Venezuelan people were listed on the government payroll in 1992.

"Economic structure" approach, advocated by Terry Lynn Karl (1997) and Kiren Aziz (1994), persuades adamantly that high dependence on petroleum industry and its nationalization make it difficult for the government to transform from state-led to market-oriented economy. Increasing and continuing fiscal dependence on nationalized petroleum exports shaped not only social classes and regime types but also the very institutions of the state, that is, the framework for decision-making and the decision calculus of policy makers. Increasing petroleum revenues pushed the state to be a wealthy provider, "a huge milk cow" to its populations rather than interacting with them through administrative services and popular taxes. The gigantic petroleum revenues also institutionalized both the state officials and private interests to perpetuate a rent-seeking behavior. "Just as private interests encountered strong incentives to influence public authorities, politicians and bureaucrats quickly realized that they could expand their domains, their budgets, and sometimes their own pocketbooks by showing favoritism to one group over another in return for favors received." (Karl, 1995: 36). The prevalence of political favoritism and lack of interaction through market exchanges led to weak statecraft and vulnerability to sharp changes in oil revenues. The rentier nature of the "petro-state" has undermined the emergence of the institutions and norms necessary for building a market economy. (Aziz, 1994: 1-25).

Graph 1. Changes in Government Revenue and Petroleum Exports at

1990 Constant Prices, 1970-1996



Source: IMF, International Financial Statistics, Yearbook 1998 and previous issues.

This petro-state model helps in explaining why the Venezuelan governments maintained interventionist policies rather than adapting swiftly to market changes and the government revenues fluctuated along with changes in petroleum exports (see Figure 1). Coincidentally the Luis Herrera Campíns government gave up a further economic liberalization in 1983 when the price of oil started to increase. Instead, the government opted to allocate foreign exchanges. However, this model may not explain adequately why the CAP's Gran Viraje of 1989 was confronted with nationwide, prolonged public riots, unlike the Caldera's Agenda Venezuela of 1996, which raised gasoline prices 4.7 times higher than the former. Neither does the petro-state model explain why the lower classes opposed more severely against the CAP's reform than so did the organized interest groups who had benefited more directly before the reform.

To know the delayed transition toward a market-oriented economy in Venezuela, at least the following questions should be answered: (1) Was a minimal state model the most viable alternative in the context of the Venezuelan economic conditions?; (2) Why did CAP failed in the formation of a stable policy alliance with the public?; and (3) Why did the Caldera and Chavéz government focus more on keeping their campaign slogans rather than attacking on worsening economy? A review of the Venezuelan government's development policies since the 1958 return to democracy will help to figure out how viable a minimal state model was for the national economy.

Tradition of Economic Policy

The Venezuelan democratic governments after 1958 had played an increasingly active role in the economy until 1989, when a "drastic state withdrawal" policy was experimented. At least three stages of policy changes have been experienced: "protected industrialization" stage from 1958 to 1973, "state enterprises" stage from 1974 to 1978, and "artificial financial control" stage from 1979 to 1988. (Carlos Bresser, 1996: 42-43).

Modernization of Infant Industries by Protection, 1958-1973

The state-led pursuit of ISI received a wide political consensus among the Venezuelan major parties in this period. The philosophical base of ISI is that the pride and self-esteem of Venezuela should be protected and maintained by blocking the spread of American products, investment, and culture. With theoretical support from CEPAL, the Rómulo Betancourt government (1959-63) pursued an ISI policy officially in 1960, as expressed in the first Four-Year Plan. Ministerio de Coordinación y Plan (CORDIPLAN) was in charge of planning and managing industrialization.

Although per capita GDP of Venezuela exceeded that of West Germany and reached over a quarter of that of USA in the mid-1950s, the

Venezuelan manufacturing sector was poorly developed. Petroleum was the only internationally competitive product except a few primary products, such as iron ore and aluminum. Petroleum exports exceeded over 90 percent of total exports from the 1930s. With a fear that oil resources would wither away, the Betancourt government launched "sowing the oil," that is, developing import-substituting industries with oil revenues.

To protect domestic market from foreign products, protective shields such as high import tariffs, rigid control on foreign exchanges and limits on foreign direct investment were maintained. Land reform was initiated on the basis of compensated confiscation to promote agricultural industry in the early 1960s.

The government respected private firms generally as a prime motor for industrialization in this stage, although some state enterprises were installed to participate directly in production, like Corporación Venezolana de Guayana and Corporación Venezolana del Petróleo. However, the government involved directly mainly in financial institutions to support private enterprises for capital accumulation or in building infrastructure and basic industries, such as roads, telephones, and electricity. For example, a majority of the 68 state enterprises which were created from 1961 to 1970 were financial institutes that supported private businesses. (Hong, 1991: 173). Public investment remained under 25 percent of total investment until 1973. The size of government expenditure also increased slower than that of GDP.

Since Venezuela undertook ISI strategy, it enjoyed a stable, considerably high economic growth until the mid-1970s. (Hausmann, 1995: 254-62). GDP grew at an average annual rate of 7.9 percent in the 1950s and 6 percent in the 1960s. Inflation averaged less than 2 percent until 1970.

Grand Venezuela by State Enterprises, 1974-1978

The CAP government (1974-78) embarked a massive construction of public sector under the slogan of Gran Venezuela. An average 32.6 percent of the central government expenditure was used for the national economy during the previous Caldera government (1969-73), while it increased to 46.5% during the CAP government. (Hong, 1991: 165). The public share of gross fixed investment increased to 53.2% in 1974 from the 23% in 1973. About seven new state-owned enterprises were created each year from 1959 to 1973, while that number grew to nearly thirty from 1974 to 1978. (Kornblith, 1985: 260-77). The total operating public institutions, including autonomous institutions, state enterprises, mixed enterprises, and foundations reached around 335 at the end of 1980. Almost a half of the then existing public enterprises were built in the later half of the 1970s.

The CAP government also assumed an important role in building state-financed heavy industries. Around two thirds of the state enterprises built during the 1970s were for heavy industries, while around the same proportion as for light industries during 1960s. Major state-financed heavy industries included PDVESA (Petróleo de Venezuela, S.A.), IVP (Industria Petroquímica, SIDOR (Industria Siderúrgica), Ferrominera Orinoco, and Interalumina (aluminum processing), to name a few.

The explosion of state-financed enterprises followed that of bureaucracy. During the CAP government, the number of white-collar employees in the national government had almost doubled from 154,000 to 300,000. A good few of them were politically appointed. (Karl, 1997: 132). The state employed approximately a quarter of the working population and was directly responsible for nearly 70 percent of capital accumulation in the economy in the early 1980s.

Few can deny that the quadrupling of oil prices in 1973 and the nationalization of the oil industry in 1975 were catalysts in leading to a rapid expansion of public sectors. At the end of 1975, the public sector's share of GDP reached 43 percent, virtually doubled from a year before. Total fiscal revenues during the CAP government were more than 1.5

times larger than those during the previous two decades from 1953 to 1973 at the 1973 constant prices. (Karl, 1997: 116-17). The share of the Venezuelan fiscal income in GDP was four times the percentage in Brazil, more than four times the percentage of Mexico, and almost twice higher than the percentage in socialist Yugoslavia in 1976. (Karl, 1997: 120).

Different from rosy prospect for a massive state-led investment in economy, especially manufacturing sector, symptoms of economic illness were uncovered in the late 1970s. Rapid rise of foreign debt, two-digit annual inflation, and various corruption scandals manifested. The share of manufacturing in GDP remained little changed around 16 percent in the 1970s. The dominance of oil export in total exports reduced little. While six of the country's ten largest companies were state-owned in the early 1980s, the state-owned manufacturing companies had not lived up to their output goals. As a result, public enterprises borrowed abroad to cover their operative losses, contributing to a massive increase in the short-term foreign debt. (Mayobre, 1987: 144).

A growing number of political leaders and economists came to recognize that the Venezuelan economy headed in a wrong direction. They believed that the weak competitiveness of the Venezuelan manufacturing sector resulted basically from inefficiency of the bloated public sector. All the major presidential candidates advocated bureaucratic reform and privatization of inefficient state enterprises in their 1978 campaigns. Venezuelan major industries, such as steel-making, aluminum extracting, and petrochemicals could have taken advantage of the country's plentiful electricity, fuel, abundant mineral wealth, and favorable location to the US market because they are all resource-based and energy-intensive. However, these advantages could not compensate for the mismanagement of the public sectors.

Intensified Involvement in Financial Market, 1979-88

Confronted with a rapidly falling reserve level, an exploding foreign debt,

and rising inflation pressure, the Herrera government adopted a policy of fiscal austerity, cut subsidies on imported goods, and freed all prices except some staple items in early 1979. The economy went into recession. After two years of spending contraction, the government switched again to an expansionary fiscal policy in 1981. Mounting pressure from major interest groups and a rise in oil prices after the Iran-Iraq war in 1980 affected the government to abandon the plan of painful spending cut. The Federación de Cámaras y Asociaciones de Comercio y Producción (FEDECAMERAS), the largest official association of business groups in Venezuela, had initially welcomed the free market experiment but criticized the government because of its withdrawal of financial support. AD-dominated labor organization, Confederación de Trabajadores de Venezuela (CTV) attacked the government against deteriorated salaries.

The fall of petroleum price in 1982 forced the Herrera government once again to press a fundamental reorganization of the state sector. Fiscal deficits accompanied with two digit inflation, increasing foreign debts and unprecedented capital flight². Fiscal shortfalls threatened the financial viability of many state enterprises; Around 40 percent of the country's foreign debt consisted of short-term obligations incurred by state-owned entities. Again, the government initially temporized and conducted protracted negotiations with international banks and financial institutions. Domestically, the government opted for an intensified market control, especially on foreign exchange market, rather than actually beginning the painful process of restructuring the public sector. February 1983, after a loss of more than US\$10 billion reserves, the government abandoned fixed exchange rate system and adopted multiple rates along with freezing prices. Now, the government could distribute foreign exchanges with considerable discretion and administer prices.

The newly-elected Jaime Lusinchi (1984-88) government maintained

² Between 1981 to 1984, over US\$30 billion was deposited abroad, while foreign debts reached US\$35 billion by December 1983. See Judith Ewell, "Debt and Politics in Venezuela," *Current History* 88 (March 1989), p. 147.

some orthodox adjustment measures, such as public sector spending cut and devaluations, along with price controls, trade restrictions, and foreign exchange controls. Thanks to the high petroleum revenues, the government succeeded in not bringing in the IMF. However, the government gave up fiscal austerity policies and adopted an expansionary fiscal policy even with falling petroleum price in 1986, which eventually led to the choice of the 1989 reform. The fiscal expansion was partly due to the coming election in 1988 and partly due to worsening economy in spite of some "free market" experiments.

The policy oscillation from state interventionism to "free market" in the 1980s proved to exhaust the economy. First, macroeconomic indicators deteriorated. Per capita GDP at the 1990 prices decreased by minus 16 percent from 1981 to 1989. Average real wage declined by more than a half. Income distribution became more skewed. Around US\$19.6 billion flew out from Venezuela from 1982 to 1988. (Zambrano Sequín, 1994: 131-32). Second, the four-tier exchange rate system from 1983 to 1988 proved to be only a stopgap measure, eventually giving way to a 150 percent devaluation at the market rate in 1989. The bolívar, which had been a very stable currency, pegged to the US dollar at a value of BS4.29 per one dollar until 1982, experienced several devaluations from 1983 to 1988. Moreover, the multiple foreign exchange system led to corruption-prevalent economy. The Differential Exchange System Office (Régimen de Cambio de Dinero, RECADI), which oversaw the various exchange rates, became the center of corruption scandals. Between 1983 and 1988, businessmen bribed RECADI officials in return for access to half-priced United States dollars to funnel an alleged US\$8 billion overseas. When a scandal broke in 1989, law enforcement agents investigated as many as 2,800 businesses, and more than 100 executives from leading multinational enterprises fled the country in fear of prosecution. Third, the inefficient state sector continued to exercise decisive weight in the economy. It is true that the government experimented some free market policies in the 1980s. However, it is also

true that the state sector did not go through a sincere restructuring. Instead, it depended on borrowing money abroad. In the 1980s, it was estimated that the Venezuelan state was responsible for more than 40 percent of the GDP, 30 percent of total employment, 50 percent of gross domestic investment, and 20 percent of consumption. Furthermore, 60 percent of the ordinary fiscal income at its disposal came from the state enterprises. The state had in its hands between 75 and 80 percent of the national wealth. (Echevarría, 1995: 73-113). Fourth, major interest groups criticized loudly against the government. FEDECAMERAS criticized the inconsistency of the government's economic policy more frequently. CTV led strikes to protest against deteriorated salaries.

Public Distrust in Reform leadership

On the eve of the 1989 reform, many of Venezuelan economists and politicians knew the Venezuelan economic stalemate resulted from an excessive growth of the state since the mid-1970s. For example, writers of *El Caso Venezuela: Una Ilusión de Armonía* (1986) argued that Venezuela should reduce the state sector for a stable democracy and economic growth. The expansion of the state sector led to a bloated bureaucracy, inefficient public enterprises, burdensome subsidies, complex regulations and fiscal crisis. As alternative, economic restructuring, especially of the state sector, gathered consensus. A presidential commission, *Comisión Presidencial para la Reforma del Estado* (1986), was installed to study the reform of the state and filed an extensive reform program in the mid-1980s. However, its serious implementation has delayed until 1989. In the 1990s, few denied that the Venezuelan economic crisis after the late 1970s was a crisis of the state as in other Latin American countries, that is, its excessive growth. (Carlos Bresser, 1996: 2-5).

A majority of the public, who used to disregard the private sector as a promoter of the national economy and support for ISI by the state overwhelmingly, also turned considerably to the private sector in the late

1980s. Popular attitudes toward the private sector became considerably favorable on the eve of the 1989 reform. An opinion survey of January 1989 shows that Venezuelans placed greater faith in the capability of private enterprises to direct economic development in the country than in public enterprises (see table 2). Among the poor, a slightly larger segment believed that the public sector was more capable of national economic development. About four in ten respondents who were not poor believed that the private sector exercised too much control over the national economy (see table 3). This survey result suggests that a considerable consensus could be formed for the economic liberalization in that a majority of the public used to favor the public sector over the private sector in the 1970s.

In spite of rising preference by the public to the smaller state, the CAP's reform was confronted with severe public protests. This is a phenomenon that the CAP government unexpected, because the public used to remain silent to the government's economic policy even when it went to a different direction from electoral campaign slogans. Moreover, opposition of the public opposition became much louder and prolonged than that of other organized interest groups which used to receive much favor from the government

Table 2 What do you believe is the respective capacity of the public

and private sectors to guide the country's economic development?
(January 1989)

	Poor (%)	Non-Poor (%)
Public sector generally superior	7	6
No difference	15	19
Private sector always superior	7	5
Private sector generally superior	24	37
Didn't know/didn't answer	18	13
Total (N)	100 (1,499)	99 (5,957)

Source: David J. Myers, "Perceptions of a Stressed Democracy: Inevitable Decay or Foundation for Rebirth," in Jennifer McCoy, Andrés Serbin, William C. Smith, and Andrés Stambouli, ed., *Venezuelan Democracy under Stress* (Coral Gables: North-South Center, University of Miami, 1994), p. 115.

Table 3. How do you consider the balance in managing economic matters between the public sector and the private sector? (January 1989)

	Poor (%)	Non-Poor (%)
Too much economic control by the public sector	30	22
The balance between activity controlled by public and private enterprises is correct	17	24
Too much economic control by the private sector	32	42
Didn't know/didn't answer		21
12		
Total (N)	100 (1,499)	99 (5,957)

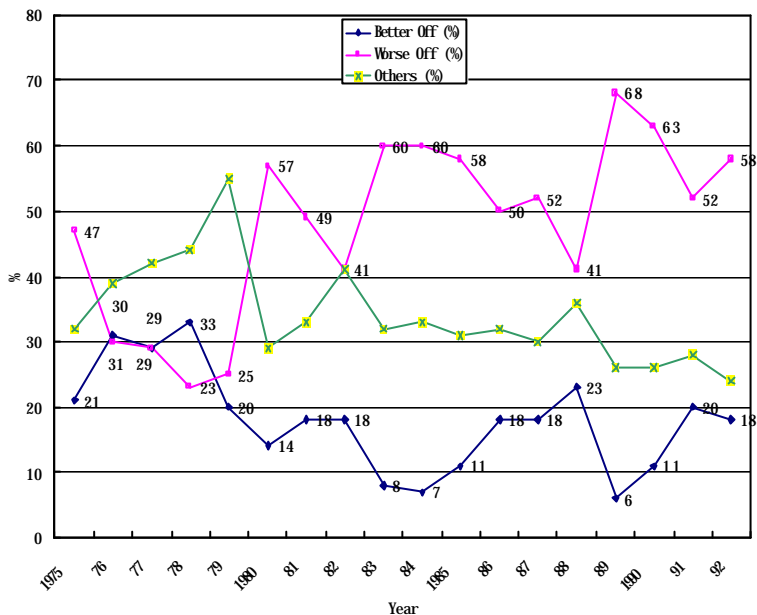
Source: David J. Myers, "Perceptions of a Stressed Democracy: Inevitable Decay or Foundation for Rebirth," in Jennifer McCoy, Andrés Serbin, William C. Smith, and Andrés Stambouli, ed., *Venezuelan Democracy under Stress* (Coral Gables: North-South Center, University of Miami, 1994), p. 116.

Why was the public resistant to the CAP's reform, if transition to market-oriented economy received considerably wide domestic support? The argument that the Venezuelan economy was not deteriorated enough for the people to support structural reform may not be persuasive in explaining the rising public unrest. As shown in Figure 2, the public perceived the economy worsened off continuously from the late 1970s. Those who felt economic worse-off exceeded greatly over those who felt better-off from the mid-1980s. Thus, "interest groups" models do not seem to explain the public unrest adequately. In the early 1990s, the public became much more active in protesting against their government than in the 1980s. Business associations and labor unions used to play more active roles in policy making and received more direct favors from the government than the public, especially urban lower classes, as phrases, "democracy among interest groups," "pact democracy among the major partisan elites," "corrupted democracy," indicate.

A widespread public distrust in traditional politicians helps to explain why the CAP government's reform package confronted with a mounting public opposition and the Caldera and Chávez governments were passive in economic restructuring.

To maintain power and carry out economic reform, governing parties need two types of national coalitions: electoral alliance and policy alliance. (Gibson, 1997: 339-70). In the past three decades before the second CAP government, the public, mainly of urban lower classes, used to accept the government's economic policies which favored organized interest groups and differed from populist electoral slogans. The Venezuelan public used to accept their exclusion from policy alliance before 1989. The government used to obtain policy support from interest groups and political elites by giving away public money directly to those crying most vigorously, even though they were not the most needed groups.

Figure 2 Changes in the Perception of 'Economic Situation, 1975-92



* The column, "Others," includes those who say "neither better nor worse," and "don't know."

** Data of years from 1983 to 1992 were surveyed in the third quarter each year.

Sources: Public opinion surveys conducted by Datos, C.A. Recited from Appendix 3.1 Economic Situation Compared with Previous Year (by Quarter), Andrew Templeton, "The Evolution of Popular Opinion," in Louis W. Goodman, et al, ed., *Lessons of the Venezuelan Experience* (Washington: The Woodrow Wilson Center Press, 1995), p. 107.

The public support for the second CAP government shows a remarkable difference from that for the first CAP. The former succeeded in gaining electoral alliance from the public as in the latter but failed in getting their support for economic policy. When the Venezuelan voters chose the former President CAP as president again in 1988, they clearly were hoping that he would lead their country back to the golden age of easily acquired wealth. CAP certainly encouraged such belief in his campaign, never hinting that hard days were ahead. Once he was in office

again, however, he brought opposite presents to his people.

"Bait-and-switch" policy making was one major source that infuriated the Venezuelan people with the CAP's reform policy. (Drake, 1991: 36). According to Kornblith (1995: 87-89), the lack of support seeking was the major reason for the unsuccessful economic reform. The CAP government's decision not to build public support for its adjustment program hindered the public to ally around the new rules of games. A study shows that people's economic discontent was not the major trigger of the February 1989 riots. Over 50% of the respondents felt that they were worse off than a year before throughout the 1980s. About similar number of respondents felt they would be worse off in the near future. (Templeton, 1995: 81).

Another main source for the public resentment at the CAP government was their discontent with CAP's corrupted behaviors³. In the process of implementing his reform program, CAP did not break away from his old habit of seeking his own, partisan interests. As the scandal of Banco Latino bankruptcy suggested, President CAP benefited his circle of political friends illegally in various cases. The public felt severely betrayed in that President enriched himself while asking people to take pain. The CAP government stood at the top of bad governments in terms of ineptitude and corruption.⁴

Banco Latino, had failed just days before President Caldera's inauguration in 1994. Banco Latino had been the CAP administration's favorite bank, dependent on governmental support and protection. After CAP was ousted in 1993, Banco Latino's directors eagerly sought political

³ Templeton, "The Evolution of Popular Opinion."

⁴ Here corruption means "the abuse of public power for private gain." Corruption violates the public trust and corrodes social capital. A small side payment for a government service may seem a minor offense, but it is not the only cost problem but corruption can have far-reaching externalities. Unchecked, the creeping accumulation of seemingly minor infractions can slowly erode political legitimacy to the point where even noncorrupt officials and members of the public see little point in playing by the rules. See, World Bank, *World Development 1997*, p. 102.

protectors among traditional parties. With independent Caldera's victory, however, the bank's political protection ended altogether and failure became inevitable. (Fontaine, 1996: 3-6).

When the economy began to go sour, so did the investments of Banco Latino's directors and the financial health of the bank. Meanwhile, the bank's managers reserved for themselves and their friends lavish perquisites, all at the expense of depositors. How much was taken is not yet known, but over 300 Venezuelan bankers have fled the country after the bankruptcy. Not all who have left are guilty. Misconducts of Banco Latino's directors had not gone unnoticed before its crash. The superintendent of bank, for example, reported their illegal behavior, but during the CAP government, Banco Latino was not investigated partly due to its connection to the government.

Venezuelan attitudes toward administrative corruption had been considerably acceptable until 1991. Survey data in 1985 and 1991 show that only 9 percent of the respondents considered it very bad for politicians to use an industrialist's private aircraft and 37 percent said they would do it themselves. (Templeton, 1995: 91). However, corruption had become a salient issue to the public opinion in the 1990s. One major reason was that after the abolition of RECADI in 1989, the media placed the corruption issue as one of the most negative features of Venezuelan political regime since the late 1970s. Even though RECADI was repeatedly accused of being a center of corruption during the Lusinchi administration, the foreign exchange system was never reformed because the government's economic policy did not take into account the ethical and political consequences of ongoing mismanagement. (Pérez Pedomo, 1995: 324). The RECADI scandal of the 1980s is known as Venezuela's biggest corruption case. Around 11 billion dollars were eventually lost through the institution. Most of money seems to have found its way abroad. Most of imports sector, state enterprises, foreign companies, political parties, and high public authorities were involved in its misappropriation. Although much of the economic and political establishment seems to have been

involved, only one individual, a naturalized Chinese, has been convicted of any wrong doing.(Little and Herrera, 1996: 270-76).

A series of public opinion surveys indicates that public discontent with traditional politicians deteriorated considerably in the 1990s. Although Venezuelans believed strongly in democracy as the best political system, almost nine out of ten were unsatisfied with the way the administrative staffs were handling their jobs and nearly eight out of ten thought the country was being governed for the benefit of big interest groups instead of the people as a whole. (Welsch and Vicente Carrasquero, 1997). The high level of political cynicism and the low level of political efficacy have been found already in the 1970s. The Baloyra surveys of 1973 and 1983 found that 68 percent of the respondents thought the democratic governments hitherto worked for the benefits of big interests (see table 4).

Table 4. Government Performance and Cynicism

	1973	1983	1996
Satisfied with the government job	37		14
Unsatisfied	63		86
Country is governed for the benefit of the people	17	15	
Country is governed for the benefit of big interests	68	68	78
Many government officials were crooked		39	66
Governments have wasted money		57	68
Politicians do not care about the problems of people like me	67	60	
Government will be better off without politicians		57	40
Voting is the way to make things change	69		55
Voting makes no difference	31		45

Sources: Enrique A. Baloyra, "Public Opinion," in John D. Martz and David J. Myers, rev. ed., *Venezuela: The Democratic Experience* (New York: Praeger, 1986), pp. 62-63; Word Value Survey, 1996; and Latinobarometro, 1996.

Table 5 Favorable Attitudes toward Government by Socioeconomic Level, 1972-92

	Socioeconomic Level (%)				Sample (N)
	A-B	C	D	E	
1972	27	34	27	21	2,500
1983	27	20	16	11	3,000
1988	30	38	37	36	2,000
1989	22	18	15	10	2,000
1990	24	23	21	23	2,000
1991	16	13	15	25	2,000
1992	24	12	12	16	2,000
(March)					
1992	16	9	9	18	2,000
(August)					

* Socioeconomic level, "A-B," includes the rich and very rich people, usually high social position for several generations; "C" professionals and white-collar workers, ranging from people of considerable wealth to those of quite modest resources; "D" blue-collar workers in regular employment with social security and severance benefits; and "E" marginal class, casual workers, single parents, and poor families.

Sources, Datos, C.A., Pulso Nacional. Cited from Andrew Templeton, "The Evolution of Popular Opinion," in Louis W. Goodman, Johanna Mendelson Forman, Moisés Naím, Joseph S. Tulchin and Gary Bland, ed., *Lessons of the Venezuelan Experience* (Washington, D.C.: The Woodrow Wilson Center Press, 1995), p. 85.

The 1996 survey indicates a higher percentage of people believed so. The survey also shows that a majority of people believed that voting is not sufficient for change in politics. The Datos surveys show that public support for the government had decreased to dangerously low levels especially among middle and low classes (see table 5).

The public distrust in corrupted politicians is manifest in decline in two major traditional parties, AD and COPEI. Both parties used to exchange power for three decades and gathered an overwhelming majority of votes together. However, they fell into small parties in the 1990s. Corruption was the most important stated reason for coup attempts in the early 1990s.

While the CAP's economic reform aimed at restructuring the economic system to cure economic crisis, popular sentiment went to a different direction: Politicians and public administration should be restructured first. In a 1985 survey, the majority of Venezuelan people believed that the then economic crisis resulted mainly from corruption and bad administration (see table 6). This belief did not change much after the 1989 reform. A 1994 survey found that an overwhelming majority of Venezuelans felt cheated from politicians. (ZAPATA G., 1996: 174-78).

Table 6. Responsibility for Crisis, 1985 (%)

	Much	Some	Little	None
Corruption	86	9	2	2
Bad administration of natural resources	74	17	5	3
Decline of moral values	50	26	12	7
Egoism of Venezuelan people	30	25	27	24
World Economic situation	59	26	9	4
Lack of leadership	43	27	13	11

Sources, Datos, C.A., Pulso Nacional. Cited from Andrew Templeton, "The Evolution of Popular Opinion," in Louis W. Goodman, Jhanna Mendelson Forman, Moisés Naím, Joseph S. Tulchin and Gary Bland, ed., *Lessons of the Venezuelan Experience* (Washington, D.C.: The Woodrow Wilson Center Press, 1995), p. 89.

The expansion of media made more people informed about politicians' activities. Although the Venezuelan people were not much concerned with politics, they came to know about it or exchange with others (see tables 7 and 8). Especially, the public knew much about scandals, rumors, and political fightings

Table 7. Interest in Politics

	Much and Considerably	Little and no
Interest in politics	20	89

* Survey was conducted nationwide in cities with the population of 20,000 and more from November 21 to December 5, 1994.

Sources: Roberto Zapata G., *Valores del Venezolano* (Caracas: Conciencia 21, 1996), p. 165.

Table 8. Level of Information about Political Situation in the Country

	Much and Considerably	Little	Not	Don't Know
Information about political Situation	43	43	13	1

* Survey was conducted nationwide in cities with the population of 20,000 and more from November 21 to December 5, 1994.

Sources: Roberto Zapata G., *Valores del Venezolano* (Caracas: Conciencia 21, 1996), p. 166

Caldera and Chavéz's Concerns with Public Distrust

The hesitation of economic reform by the Caldera and Chavéz governments are clearly related with their concerns with the public demand, "first recover public trust in the government's accountability and then we will support economic reform" during the CAP government. Government credibility became an important issue among the public during the 1993 presidential campaign. Presidential candidates of two major parties, AD and COPEI were defeated with advocacy of economic reform, while independent Caldera won with advocacy of an honest government. In the 1998 presidential election, lieutenant-colonel Hugo Chavéz, the leader of failed February 1992 military coup, defeated

candidates of AD and COPEI handily with slogans of ending corruption⁵ and sweeping traditional political elites.

When the Caldera administration nationalized more than half of Venezuela's banking system, worsening an already bad fiscal situation, one major rationale was to recover the public confidence in his government. The bailout proved expensive and expansive: more than 19 commercial banks (out of 43) and 10 of 19 mortgage banks were taken over and most were kept open at a cost of \$11 billion. Like many (but not all) of Venezuela's banks, for example, the nationalized Banco Latino served for the interests of its directors, not those of the depositors. Sweetheart loans went to the directors' companies, and depositor savings were diverted to high-risk stock market and real estate speculation. If the Caldera government would leave this abnormal banking industry to be adjusted by market forces, small depositors could be damaged most by losing their savings and then the government could hardly avoid the public distrust in it.

Although both Presidents Caldera and Chavéz advocated anti-reform policies officially, they expressed that they are not archenemies to market-oriented economies on various occasions. For example, while Caldera criticized the CAP's market reforms during his campaign for presidency, the president-elect did make vague assurances to the private sector and foreign investors alike, before his inauguration, that he was not an enemy of the free market and even favored some privatization.

Both Presidents Caldera and Chavéz's efforts to maintain an honest government seemed to receive compensation by the public, unlike CAP. The public were surprisingly calm against the Caldera's Agenda Venezuela in 1996, compared to the CAP's reform. Back in 1992, when President CAP dropped vague hints about raising petrol prices, the 18 million car owners took to the streets in bloody riots that left dozens dead. President

⁵ According to Transparency International, Venezuela ranked among ten most corrupted countries among the 85 countries in the world in 1998. See *El Nacional*, September 23, 1998.

Caldera's more radical 470 percent hike on petrol pump prices, by contrast, provoked little more than grumbling. (Darwent, 1996: 1). In a 1996 survey, some 86 percent said the changes should have been undertaken earlier. They said they would withhold judgment in the hope of seeing some improvement over the next year. (LatinoLink, 1996).

While President Chávez still speaks for state-led industrial development for a worsening economy, his efforts to sweep the traditional political elites and his direct, motherly contacts with people receive an overwhelming public support. President Chávez hosts a radio talk show and talks directly with people. In 1999, the economy contracted more than 7 percent with a tripled petroleum price and at least \$8 billion flew to overseas banks. Still after two years in office, the Chávez government did not present any significant economic policy in attacking the economic crisis. However, President Chávez received 85 percent of approval rate in September 1999 and was reelected with an overwhelming majority this year.

Conclusion

Reform of the state's economic role is not an easy task in any country with a tradition of state-led development. As the Venezuelan case suggests, the larger the state sector is, the less flexibly the government is likely to restructure it upon changes in macroeconomic situations. Symptoms of excessive growth in the state sector were perceived in the late 1970s. However, the Venezuelan governments until 1989 achieved little restructuring of it despite their several reform attempts. A decade later, the CAP government launched an extensive state reform program but the following governments delayed it again to the indefinite future.

The Venezuelan public, who used to remain passive in participating economic policy making, came to play an active role when their leadership could not be trusted. President CAP could hardly achieve a policy coalition with the public when he pursued a different policy from

his electoral campaign slogans and became known for his corruption scandals. The public asked political leaders to restructure their corrupted behaviors first when economic hardship was required to make new economic rules. The development of communication media and increase in the public's education level helped the people influence political elite's policy making.

The Venezuelan case suggests that economic reforms in the developing countries require candid and patriotic politicians whom the public can trust. Dishonest, corrupted political leaders who are concerned only with partisan interests cannot pursue reform policy effectively. The public will not allow their political elite to disregard campaign rhetorics after election or to force them to take economic hardship lopsidedly.

To achieve an effective economic reform, the formation of policy alliance with the public may be more important than that with interest groups. Emphasis on policy support from interest groups may be harmful for the maintenance of the democratic system since interest groups tend to overrepresent their interests in policy making compared to the public. Thus, the public consent to policies becomes a core component of an effective democracy. As Robert A. Dahl says, "continuing responsiveness of the government to the preference of its citizens is a key characteristic of democracy." (Dahl, 1971: 1).

References

- Bigler, Gene E. (1980) "State Economic Control vs. Market Expansion: The Third Sector in Venezuelan Politics, 1928-1978." Ph.D. diss., Johns Hopkins University.
- Carlos Bresser Pereira, Luiz (1996) *Economic Crisis and State Reform in Brazil: Toward a New Interpretation of Latin America*, Boulder: Lynne Rienner Publishers.
- Casas Gonzalez, Antonio (1996) "The Economic Stabilization Program and the Role of the Central Bank of Venezuela," a Paper presented to

- the Third Annual Conference Council of the Americas, November pp.6-8. 1996 "1996 Year-end Economic Review," a Report of Banco Central de Venezuela, December 26.
- CEPAL (1992) *Balance Preliminar del la Economía del América Latina y el Caribe*, Santiago: CEPAL.
- Chaudhry, Kiren Aziz (1994) "Economic Liberalization and the Linkages of the Rentier State," *Comparative Politics* 27: pp.1-25.
- Comision Presidencial para la Rreforma del Estado (1986) *Propuestas para Reformas Políticas Inmediatas*. Folleto para la discusión, no. 1.
- Crisp, Brian F., Daniel H. Levine, Juan Carlos Rey (1995) "The Legitimacy Problem." In *Venezuelan Democracy under Stress*, edited by Jennifer C. Mccoy, Andrés Serbin, William C. Smith, And Andrés Stambouli, pp.139-170. Coral Gables: North-South Center, University of Miami.
- Dahl, Robert A. (1971) *Polyarchy: Participation and Opposition*. New Haven: Yale University Press.
- Darwent, Charles (1996) "A Challenging Agenda," *World Link*. November/December.
- Drake, Paul (1991) "Comment." In *The Macroeconomics of Populism in Latin America*, edited by Rudiger Dormbusch and Sebastian Edwards, 36. Chicago: University of Chicago Press.
- Echevarria, Oscar, A. (1995) *La Economía Venezolana, 1944-1994*. Caracas: FEDECAMARAS.
- Ewell, Judith (1989) "Debt and Politics in Venezuela," *Current History* 88, March: 121-24, pp.147-49.
- El Nacional (1998) September 23.
- Fontaine, Roger (1996) "Venezuela: From Showcase to Basket Case," *Policy Analysis* 251 (March 25): pp.3-6.
- Gibson, Edward L. (1997) "The Populist Road to Market Reform: Policy and Electoral Coalitions in Mexico and Argentina." *World Politics* 49 (April): pp.339-70.
- Harrison, Lawrence E. (1992) *Who Prospects? How Cultural Values*

- Shape Economic and Political Success?*, New York: Basic Books.
- _____ (1985) *Underdevelopment Is a State of Mind: The latin American Case*, Cambridge: Center for international Affairs, Harvard university.
- Hausmann, Ricardo (1995) "Quitting Populism Cold Turkey: The 'Big Bang' Approach to Macroeconomic Balance." In *Lessons of the Venezuelan Experience*, edited by Louis Goodman, Johanna Mendelson Forman, Moisés Naím, Joseph S. Tulchin, and Gary Bland, pp.252-282. Washington, D.C.: The Woodrow Wilson Center Press.
- Hong, Uk Heon (1991) "Democracy in South America: The Politics of Exceptionalism in Venezuela: 1959-1990," Ph.D. Dissertation.
- Jones, Bart (1997) "Execs Take Precautions in Caracas.", *Associated Press*, September 22.
- Karl, Terry Lynn (1995) "The Venezuelan Petro-State and the Crisis of 'Its' Democracy, ." In *Venezuelan Democracy under Stress*, edited by Jennifer C. McCoy, Andrés Serbin, William C. Smith, And Andrés Stambouli, pp.139-170. Coral Gables: North-South Center, University of Miami.
- _____ (1997) *The Paradox of Plenty: Oil Booms and Petro-states*, Berkeley: University of California Press.
- Kornblith, Miriam (1995) "Public Sector and Private Sector: New Rules of the Game." in *Venezuelan Democracy Under Stress*, edited by Jennifer McKoy, Andrés Serbin, William C. Smith, and Andrés Stambouli, pp.77-103. Coral Gables: North-South Center, University of Miami
- _____, Thais, Maingon (1985) *Estado y Gasto Público en Venezuela, 1936-1980*, Caracas: Universidad Central de Venezuela.
- Little, Walter, Antonio Herrera (1996) "Political Corruption in Venezuela." In *Political Corruption in Europe and Latin America*, edited by Walter Little and Eueardo Posada-Carb, pp.267-285, New York: St. Martin Press.
- LatinoLink (1996) "Venezuela Joins the Latin Trend to Free Markets." April 26.

- Maxfield, Sylvia (1996) "Book Review on Venezuelan Democracy under Stress," *American Political Science Review* 90 (March): 219.
- Mayobre, Eduardo (1987) "La Renegociación de la Deuda Externa de Venezuela en 1982-1983." In *La Crisis de la Deuda Externa en América Latina*, edited by Miguel S. Wionszek, vol. 2. Mexico.
- Naim, Moises, Ramón PiÑango, eds. (1986) *El Caso Venezuela: Una Ilusión de Armonía*, Caracas: IESA.
- Perez Pedomo, Rogelio (1995) "Corruption and Political Crisis." In *Lessons of the Venezuelan Experience*, edited by Louis Goodman, Johanna Mendelson Forman, Moisés Naím, Joseph S. Tulchin, and Gary Bland, pp.311-33, Washington, D.C.: The Woodrow Wilson Center Press.
- Rother, Larry (2000) "Chavéz Says He Will Crush Political Foes in Venezuela." *The New York Times*, August 2.
- Sequin, Luis Zambrano (1994) "Lineamientos para una Reconsideración de la Política Económica." In *Encuentro y Alternativas, Venezuela 1994, Encuentro Nacional de la Sociedad Civil Conferencia Episcopal Venezolana*, Universidad Católica Andrés Bello, Tomo 1, 10-15 Mayo de 1993, pp.131-32.
- Templeton, Andrew (1995) "The Evolution of Popular Opinion." In *Lessons of the Venezuelan Experience*, edited by Louis Goodman, Johanna Mendelson Forman, Moisés Naím, Joseph S. Tulchin, and Gary Bland, pp79-114, Washington, D.C.: The Woodrow Wilson Center Press.
- The Economist (1999) "Chavéz's Muddled New World." *The Economist*, November, pp.20-26.
- The Enterprise Research Institute for Latin America (1996) "Venezuela Joins the Latin Trend to Free Markets," *Quarterly Report* 1, No. 2 (May).
- Veliz, Claudio (1980) *The Centralist Tradition in Latin America*, Princeton: Princeton University press.

Welsch, Friedrich and José Vicente Carrasquero (1997) "Political Culture and Economic Change in Venezuela." A paper presented at the XVII World Congress of the International Political Science Association, Seoul, Korea (August 17-21).

Williamson, John, ed. (1990) *Latin American Adjustment: How Much Has Happened?*, Washington, D.C.: Institute for International Economics.

World Bank (1997) *World Development Report*.

Zapata G., Roberto (1996) *Varoles del Venezolano*, Caracas: Conciencia 21.