



## SYMPOSIUM: POPULISMS IN THE WORLD-SYSTEM

### The Promise and Perils of Radical Left Populism: The Case of Venezuela

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#### Abstract

*Mainstream critics argue that populism inevitably leads to economic disaster and political authoritarianism. Venezuela is often pointed to as proof of this. Yet, while the profound crisis gripping Venezuela is undeniable, comprehensive analysis of Chavismo shows that populism, and specifically the radical left populism found in Venezuela, is more ambiguous. From 2005-2013 radical left populism in Venezuela reduced poverty and inequality, deepened democracy, and built popular support for a “transition to socialism.” These gains were erased in the post-2014 crisis, which revealed two flaws of the Chavista model hidden by its earlier success: its unsustainable material foundation and inability to overcome the statist trap. For radical left populism to achieve its potential, and avoid peril, these two problems must be effectively addressed.*

**Keywords:** Chavismo, Populism, Left, Venezuela, Latin America

Venezuela looms large in current discussions of populism. Mainstream commentators regularly point to Venezuela as proof that populism is a dangerous threat to economic and (geo)political stability. According to this view, Venezuela shows that populism inherently leads to economic disaster and political authoritarianism. Until a few years ago it was common for left-of-center



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commentators to view Venezuela very differently, as proof that populism (despite its contradictions) could further the struggle to create a different and better—more equal, democratic, and socially just—world.

To many, Venezuela's current crisis proves the veracity of the mainstream critique of populism. Venezuela's present socioeconomic situation is disastrous. Since 2013 Venezuela's economy has contracted an astonishing 50%. Oil production, the lynchpin of Venezuela's economy, has collapsed to half its 1999 level (Monaldi 2018:2). There are severe shortages of food, medicine, and basic goods. And hyperinflation has rendered Venezuela's currency all but worthless. Venezuela's political situation is also unenviable: since its landslide defeat in 2015 parliamentary elections, the government has ruled in an increasingly repressive and authoritarian manner. Must scholars, including those who previously viewed Venezuela in a positive light, accept the mainstream critique of populism as accurate, at least in this case?

Venezuela's crisis makes it impossible to see Chavismo as unambiguous proof that "another world is possible" and that the radical left populism found in Chávez-era Venezuela provides a clear path to this world. Yet, comprehensive analysis of the two-decade Chavista era does not fully substantiate the mainstream critique of populism. It shows, instead, the need for a nuanced view of Chavismo, one attentive to the promise and perils—that is, the fundamentally contradictory character—of radical left populism. Venezuela's performance from (roughly) 2005-2013 shows radical left populism's promise. During this period, the Chávez administration established left-populist hegemony, comprising high and (initially) rising popular consent for a program of state-led redistribution that dramatically reduced poverty and inequality, fostered significant, albeit uneven popular-class empowerment, and generated substantial popular support for and identification with socialism. Since 2014 this hegemony has crumbled, and Venezuela's subsequent descent into full-borne crisis underscores the perils of radical left populism.

Beyond highlighting radical left populism's contradictory nature, this article also seeks to explain why it was so much more successful in Venezuela from 2005-2013 than 2014-present. Doing so should provide insight into the conditions favoring radical left populism's success versus failure. The 2005-2013 and post-2014 periods differ in two key ways: from 2005-2013 the price of oil was historically high and U.S. influence in Latin America historically low, while post-2014 the price of oil was much lower and U.S. regional influence high(er) and rising. These differences point to two critical flaws in the Chavista model, which were hidden (by high oil prices, and, secondarily, low U.S. regional influence) during the 2005-2013 period, but abundantly clear post-2014: Chavismo's unsustainable material foundation and its inability to overcome the "statist trap."

For scholars of populism, the Venezuelan case offers two broader lessons. First, radical left populism can further the goal of creating "another world," but under conditions that appear rare

and/or unsustainable within Latin America, often considered populism's "home": historically high commodity prices and low U.S. influence. Second, to sustainably advance transformative goals (reducing inequality, deepening democracy, and, more ambitiously, moving towards socialism), radical left populism must construct a better material foundation and overcome the statist trap. Doing so would, however, transform radical left populism into a different political form.

The essay begins by defining key terms and reviewing mainstream and left views of (radical left) populism. I then seek to substantiate the argument that radical left populism is a fundamentally contradictory political form by comparing, and seeking to explain, Chavismo's record in the 2005-2013 and post-2014 periods. I conclude by elaborating upon the broader lessons of this case for studying (radical left) populism.

### **(Radical Left) Populism: Road to Disaster or Empowerment?**

Populism is defined herein as state- and/or party-led mobilization of popular and middle sectors in which discourse pitting an ill-defined "people" against "the elite" is central. Drawing on Jansen (2011), this definition differs and incorporates elements from discursive, structural, and "political" definitions positing populism, respectively, as a Manichean discourse counterpoising "the people" versus "the elite" (Laclau 1977; Hawkins 2010); a socioeconomic "stage" related to the expansionary economic policies and multi-class coalitions characteristic of early import-substitution-industrialization (O'Donnell 1973; Cardoso and Faletto 1979; Vilas 1992); and, a type of political-electoral mobilization in which a charismatic leader discursively appeals to an ill-defined "people" versus "the establishment" (Roberts 1995; Weyland 1996). Radical (left) populism is characterized by two additional elements not found in populism generally: extensive mobilization of urban and rural popular sectors and a "more comprehensive assault on pre-existing property relations" (Collier and Collier 1991:788).

### **The Mainstream Critique of Populism**

Mainstream journalists, centrist politicians, and many scholars frequently portray populism as economically disastrous and inherently authoritarian. Both tenets of this "populism as disastrous" thesis appear regularly in leading news and op-ed articles. For example, in a *New York Times* op-ed, "Against Populism, the Center Must Hold," Tony Blair (2017) equates populism with misguided faith in an "authoritarian figure" and "closed-minded" rejection of globalization's opportunities. Another *Times*' op-ed is titled, "How Does Populism Turn Authoritarian?" (Fischer and Taub 2017). Google search shows the *Washington Post*, *Guardian*, and other leading newspapers regularly publish similar pieces citing Venezuela as a populist disaster-cum-threat.

Human rights organizations also propound the populism-as-disaster thesis. The lead essay of Human Rights Watch's *World Report 2017*, "The Dangerous Rise of Populism," decries populists' "unfettered majoritarianism" as "perhaps the greatest danger today to the future of democracy in

the West” (HRW 2017:2). The essay links populists’ failed economic policies and authoritarianism: “[T]here is a long history of [populist] autocrats delivering results for themselves but not their people.” Venezuela is seen as a major case of populist “government-imposed suffering ...The Bolivarian revolution...has become an economic disaster for the worst-off segments of society whom it ostensibly serves” (HRW 2017:9).

Scholars of Latin America commonly advance the populism-as-disaster thesis, too. Castañeda (2006: 33,42) views populists as “always authoritarian in one way or another,” arguing, “[t]he populist left has traditionally been disastrous for Latin America...As in the past, its rule will lead to inflation, greater poverty and inequality, and confrontation with Washington. It also threatens to roll back the region's most important achievement of recent years: the establishment of democratic rule and respect for human rights.” Weyland similarly asserts, “Populism will always stand in tension with democracy.” Left populists, like Chávez, “weaken constitutional checks and balances and...subordinate independent agencies to their will” (2013: 33). Weyland also criticizes left populist economic policies, such as increased social spending during commodity booms, as unsustainable (2009). These tenets of the populism-as-disaster thesis appear in earlier, as well as other, recent, critiques of populism (Lipset 1960; Germani 1978; Dornbusch and Edwards 1991; Brewer-Carías 2010; Edwards 2010).

### **Contemporary Left Defenses of Populism**

Left-of-center scholars have advanced a contrasting populism-as-empowering thesis, positing “progressive populism” as an effective way to combat inequality and facilitate empowerment. Proponents of the populism-as-empowering thesis point to Bernie Sanders as a prototypical progressive populist (Smucker 2016). Fraser (2013, 2017) views Sanders’ “progressive populism” as key to a counterhegemonic project combining “social protection” (regulating the market) and “emancipation” (wherein historically excluded groups overcome domination and exclusion). Scholars have put forward populism-as-empowering-type analyses for Chávez, and earlier instances of radical populism, e.g. Venezuela’s 1945-1948 “Trienio” (Ellner 2008; Fernandes 2010). Vilas (1992: 98) sees Latin American populism as a “fundamental democratizing force.”

### **The Contradictions of Radical Left Populism in Venezuela**

Venezuela under Chávez constitutes a paradigmatic case of radical left populism. Through the state and ruling Fifth Republic Movement (MVR), reorganized as the United Socialist Party of Venezuela (PSUV) in 2007, Chávez extensively organized and mobilized urban and rural popular sectors. Chávez and other officials regularly utilized populist discourse, constructing a Manichean opposition between *El Pueblo* and *La Oligarquía*. Chávez mounted the most extensive challenge to property in contemporary Latin America. Nicolás Maduro, Chávez’s elected successor, continued this governance pattern, albeit in an attenuated and deformed manner.

This section assesses Chavismo's performance during two periods. Chavismo's record from 2005-2013 approximates the populism-as-empowering thesis, while its post-2014 record approximates the populism-as-disaster thesis. Neither perspective fits the full Chavista era, however. Chavismo's ambiguous record is better captured by a third strand of scholarship, to which this article seeks to contribute, which views populism as a contradictory political form that can deliver significant material-*cum*-political benefits to popular sectors, but rests on unsustainable material and contradictory political foundations (Collier and Collier 1991; Oxhorn 1998; Canovan 1999; de la Torre 2010).

My analysis draws on twelve months of fieldwork conducted on multiple trips between 2007 and 2016. I conducted participant observation of participatory urban governance in two cities, and over one hundred interviews with municipal, regional, and national officials, party and civic leaders, and academics on participatory governance, state-society relations, and issues related to local and national politics. In 2015 and 2016, I researched Venezuela's 2015 parliamentary election and deepening crisis. My analysis also utilizes electoral and public opinion data, newspaper articles, primary documents, and secondary sources.

### **The Promise of Radical Left Populism: Chavismo's Golden Age (2005-2013)**

Chavismo's golden age, 2005-2013, illustrates radical left populism's promise. Chavismo became hegemonic in the Gramscian sense of being Venezuela's leading political force, setting the country's agenda, and eliciting significant and growing popular consent. The material foundation of left-populist hegemony was egalitarian redistribution of oil-fueled, robust economic growth. Venezuela's economy rebounded from crisis-induced contractions of 8.9% and 7.8% in 2002 and 2003, respectively, to achieve 4.1% average annual growth from 2005-2013.<sup>1</sup> Other indicators of positive economic performance are the significant increase in foreign reserves from 2002-2013;<sup>2</sup> achieving higher growth in the private versus public, and non-oil versus oil, sectors (Weisbrot et al. 2009); and, markedly lower inflation during Chávez's entire tenure versus the 1980s and 1990s.<sup>3</sup>

The Chávez administration progressively redistributed enhanced state revenues by doubling the percentage of GDP devoted to social spending, from 11.3% to 22.8% between 1998 and 2011. This facilitated spectacular social gains: between 2003 and 2011 poverty declined from 62% to 32%; extreme poverty declined 71%; unemployment was halved; child malnutrition declined almost 40%; school enrollment rose; university graduates doubled; and, the number of pensioners

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<sup>1</sup> 2004, when the economy recovered from the 2002-2003 crisis, is excluded to avoid biasing the results. Including 2004 (18.3%) yields a 5.4% annual average from 2004-13.

<sup>2</sup> <http://www.tradingeconomics.com/venezuela/foreign-exchange-reserves>

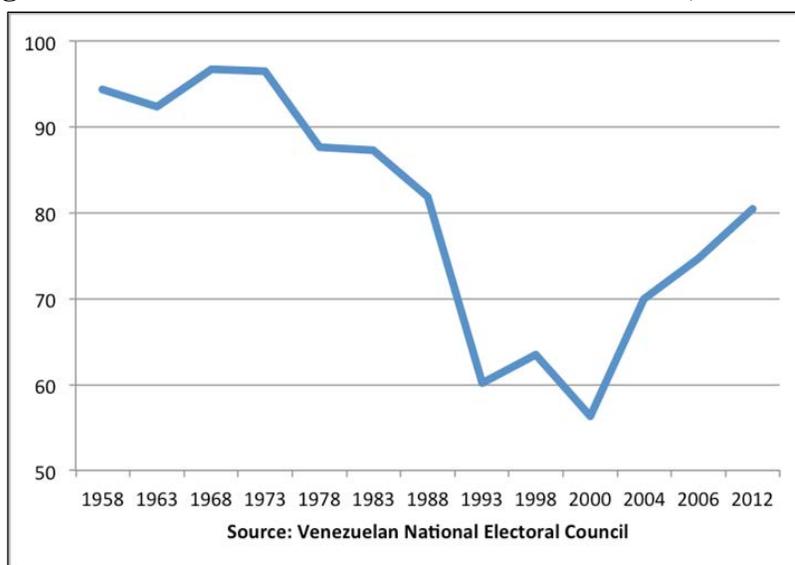
<sup>3</sup> This and the following statistical data are taken from Johnston and Kozameh (2013).

quadrupled. Venezuela became the region's most equitable country, with its Gini coefficient dropping from 0.5 to 0.4 between 2001 and 2011.

Chávez's and the ruling MVR-PSUV's political record during these years is impressive (if far from perfect). Electoral data clearly show Venezuelans' high approval of Chávez, who triumphed in all five electoral contests he stood for between 1998 and 2012. Chávez received an absolute majority in each, winning by a low of 11% (2012) and a high of 26% (2006). Turnout increased substantially under Chávez, reversing decades of persistent decline (see Figure 1). The ruling MVR-PSUV won all but two of ten-plus national elections during these years. Chávez immediately conceded after losing the 2007 constitutional referendum and 2010 legislative elections. In both cases, however, Chávez took subsequent actions that clearly subverted voters' will. In 2009 Chávez held, and won, a referendum eliminating term limits for all politicians; a similar issue, ending presidential term limits, was part of the defeated 2007 referendum. In December 2010, the outgoing, PSUV-supermajority legislature granted Chávez 18 months of decree powers, weeks before the newly-elected, more opposition-heavy legislature took office.

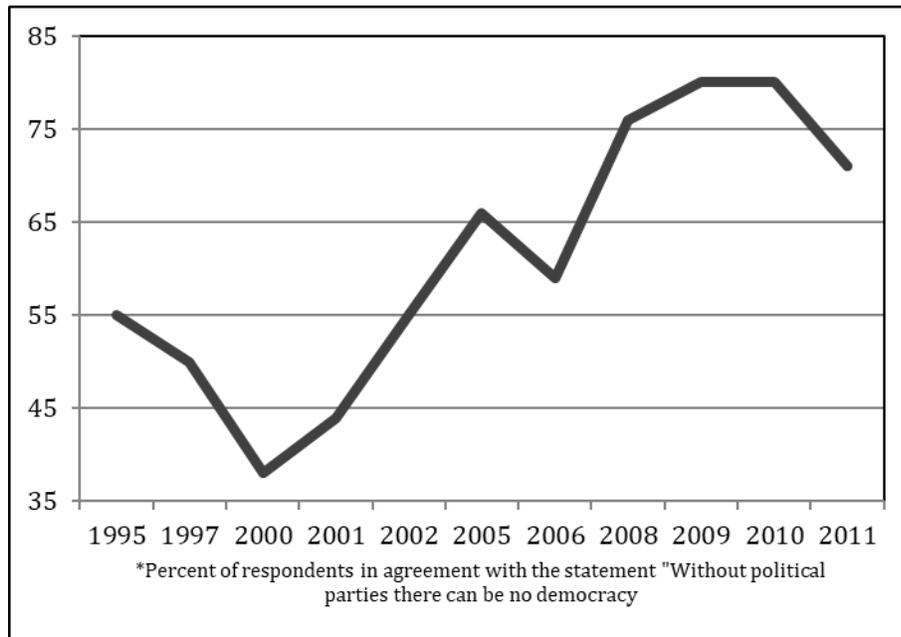
Evidence does not, however, support claims that Chávez was a dictator. His victories were not due to fraud. Chávez implemented impressive electoral reform; Jimmy Carter called Venezuela's electoral system "the best in the world."<sup>4</sup> Public opinion data also indicate Venezuelans' strong support for Chávez and his policies. Between 2000 and 2011, Venezuelans' "support for parties" (in general) rose dramatically (see Figure 2), as did Venezuelans' "interest in politics" between 2001 and 2013 (see Figure 3), when in the latter year, it was the highest in Latin America.

**Figure 1: Turnout Venezuelan Presidential Elections, 1958-2012**



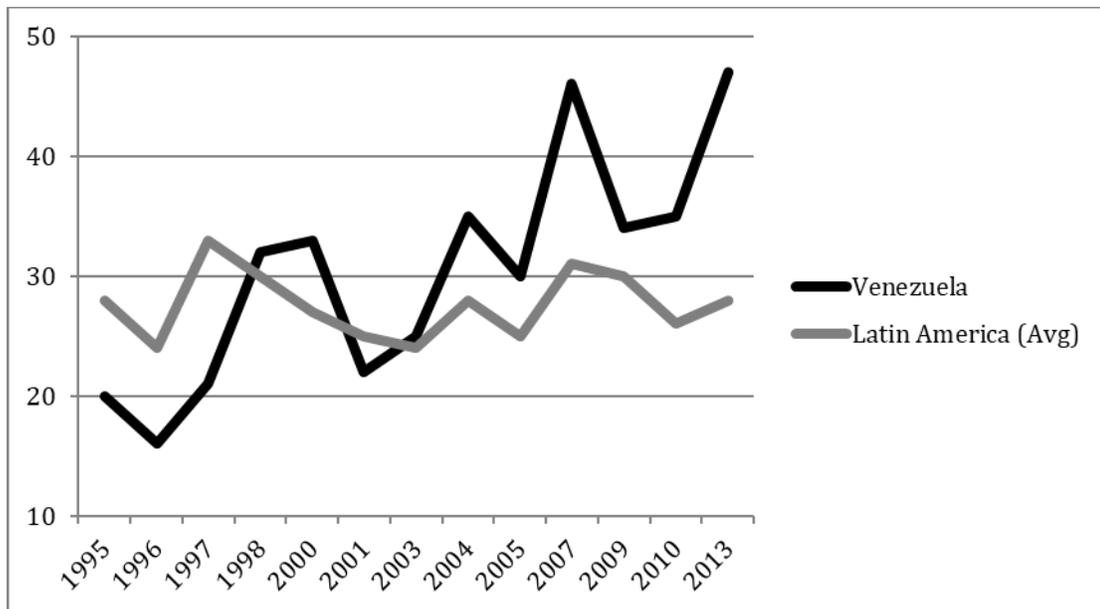
<sup>4</sup> <http://america.aljazeera.com/opinions/2015/11/venezuelas-electoral-system-is-being-unfairly-maligned.html>

**Figure 2 Support for Parties in Venezuela, 1995-2011**



Source: Latinobarómetro

**Figure 3 Interest in Politics, 1995-2013**



Source: Latinobarómetro

Under Chávez, Venezuela made significant, albeit uneven, strides towards fulfilling the 1999 constitution’s pledge to construct a “protagonistic and participatory democracy.” The government sponsored and funded tens of thousands of popular organizations, including health, water, and

urban land committees, communal councils, and communes. A 2002 law mandated nationwide local participatory budgeting. Scholars are divided about whether Venezuela's "state-sponsored participatory democracy" (Smilde 2011: 25) facilitated genuine popular-sector empowerment. Critics contend the government utilized participatory institutions to maintain clientelistic political control (Hawkins and Hansen 2006; Brewer-Carías 2010; Weyland 2013), while the government portrays these experiments as authentic instances of "popular power."

Ethnographic studies of participation in Chávez-era Venezuela show that the reality was more nuanced. State-sponsored and/or funded associations interacted with the state and ruling party in multi-faced, context-specific ways (Fernandes 2010; García-Guadilla 2011; Schiller 2011; Ciccariello-Maher 2013; Hetland 2014). These studies show popular associations regularly clashed with state and ruling-party institutions and officials, but generally supported the party and muted dissent in electoral periods.

My research on participatory budgeting in Torres and Sucre municipalities illustrates the complexities and contradictions of Chávez-era participation. Over the 2000-2012 period, both municipalities went through a similar three-phase process. From 2000-2004 in Torres and 2000-2008 in Sucre, MVR-PSUV mayors governed both cities and implemented participatory reform in a clientelistic manner designed to reinforce officials' control over decision-making. In both cases this led to electoral backlash, with Chavista abstention-*cum*-defection facilitating victory for a radical-left non-Chavista mayor in Torres and a center-right mayor in Sucre. Both mayors then implemented participatory reform robustly, giving citizens significant control over political decisions. Chavista national hegemony was key to this, as it pushed opposition officials in Sucre, and elsewhere, to embrace participatory language and institutions associated with Chavismo.<sup>5</sup>

A final, noteworthy accomplishment of the Chávez administration during this period was initiating an important, albeit limited and contradictory, "transition to socialism." Chávez's embrace of the socialist label in 2005 is noteworthy given the profound discrediting of socialism across Latin America and globally in the 1980s and 1990s. Equally impressive, by the late 2000s, millions of Venezuelans identified as socialist. During fieldwork I regularly heard people say, "I'm not Chavista, I'm socialist." In community and government-community meetings in Torres and Sucre citizens often referenced socialism. National, regional, and local state officials, and PSUV leaders, also spoke of socialism, as official state policy, frequently during this period.

Venezuela's economy did not, however, become socialist. Far from disappearing, private-sector control of economic activity *increased* from 65% to 71% between 1999 and 2011 (Villalona 2013). The Chávez administration did, however, implement many socialistic measures. Key sectors of the economy—healthcare, social services, education, basic goods, food, housing, and

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<sup>5</sup> For more on these two cases see Hetland (2014).

utilities—were partially decommodified through state subsidies, price controls, and direct state provisioning. To stem capital flight, Chávez implemented currency controls in 2003. Oil was re-nationalized in 2001, and Chávez made significant and eventually successful efforts to exert state control over Venezuela's state oil company, PDVSA, in subsequent years. (This was a key reason for the 2002 coup against Chávez.) By 2013, over 1200 firms had been nationalized, including electricity, steel, and telecommunications sectors. Yet, to the extent Venezuela moved away from capitalism under Chávez, it moved less towards socialism, in which organized workers and communities democratically control economic and political decisions, and more towards statism, wherein state and party leaders (often in cahoots with business) retain such control. This is an important reason for the post-2014 crisis (see below).

The key achievements of Chavismo's "golden age" are: solid growth, low inflation (by Venezuelan standards), relatively sound fiscal management, very impressive social gains, real-if-uneven progress establishing participatory democracy and, much more unevenly, "twenty-first-century socialism," and achieving left-populist hegemony. Two pieces of evidence support this final claim. First is Chávez's and the ruling party's impressive electoral success. Second, the opposition's stance towards Chavismo shifted in response to its recognition of Chavismo's hegemony. From 2001-2005, Venezuelan elites opposed Chávez vociferously through street protests, a coup, oil lockout, recall referendum, and electoral boycott. From 2006 on, the opposition adopted an increasingly conciliatory approach towards Chávez by, for instance, participating in elections, and increasingly embracing Chavista language, institutions, and policies. One example of this is opposition mayors implementing participatory budgeting. Another is the opposition candidate in the 2012 and 2013 presidential elections, Henrique Capriles, running on a "Chavista lite" platform of maintaining and expanding Chavista social programs.

### **The Perils of Radical Populism: Venezuela and Chavismo in Crisis (2014-2018)**

From 2014-2018 Chavista hegemony disintegrated as Venezuela entered a profound crisis. Venezuela's economy has shrunk over 50% since 2013, with rates of -3.9% in 2014, -6.2% in 2015, -16.5% in 2016, -14% in 2017, and -15% (predicted) in 2018.<sup>6</sup> Inflation has skyrocketed from 69% (2014), to 181% (2015), to 600% by mid-2017,<sup>7</sup> with estimates reaching 13,000% inflation for 2018. Whether this figure is reached, Venezuela is clearly experiencing hyperinflation. Imports declined 60% between 2012 and 2016 (Smilde 2016). By 2016

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<sup>6</sup> Venezuela stopped releasing official economic and other data in 2014, and thus data since are estimates from other sources, in this case the IMF, the numbers of which are in line with other institutions' estimates of Venezuela's growth in these years.

<sup>7</sup> 2014 and 2015 figures are from the Economic Commission on Latin America (ECLAC), and the mid-2017 figure is from Weisbrot (2017).

Venezuela's foreign debt was an estimated \$123 billion, triple its 1998 debt level of \$37 billion (Buxton 2016). From 2013-2017 Venezuela's foreign reserves declined two-thirds, to under \$10 billion (Monaldi 2018:2).<sup>8</sup>

There is a profound social crisis, with chronic, severe shortages of food, medicine, and basic goods. In 2016 Venezuela's scarcity index was an estimated 80% (Buxton 2016). A study by Venezuela's three leading universities indicates poverty grew from 48% to 87% from 2014 to 2017. 80% of respondents reported eating less due to diminished ability to access food; 60% reported experiencing hunger.<sup>9</sup>

In June 2016 I interviewed several dozen Venezuelans from the popular and middle classes, who said they were eating less and/or unable to obtain high-quality food. Many reported losing weight. Jesus, a pro-government teacher from rural Lara who had lost 7 kilograms, said, "There are lines up to a kilometer [to buy price-controlled goods] and you don't know if you'll get anything if you're at the line's end...some people eat only once a day or not at all. It's happened to me." A Caracas-based Chavista grassroots organizer said, "People are eating just twice a day in the barrios." A Chavista municipal official recounted children in his rural hometown not eating for days and gnawing on sugar cane in desperation. I heard equally dramatic stories about Venezuelans' inability to obtain medicine. In anguish, Jesus said, "It's very difficult to get medicine for specialized conditions like hypertension and diabetes. I've gone everywhere—[Carora], Barquisimeto, Caracas, Maturín—and I can't get [it]. My mother is 83 and has hypertension and I can't get the medicine she needs."

As the crisis deepened, Chavismo's political fortunes plunged. The opposition won the December 2015 parliamentary elections in a 56-41% landslide, with 74% turnout (the highest ever for a Venezuelan parliamentary election). The PSUV lost not just upper- and middle-class, but also popular zones like the Caracas barrios 23 de Enero, Catia, and Caucagüita, traditional Chavista strongholds. Conversations I had with several dozen popular-class voters on Election Day revealed their frustration with the government and desire for change. The vast majority of these voters supported the opposition. A young woman holding a baby in a poor district in Porlamar (Nueva Esparta) said, "I want change. I can't buy formula, and my sixty-year-old father had to go to another country for medical treatment." Another woman said, "I want the lines to end." Another young mother said, "I get up at 4 am to stand in line and I can't even buy food. I want change."

The PSUV responded to its diminished support with greater repression and a turn towards authoritarianism. In October 2016 the government canceled a recall referendum. In December 2016, it canceled gubernatorial elections. The motivation for both actions was almost surely the

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<sup>8</sup> <https://tradingeconomics.com/venezuela/foreign-exchange-reserves>

<sup>9</sup> <https://venezuelablog.org/prologue-proveas-2017-annual-report-state-human-rights-venezuela/>

government's likelihood of suffering defeat. In March 2017, the government suspended the opposition-controlled National Assembly (which, it must be noted, openly promoted regime change). In recent years leading opposition candidates have been banned from elections. On July 30, 2017 the government held a controversial vote for a new constituent assembly. Evidence indicates the government fraudulently inflated the number of voters who participated. Evidence also indicates the government committed fraud and stole victory in Bolivar state during rescheduled gubernatorial elections in October 2017. Prior to these two elections, there is no evidence that Chavista governments had ever committed electoral fraud.

### **Explaining the Implosion of Radical-Left Populism in Venezuela**

How can Chavismo's profoundly different performance in the 2005-2013 and 2014-2018 periods be explained? The two periods differ in two key ways. First, the price of oil was much higher in the first period, averaging \$75/barrel from 2005-2013 and \$40/barrel from 2015-2017.<sup>10</sup> Second, U.S. regional influence was much greater in the second period. The years 2005-2013 mark the height of Latin America's "left turn": left and center-left governments throughout the region stood up to the United States to unprecedented degrees. Since 2014, right governments closely aligned with the United States have taken office in key countries, including Argentina (2015) and Brazil (2016). More pro-U.S. right governments are also now in office in Paraguay, Ecuador, and Honduras.

These two factors do not, in themselves, explain Chavismo's distinct performance in the two periods, but rather point to two flaws of the Chavista radical left populist model, hidden in the first, but not the second period. The first is Chavismo's unsustainable material foundation. Venezuela's hyper-dependence on oil is longstanding but worsened under Chávez. Between 1998 and 2016, the percentage of state earnings derived from oil grew from 69% to 96%.<sup>11</sup> Oil comprises almost half the state's budget.<sup>12</sup> The post-2014 drop in the price of oil has revealed two problems directly stemming from this dependence: Venezuela's extreme vulnerability to fluctuating commodity prices, and massive corruption.

The Chavista model's second critical flaw is falling into the statist trap. This problem is not unique to Venezuela, but common to other countries like Cuba and the USSR, which embarked on transitions to socialism but moved more towards statism than socialism. Here state and party

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<sup>10</sup> 2014 is excluded since oil's price dropped markedly from June-December. Data are from <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=IVE0000004&f=A>

<sup>11</sup> [Venezuela: Terminal Crisis of the rentier Petro-State Model? https://www.tni.org/files/download/venezuela-terminal-crisis-of-the-rentier-petro-state-model-with-very-minor-changes-0.pdf](https://www.tni.org/files/download/venezuela-terminal-crisis-of-the-rentier-petro-state-model-with-very-minor-changes-0.pdf) (Transnational Institute)

<sup>12</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ve.html>

leaders, not workers and ordinary citizens, exercise control over key economic and political decisions. Chavismo's statist character is visible in the Maduro administration's inability and/or unwillingness to correct Venezuela's disastrous currency policy, the single leading cause of Venezuela's crisis. This policy dates to 2003, when Chávez implemented currency controls to prevent capital flight. This worked, but the policy was extended well beyond its usefulness (which economists say ended around 2006). A side effect of having a fixed currency is the creation of a higher black-market currency rate. From 2003 to roughly 2011, the black market rate in Venezuela was two to three times above the official rate. From 2013 on this gap has exploded with the difference between the two rates rising above 100 times in 2016 and increasing exponentially to 3,500 times in 2018.<sup>13</sup>

Venezuela's yawning official-black market exchange rate gap has spawned four problems. First, enormous sums (likely US\$ hundreds of billions) have been stolen by state officials and businesses, who turn around and sell these dollars on the black market at enormous profit. Second, the gap exacerbates shortages. Third, it leads to sharply declining domestic production since legitimate businesses lack dollars needed to import necessary production inputs. Fourth, Venezuela is locked in an inflation-devaluation spiral, with the real value of the currency plunging while prices rise higher and higher. Economists sympathetic to Venezuela's government have repeatedly told the Maduro administration of the need to fix its currency policy, by implementing a free float against the U.S. dollar. Maduro's refusal to do this is almost surely due to opposition from state (especially military) officials, in cahoots with private businesses, benefitting from the policy.

The problems noted, and underlying cause of the problems—the statist trap—began under Chávez but were hidden by the high price of oil and diminished U.S. regional influence. High-priced oil meant Chávez could generously fund social programs and turn a blind eye to mounting evidence of rampant corruption. Once the price of oil fell, the Venezuelan government could no longer afford such (illicit) luxuries. Venezuela also benefited, in the Chávez years, from the support of left-leaning regional allies.

Grassroots sectors of Chavismo have called on the government to deepen its commitment to socialism as a way out of the crisis. One reason the opposite has occurred is the rising influence of the United States. The most important effect this has had domestically is strengthening the intransigent anti-government opposition sector, which was relatively muted during Chavismo's hegemonic golden age. With Chavista hegemony eroded, and U.S. rhetorical and financial support growing, the radical opposition has waged an all-out effort to topple Maduro (similar to efforts to topple Chávez from 2001-2005), including through waves of often-violent protest in 2014 and 2017, which led to the deaths of over 150 people. Reports indicate a sizeable percentage, likely

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<sup>13</sup> Rates from the widely used, and very controversial, website [www.dolartoday.com](http://www.dolartoday.com).

over a third and perhaps even half, of the deaths are due to opposition violence, with state repression responsible for the other half to two-thirds. In addition to these deaths, this violence has contributed to Venezuela's crisis by generating massive property damage, fomenting hyper-polarization, and generating a climate uncondusive to government reform. Crucially, opposition violence has strengthened the hand of repressive forces within the state, while weakening popular movements and their supporters in the state, who provide the best (diminishing) hope for genuine movement towards socialism.

Beyond supporting the hardline opposition, U.S. actions have directly exacerbated Venezuela's crisis. The United States has pressured American and European banks to avoid business with Venezuela, starving Venezuela of needed funds. Mark Weisbrot (2017) reports that "in past years, the US Treasury department used its clout to make sure that banks who wanted to finance a [gold] swap [with Venezuela], such as JPMorgan Chase and Bank of America, did not do so." U.S. sanctions (increasingly supported by other countries) have also exacerbated the crisis, as Monaldi (2018: 3-4) notes.

### **Conclusion**

Chavismo's success during its golden age shows that radical left populism can reduce poverty and inequality, deepen democracy, facilitate (limited) movement towards "twenty-first century socialism," and become a hegemonic force. This challenges the mainstream critique of populism, according to which it inevitably leads to economic disaster and political authoritarianism. Venezuela's post-2014 collapse shows, however, that radical left populism's success there rested on two unsustainable pillars: high oil prices and low U.S. regional influence. The decline in oil's price and the rise in U.S. influence since 2014 have revealed two major flaws of radical left populism in Venezuela: its unsustainable material foundation, and its inability to avoid falling into the statist trap. These two features are the main underlying reasons for the emergence, and severity, of the profound crisis that has gripped Venezuela since 2014.

The Venezuelan case shows that radical left populism can facilitate movement in the direction of creating a more equitable, deeply democratic, and socially just society, on a short-term basis. To facilitate such outcomes in a long-term way, radical left populist regimes must figure out a way to build a more sustainable material base and avoid the statist trap. Venezuela provides clues as to what is needed to do both. Constructing a more sustainable material base requires economic diversification. Venezuela clearly failed to do this, but arguably had an opportunity in the midst of the 2003-2014 commodities boom. The lesson for other would-be radical left populists is: seize such opportunities when they arise. Venezuela's participatory experiments provide clues on how to overcome statism: by building institutions that facilitate genuine popular control over decision-making, effectively subordinating the state (and economy) to civil society. To effectively

overcome statism, local participatory experiments need to be scaled up to the national level. Grassroots activists in Venezuela have sought to do so recently, with some success. Doing so on a massive scale, however, requires displacing the corrupt state bureaucracy, and associated private-sector actors who benefit from statism. For radical left populism to fulfill its promise, and avoid peril, requires implementing reforms that would transform this model into a different political-economic form, which more closely approximates ideals of democratic socialism. Doing so is, however, easier said than done.

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