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## The End of Chavismo?

DAVID SMILDE

Reliable polling at the end of 2014 put Venezuelan President Nicolás Maduro’s job approval rating at less than 25 percent, and that of his United Socialist Party (PSUV) at 16 percent. Eighty-five percent of respondents said the country is going in the wrong direction. Two-thirds predicted that Maduro will not complete his presidential term. These plummeting numbers are ominous for Maduro: Important legislative elections will take place in 2015, and if the PSUV loses control of the National Assembly, government opponents could build momentum for a presidential recall referendum in 2016.

Given that Hugo Chávez won reelection in 2012 by 11 points and had job approval ratings exceeding 70 percent after his death, it is striking that his anointed successor has sunk so far, so fast. This is not part of a regional shift—other leftist governments recently have breezed to reelection in Bolivia, Uruguay, and Brazil. This is a problem unique to Venezuela’s leftist government.

The fundamental issues are a poor economy and a striking inability to enact significant reform. Venezuela closed out 2014 with an inflation rate surpassing 60 percent, widespread scarcities of basic consumer goods, and a currency that had lost half its value on the black market in the span of a month, trading at roughly 25 times the official rate. The economy contracted in each of the first three quarters of 2014. And these numbers do not yet reflect the full impact of a 50 percent decline in the price of oil, the country’s main export, from June to December.

Are we witnessing the end of Chávez’s movement—Chavismo—as Venezuela’s leading political force? That would represent quite a turn of

fate. It was Chávez who first convinced the region that a leftist candidate could win power through democratic elections, govern from the left, and survive the reaction of established elites. It was Chávez who showed the region that neoliberal policies could be challenged, and the alleviation of poverty and inequality prioritized. Such was the success of Chavismo that, since 1998, it has won 21 of 25 national elections and referenda. Yet today it is hard to imagine how Venezuela’s leftist leadership can successfully confront the electoral challenges of the next two years.

### PETROSTATE IN PERIL

The cornerstone of Chavismo is petroleum-funded state spending. As a presidential candidate in 1998, Chávez surged to the head of the pack when the price of oil dropped to less than \$8 a barrel. He argued that a change in oil policies could push the price back up, and indeed during his first year in office oil surged to over \$25 per barrel. Chávez fended off a recall referendum in 2004 in large part because of social spending made possible by further rises in oil prices. Perhaps the apex of Chavismo was the period from 2004 to 2008, when the country received the largest windfall in its history. Venezuela achieved historic growth rates and made serious progress in social inclusion. Poverty, unemployment, and inequality declined; human development indices rose; and intake of calories and protein increased, as did access to health services and education at every level.

However, the global recession of 2009 revealed considerable weakness in this economic model, hitting Venezuela harder than other countries in the region and other oil-exporting nations worldwide. Venezuela suffered from “Dutch disease,” the process whereby extraordinary foreign currency earnings from exports of natural resources lead a government to increase the monetary sup-

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ply through spending, which pushes up prices and makes domestic manufactures internationally uncompetitive, unless the exchange rate is free-floating or regularly devalued. In the face of plummeting oil prices, perceptions of risk in Venezuela's increasingly mono-export economy increased much more than with other economies in the region, leading to a decline in foreign investment and higher borrowing costs. Because of the economic slowdown and growing infrastructure problems, such as an acute electricity shortage, the Chávez government suffered losses in the 2010 legislative elections.

Responding to the increasing difficulty of accessing foreign capital through traditional sources, and facing presidential elections in 2011–12, Chávez reinforced ties with China, securing \$20 billion in loans to be paid back in oil. These loans allowed the government to continue deficit spending, to supply the market with the dollars that an overvalued currency demanded, and to maintain brisk growth in the run-up to the October 2012 presidential election. Yet within weeks of Chávez's victory the government had to restrict the dollars it made available, a step that sent the nation's currency, the bolívar, tumbling on the unregulated parallel market.

In the period before Chávez died, in which Maduro was acting president, the latter found himself obliged to carry out a 46.5 percent currency devaluation. Taking on this "third rail" of Venezuelan politics taught Maduro a lesson he apparently has not forgotten. His job approval ratings immediately took a hit because of the inflation spike, only recovering after Chávez's death pushed the issue off the stage. The devaluation was likely a factor in Maduro's unexpectedly small margin of victory in the April 2013 election.

## FAILURE TO REFORM

From the first months of Maduro's government it was evident that serious economic reforms were necessary. The basic structure of the problem today is somewhat different from the Dutch disease of previous years, since the issue is not an excess of hard currency flowing in, but a shortage of it. The government has chosen to address a budget deficit running at around 20 percent of GDP not through devaluation, raising taxes, or cutting spending,

but by printing inorganic money—local currency not backed by foreign hard currency. An ever-expanding supply of local currency accompanied by a fixed foreign exchange rate creates insatiable demand for dollars. Unable to supply this demand because of stagnant or reduced foreign currency earnings from oil sales, the government needs to restrict dollar allocations.

The excess demand in turn creates a parallel market for those who need dollars but cannot get them at the official price. The large, often dramatic difference between the official and parallel exchange rates creates irresistible incentives for dollars to be siphoned off into corruption and capital flight. And the dollar crunch creates scarcities—both directly, by making it harder to import finished goods, and indirectly, by making it harder to import inputs and machinery needed for manufacturing. Thus the Venezuelan economy has a lot of local currency, but not enough things to buy. Goods whose prices are effectively controlled are scarce; the prices of everything else are soaring.

In 2013, analysts assumed that Maduro would carry out reforms quickly in order to absorb the political costs early in his term, before facing elections. But instead Maduro responded by pointing

to an "economic war" supposedly waged against his government by merchants and industrialists in cahoots with the domestic and international political opposition. Monthly inflation reached 5.1 percent in October 2013, amounting to 54.3 percent over the previous 12 months. The scarcity index reached 22.4 percent (meaning that in any given retail outlet, 22.4 percent of basic consumer goods are unavailable), its highest level since early 2010. More ominously, the opposition surpassed the government in approval ratings only two months before the December 2013 municipal elections.

In November 2013 the government pushed ahead with a new economic offensive, forcing electronics retailers to lower the prices of goods imported at the official rate. Nationally televised inspections, with officials cross-checking the approved prices of appliances against actual sale prices, seemed to persuade average voters that perhaps Maduro was correct about the "economic war." Chavismo won a convincing victory in the municipal elections.

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Protests that rocked the country from February to May 2014 precluded any significant economic reform. However, in July Maduro was confirmed as president of the PSUV and seemingly fortified. Indeed, he came out of the party convention floating the possibility of changing the foreign exchange regime and increasing the price of gas (currently just pennies per liter). Everyone expected major announcements in August. But instead Maduro marginalized Energy Minister Rafael Ramirez, one of the government's leading voices for reform, and postponed significant measures until after an "economic conference" that was to take place in November 2014, but never did.

At that time, many observers suggested that Maduro had missed his chance at reform. Since then, the price of oil, which provides over 95 percent of Venezuela's hard currency revenue, has continued its precipitous drop, falling from \$99 per barrel in June to close to \$48 at the end of December. Economists expect 2015 to see a decline of income between \$9 and \$24 billion, leading to an economic contraction of between 3 and 5 percent, as well as triple-digit inflation.

Without a doubt there will be some adjustments in 2015, but at this point it is hard to imagine they will be significant enough to address the magnitude of the challenge. As of this writing, Maduro is on a trip to China to seek more funding, but getting more promises of investment than actual loans. This could provide some short-term relief but will not change the underlying economic problems.

## TREADING WATER

One of the most striking aspects of the current context is how similar the prescriptions of opposition and pro-government economists have become. So why has it been so hard for Maduro to implement urgent and obvious reforms? Before becoming president, Maduro had a reputation for being relatively pragmatic. His inability to address economic distortions seems to have less to do with his own propensities than with the nature of Chavismo and how he came to power.

Chávez catapulted himself to the public stage in February 1992 through a coup against President Carlos Andrés Pérez, whose government had implemented a radical structural adjustment package three years earlier. That package (including devaluation and an increase in the prices of gasoline and other essential commodities) led

to *el Caracazo*, three days of rioting in February 1989, which Chávez and other coup leaders said prompted their decision to revolt. Within Chavismo, February 27 is still portrayed as the day "the people of Bolívar woke up." While the discourse of socialism was not adopted until just before his second term, opposition to neoliberalism was the cornerstone of Chávez's ideology from the beginning. His message was that neoliberalism had made the rich richer and the poor poorer, and that the new "Bolivarian revolution" would ensure that Venezuela had enough resources for everyone.

This message found people willing to listen, for during the 20 years from 1978 to 1998—from the beginning of the decline of the nation's import-substitution industrialization period through the end of the neoliberal period—Venezuela had the worst economic performance in the region. And Chávez's message was not conveyed in dry programmatic statements. Rather, it was the foundation of his charismatic leadership, communicated in a hundred ways through speeches, interviews, writings, songs, billboards, and video clips. Chávez was the man who had led the common people out of the dark neoliberal nineties. This history and charismatic ideology make it almost impossible for Chavista leaders to explain devaluations, budget cuts, and price increases to their followers.

As any sociologist can tell you, the Achilles' heel of charismatic leadership is always succession. Chávez personally designated Maduro as his successor, and left him with a 15- to 20-point lead in the polls in March 2013. When Maduro almost lost the election just a month later, it not only animated the opposition but also raised doubts within his own coalition regarding his viability as the new leader of the revolution. Maduro responded by prioritizing the solidity of the Chavista political coalition—no small task, since it was put together by Chávez and fits his profile, consisting of nationalist military sectors, progressives, radical leftists, and the poor masses.

Topping Maduro's list of priorities was to shore up his support in the armed forces. He has dramatically increased the military's profile within the government—most particularly in citizen security, where he has removed civilians and placed active or retired military officers in every leadership position from the head of the National Police to the interior and justice minister. He has also given the military a television station, a bank,

and control over large sectors of the importation of basic goods.

Beyond the military, Maduro's strategy seems to be maintaining political equilibrium by balancing sectors against each other. In October 2013, he marginalized the pragmatist finance minister Nelson Merentes, generating speculation of a leftward turn. Then in May 2014, Maduro removed the architect of Chavista economic policy, Planning Minister Jorge Giordani, suggesting a more pragmatic direction. But those hopes in turn were dashed in September, when Maduro removed the pragmatist Ramirez from his economic team.

Perhaps Maduro's biggest deficit is his personal lack of charisma in a government designed by, institutionalized around, and requiring a charismatic figure. He has addressed this issue by calling himself the "son of Chávez" at every opportunity, and through a continual flow of ritual events intended to infuse his government with Chávez's charisma. This to some extent explains how Maduro's popularity lasted as long as it did. However, even Chávez's popularity levels depended heavily on economic performance. The centerpiece of Chávez's ideology was the idea that the people could live well if a truly revolutionary government administered the country's oil wealth. When things went well it was evidence that Chávez was right. When things went poorly it raised doubts.

In this sense, Maduro has found perhaps the only way the legacy of Chávez could be undermined—by slowly driving an unsustainable model into the ground. Any radical departure from the Chavismo status quo would have allowed the population to blame the new government for failing to live up to Chávez's legacy—after all, Chávez presided over 5 percent economic growth his last year in office. But the current economic debacle raises questions regarding the viability of the model itself among all but the most committed.

## DYSFUNCTIONAL OPPOSITION

One important factor in Chavismo's success over the past 16 years has been an opposition consistently out of touch with the broader population and divided within itself. Here as well, history weighs heavily on the present.

While the current opposition contains many new faces, old habits and understandings strongly affect its way of doing politics. Venezuela's "pacted" democracy (that is, procedural democracy

facilitated by a pact among political elites) survived from 1958 to 1998, when other second-wave democracies in the region failed, precisely because it limited electoral competition and citizen participation. This led to a way of doing politics that focused on closed-door negotiations within and between parties and deemphasized contact with average citizens.

This tendency continues today. With some important exceptions, opposition leaders appear more comfortable with each other and in front of cameras than in the street talking to average Venezuelans. Attention to "messaging" has been sorely lacking. Polling shortly before the December 2013 elections showed that an incredible two-thirds of respondents had no idea where the opposition stood on the most important issues of the day, such as inflation, scarcities, and crime.

The geography of social class also has an important impact. The base of Venezuela's opposition is primarily located in affluent sectors of the country's urban centers. Some of these areas voted against Chávez by margins of over 95 percent even in the 2006 election, which he won with 63 percent of the vote. Many residents of these areas have no significant interaction with people outside of their class. Even if they by chance discuss politics with the people who clean their houses, pick up their trash, or wait on their tables, it will look more like a brief lecture than a free-flowing exchange. Indeed, while most residents of Venezuela's impoverished barrios circulate frequently, even daily, in affluent areas, residents of the latter can go years, decades, or even their whole lives without setting foot in a poor neighborhood. This discrepancy in experience and knowledge is one of the reasons that Chavismo has so frequently outwitted the opposition.

One result of the social myopia of Venezuela's affluent classes is a tendency among some to assume that the opposition is the majority and therefore Chavismo can win elections only by fraud. Of course this is not true of all or even most in the opposition, and in fact creates one of the most important lines of division. At least since 2004, moderates who think they can gain power via elections have opposed radicals who believe Chavismo can be ousted only through extreme measures, ranging from street protests to international intervention. This division ran through last year's protest movement, as well as the failed dialogue with the government.

In July 2014, discontent with the opposition's moderate leadership led to the resignation of Ramón Guillermo Avelledo, general secretary of the Democratic Unity Roundtable coalition. He was replaced in September by journalist Jesús "Chuo" Torrealba. At the time this seemed like a masterstroke. Torrealba had long been a critic of the opposition's inability or even unwillingness to reach out and speak to the masses. He also appealed to radicals with his emphasis on seeking the release of political prisoners. But the task of getting a divided opposition to work together has proved difficult. In a sense, the opposition parties' paralysis has temporarily favored them: In the past six months they have gained significant ground in the polls while their dysfunctions have not been on public display.

However, when the election approaches, the opposition's internal strife and lack of connection to average people could again undermine its electoral viability. At the end of 2014, 40 percent of the population identified with the opposition, but only 19 percent identified with one of the 27 opposition political parties, and 16 percent with the PSUV. If the government carries out another populist electoral ploy like the initiative against electronics retailers, the opposition's divisions and lack of strategy might prevent it from coasting to victory.

## TRANSNATIONAL POLITICS

One cornerstone of Chavismo is the idea that Chávez represented a continuation of Simón Bolívar's nineteenth-century continental project. Venezuela does not want to be a pariah, but rather imagines itself as a regional leader. This ambition is both a strength of Chavismo as it clashes with the United States and opposition attempts to dislodge it, and a limitation on any nondemocratic futures.

Chávez was one of the key promoters of bodies such as the Council of Latin American and Caribbean Heads of State and the Union of Southern Nations (UNASUR). The latter played an important role in defusing Venezuela's protests and violence of 2014 by pushing forward a dialogue process. So far, however, UNASUR has shown little institutional wherewithal to carry out such efforts. When the dialogue met with problems, it did little to address them and continue the pro-

cess. Perhaps worse, those in and around UNASUR seemed to regard the stagnated dialogue as having been a success, despite the lack of any agreements, because it had ended the violence. That left many in the Venezuelan opposition feeling betrayed and will hinder similar efforts in the future. UNASUR's primary vocation thus far has been to protect the sovereignty of member nations, and this limits its ability to serve as an objective arbiter between governments and their opponents.

While Venezuela has been a leading critic of the Organization of American States and has withdrawn from the Inter-American Court of Human Rights, it has embraced the United Nations, in recent years seeking and obtaining seats in both the Human Rights Council and the Security Council. Membership in these councils does not in itself provide an effective deterrent against human rights violations. Yet it certainly complicates the Maduro government's rhetorical ability to deflect UN human rights criticisms. The Vatican, whose foreign minister previously was

the papal representative in Caracas, has shown interest in Venezuela and also participated in the 2014 dialogue. Given the Vatican's role in reestablishing US-Cuba relations, further involvement in Venezuela is a possibility. UNASUR, the UN,

and the Vatican are perhaps the most important multilateral organizations for mediating any future crisis in Venezuela, though there is certainly no guarantee of effectiveness.

The opposition leaders' politics are just as transnational as the government's, as they seek allies who can aid their fight for power. Opposition radicals regularly make the rounds in Washington, using the idiom of human rights to make their case. The radicals know full well that if they can cast their political defeats as violations of human rights, they can galvanize the international community to intervene on their behalf. And the Maduro government has made their argument easy, serving up marquee cases. Leopoldo López, one of the leaders of the movement that generated the protest wave of 2014, was arrested for instigation of violence, racketeering, and damage to property, among other charges. In October, the UN Working Group on Arbitrary Detention called for López's release.

Opposition radicals have found partners in the burgeoning community of Venezuelan expatriates

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in South Florida and anti-Castro legislators who have influential voices in the foreign policy committees of the US House and Senate. With winds of change blowing across the US-Cuba relationship, and an aggressive Cuba policy leaving second- and third-generation Cuban Americans increasingly unconvinced, Venezuela is a natural substitute. In 2014, Senator Marco Rubio and Representative Ileana Ros-Lehtinen, both Florida Republicans, sponsored legislation for targeted sanctions. A “Caravan for Freedom” of Venezuelan expats drove in a convoy from Miami to Washington to demand the same.

The White House initially opposed but eventually relented to the Venezuela Defense of Human Rights and Civil Society Act. In a clever triangulation, President Barack Obama signed the bill a day after announcing the reestablishment of diplomatic relations with Cuba in December. The most vociferous critics of liberalization with Cuba are the same people who sponsored the Venezuela sanctions bill, so proceeding on these two fronts simultaneously deflected their criticism.

The sanctions might normally have provided an opportunity for the Maduro government to distract attention from its own poor performance. And in the days after the US Senate passed the bill and sent it to Obama’s desk there were histrionic responses from Venezuela, including a government-sponsored “anti-imperialist” march. However, the announcement of the reestablishment of relations with Cuba took the wind out of Maduro’s sails. Indeed, the move establishes a new context for US relations with the region, reducing the resonance of Chavismo’s anti-Washington rhetoric.

## DEMOCRACY TESTED

Chavismo as it is currently formulated does not seem like a sustainable form of governance or even a viable electoral contender. For the “democratic revolution” to continue, some aspect of the status quo will have to change. The Chavista leadership can stay the course and be voted out of office; it can carry out reforms significant enough to eventually recover its support; or it can seek to further erode the country’s democratic institutions in order to perpetuate its hold on power.

Maduro has taken the first course to lengths that nobody imagined he would, driving

Chavismo’s popularity to unprecedented depths. And there is no inherent equilibrium mechanism to guarantee that at some point he will carry out necessary changes. Political parties and movements are organizations and can frequently take directions that no individual members would take on their own.

Given the nature of Chavismo and the urgency of the situation, it is hard to imagine the Maduro government taking on effective economic reform without coming apart at the seams. More likely would be a package of modest reforms, an infusion of cash from China, and some sort of pre-election surprise through which the PSUV could again outflank the opposition. The possibilities include moving up the elections to a date before the opposition can get organized and select candidates; releasing López to further divide the opposition; and a new initiative to combat the “economic war.” (A recent change in banking rules, giving the government far-reaching control over loans, has sparked rumors that the government could force banks to offer low-interest loans.)

The third possibility—anti-democratic authoritarianism—is the most troubling. In 2014, the Maduro government crimped civil and political liberties to a degree not seen

under Chávez. First, in its crackdown on protests it seriously infringed on the freedoms of assembly and expression and from arbitrary detention. Governments have the right and duty to monitor and control protests and to take action when they get violent—and many did in 2014. However, the Venezuelan government responded to protests wildly. National Guard troops indiscriminately used tear gas and rubber bullets and carried out detentions, several times en masse, without proper judicial orders or legal procedure. In total, some 3,000 protesters were arrested. About 2,500 of them were given conditional release, which restricts their ability to continue participating in demonstrations. The government tolerated and encouraged the widespread intervention of armed civilians who fired on protesters.

The government has also consolidated its control over the media. Over the past two years, the once-fervent opposition television news channel Globovisión has been domesticated. While a change in ownership two years ago was obscure, the results since then have been

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clear. Globovisión showed clear signs of self-censorship during the 2014 protests, providing no coverage of conflicts in the streets and softball coverage of the politics around the protests. A similar process is now occurring in the largest newspaper conglomerate, Cadena Capriles. Sold in 2013, it too is undergoing turmoil as opposition journalists buck efforts to control their work. The Caracas daily *El Universal* was also recently sold to an obscure group of investors for an above-market price, and has since suffered a purge of strident opposition voices. Not all control is exercised so discreetly. Last year on February 12, the most serious day of protests, the government removed Colombia-based NTN24 from the air, arguing that it was fomenting chaos. It has not been allowed to return (though it can be accessed fairly easily via Facebook).

The result of this changing context is that opinions readily available in the media now range only from centrist opposition to extreme Chavista. Perhaps more important, while the government ensures nonstop, beginning-to-end coverage of its own events, the opposition can no longer count

on such favors from Globovisión. It has yet to be seen whether opposition candidates will be able to get their message out effectively during the 2015 legislative elections.

The most important safeguard against the further erosion of democratic institutions is the National Electoral Council (CNE), which itself has been subject to strong pressures from the government for years. It has shown itself unable to control the ruling party's use of public resources in its campaigns, and after the 2013 election results were contested it appeared uncooperative and biased in addressing opposition complaints. Public confidence in the CNE declined. Nevertheless, the council's basic structure and role are the same as they have been in recent years, in which election-day dynamics have been clean by international standards. And given how deeply unpopular the Maduro government has become, it seems unlikely that unfair campaign conditions will be enough for Chavismo to keep winning elections. If the CNE can continue to run a clean election day, that should keep Venezuela's political conflict within democratic bounds. ■