

Venezuela : Democracy, Socialism and Imperialism

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Introduction

Venezuela's President Hugo Chavez remains the world's leading secular, democratically elected political leader who has consistently and publicly opposed imperialist wars in the Middle East, attacked extra-territorial intervention and US and European Union complicity in kidnapping and torture. Venezuela plays the major role in sharply reducing the price of oil for the poorest countries in the Caribbean region and Central America, thus substantially aiding them in their balance of payments, without attaching any 'strings' to this vital assistance. Venezuela has been in the forefront in supporting free elections and opposing human rights abuses in the Middle East, Latin America and South Asia by pro-US client regimes in Iraq, Afghanistan and Colombia. No other country in the Americas has done more to break down the racial barriers to social mobility and the acquisition of land for Afro-Latin and Indio Americans. President Chavez has been on the cutting edge of efforts toward greater Latin American integration – despite opposition from the United States and several regional regimes, who have opted for bilateral free trade agreements with the US.

Even more significant, President Chavez is the only elected president to reverse a US backed military coup (in 48 hours) and defeat a (US-backed) bosses' lockout, and return the economy to double-digit growth over the subsequent 4 years.¹ President Chavez is the only elected leader in the history of Latin America to successfully win eleven straight electoral contests against US-financed political parties and almost the entire private mass media over a nine-year period. Finally President Chavez is the only leader in the last half-century who came within 1% of having a popular referendum for a 'socialist transformation' approved, a particularly surprising result in a country in which less than 30% of the work force is made up of peasants and factory workers.

President Chavez has drastically reduced long-term poverty faster than any regime in the region,² demonstrating that a nationalist-welfare regime is much more effective in ending endemic social ills than its neo-liberal counterparts. A rigorous, empirical study of the socio-economic performance of the Chavez government demonstrates its success in a whole series of indicators after the defeat of the counter-revolutionary coup and lockout and after the nationalization of petroleum (2003).

GDP has grown by more than 87% with only a small part of the growth being in oil. The poverty rate has been cut in half (from 54% in 2003 at the height of the bosses' lockout to 27% in 2007; and extreme poverty has been reduced from 43% in 1996 to 9% in 2007), and unemployment by more than half (from 17% in 1998 to 7% in 2007). The economy has created jobs at a rate nearly three times that of the United States during its most recent economic expansion. Accessible health care for the poor has been successfully expanded with the number of primary care physicians in the public sector increasing from 1,628 in 1998 to 19,571 by early 2007. About 40% of the population now has access to subsidized food. Access to education, especially higher education, has also been greatly expanded for poor families. Real (inflation adjusted) social spending per person has increased by more than 300%.³

His policies have once and for all refuted the notion that the competitive demands of 'globalization' (deep and extensive insertion in the world market) are incompatible with large-scale social welfare policies. Chavez has demonstrated that links to the world market are compatible with the construction of a more developed welfare state under a popularly-based government.

The large-scale, long-term practical accomplishments of the Chavez government, however have been overlooked by liberal and social democratic academics in Venezuela and their colleagues in the US and Europe, who prefer to criticize secondary institutional and policy weaknesses, failing to take into account the world-historic significance of the changes taking place in the context of a hostile, aggressively militarist-driven empire.⁴

No reasonable and rigorous contemporary analysis can seriously provide an accurate assessment of Venezuela while glossing over the tremendous accomplishments achieved during the Hugo Chavez presidency.

It is within the framework of Chavez' innovative and courageous political-social breakthroughs that we should proceed to an analysis of the advances, contradictions and negative aspects of specific political, economic, social and cultural policies, practices and institutions.

The Advances and Limitations of Economic Policy

Venezuela has made tremendous advances in the economy since the failed coup of April 11, 2002 and the employers' lockout of December 2002-February 2003, which led to a 24% decline in the GDP.⁵ Under President Chavez' leadership and with favorable terms of trade, Venezuela grew by over 10% during the past 5 years, decreasing poverty levels from over 50% to less than 28%, surpassing any country in the world in terms of the rate of poverty-reduction. The economy has, in contrast to the past, accumulated over \$35 billion dollars in foreign exchange reserves despite a vast increase in social spending and has totally freed itself of dependence on the onerous terms imposed by the self-styled 'international banks' (IMF, World Bank and Inter-American Development Bank) by paying off its debt.⁶

The government has nationalized strategic enterprises in the oil and gas industries, steel, cement, food production and distribution, telecommunications and electricity industries. It has passed new excess profits taxes, doubling its revenues. It has signed new petroleum and gas joint ventures with over a dozen European, Asian and Latin American multinationals giving the Venezuelan state majority control. It has expropriated several million acres of uncultivated farm land from speculators and absentee owners and, more recently, an additional 32 under-producing plantations.⁷ The importance of these structural changes cannot be understated. In the first place they increased the capacity of the Chavez government to make or influence strategic decisions regarding investment, re-investment, pricing and marketing. The increase in state ownership increases the flow of revenues and profits into the federal treasury, enhancing financing of productive investments, social programs and downstream processing plants and services. The government is slowly diversifying its petroleum markets from a hostile adversary (the USA) to trade and investment with countries like China , Brazil , Iran and Russia , thus reducing Venezuela 's vulnerability to arbitrary economic boycotts.

The government has started a large-scale, long-term project to diversify the economy, and especially to become food self-sufficient in staples like milk, meat, vegetables and poultry.⁸ Equally important investments in processing raw petroleum into value-added products like fertilizers and plastics are now operative, albeit at a slow pace. New refineries are on schedule to substitute dependence on US based operations and to add value to their exports. New public transport systems are advancing as is visible in the new metro being built in Caracas , which will lessen the traffic jams and air pollution. Over 2.5 billion Strong Bolivars, the new Venezuelan currency (over \$1 billion dollars) has been allocated in the form of incentives, credit and subsidies to promote the increase in agricultural production and processing.⁹ Investments in new lines of production linked to social programs are underway, including new enterprises manufacturing 15,000 prefabricated houses per year.¹⁰

Venezuela, like the rest of the world (China, EU, USA, Australia and so on) is deeply affected by inflation, especially of imported food. Inflation has escalated over the last 3 years rising from 14% in 2005, to 17% in 2006 and 22% in 2007, threatening to undermine the gains in living standards made over the last 5 years.¹¹ Government attempts to impose price controls has had limited effect as big food producers have cut back on production, food distributors have decrease shipments and even hoarded essential goods and retail sellers have traded on the black market. On the surface, the problem is that consumer power has increased faster than productivity, increasing demand relative to supply. However, the deeper structural reason is the decline in capitalist investment in production and distribution – despite high profits. Many capitalist food producers and food processors have diverted their profits into investments in speculative activity, including imports of luxury goods and real estate where there is a higher rate of return. Some have lessened investment because of opposition to the government, others because of fears of agrarian reform, while all complain about 'price controls' leading to a 'profit squeeze'. These complaints do not account for low

productivity , which existed before price controls and continued even after the government lifted the controls. Inflation and the resultant negative impact is one of the principle reason for popular abstention during the December 2007 referendum and is the cause of popular discontent today in Venezuela . Both the far right and the ultra-left (especially in some neighborhoods and trade unions) have been exploiting this discontent.

Inflation is one of the principle reasons for the decline of the popularity of various regimes (Left, Center and Right) throughout history in Europe, as well as in Latin America .¹² In large part this is because the great majority of workers in Venezuela are self-employed and have no organization or wage and income indexes to keep up with the rise in prices. In Venezuela , even the major industries, like petroleum, steel and aluminum, have ‘sub-contracted’ most of their workers who lack any power to negotiate for wage increases tied to inflation. Government subsidies and promotional incentives to industrial and agricultural capitalists to promote productivity has led to increased profits – without commensurate increases in wage income. During the period from February to April 2008, the state intervened directly in the productive process, through the takeover of unproductive companies and farms. New worker and peasant demands include ‘opening the books’ of the profitable firms and farms in pursuit of wage and collective bargaining negotiations, re-opening closed firms and investments in new public enterprises. Chavez recognized that the problem of production (supply) will continue to lead to too many Bolivars chasing too few consumer goods – inflation, discontent and political vulnerability – unless he accelerates the nationalization process and deepens public ownership.

To effectively intervene and take control of strategic economic sectors, the government requires working class organizations, cadres and leaders able to co-manage the enterprises, ‘opening the books’ on investments, profits and wages and establish work discipline. Under present capital-labor relations, capitalists totally neglect investment in technology and innovations, employ temporary or contingent workers under precarious conditions and depend on the Venezuelan state to enforce harsh labor codes.

In advancing the Bolivarian road to Socialism, President Chavez has to deal with incompetent and reactionary officials in his own government. For example, prior to Chavez’ nationalization of the major steel multinational SIDOR, the Minister of Labor, an incompetent and inexperienced functionary with no prior relation to labor, sided with the company and approved of the Governor of the state of Bolivar in calling out the National Guard to break the strike. Throughout 2007-2008, management of SIDOR refused to negotiate in good faith with the unions, which provoked strikes in January in February and March 2008. The intransigence of the steel bosses increased the militancy of the workers and led to Chavez’ intervention. In defense of his order to nationalize, Chavez cited the positive role of the steel workers in opposing the coup, the ‘slave-like’ work conditions and the export strategies, which denied the domestic construction industry the steel it needed for high-priority homebuilding. He called on the nationalized industry to be run under ‘workers councils’ in an efficient and productive manner.¹³

Government repression of strikes provoked regional union solidarity and worker-led marches against the National Guard and calls for the resignation of the ineffective Labor Minister. After Chavez nationalized steel, trade unions from major industrial sectors met to coordinate support for President Chavez and press for further moves toward public ownership. Equally ominous, brutality and excess use of force ordered by the general in charge of the National Guard is indicative of a profoundly anti-working class, pro-big business bias of the Guard officers, a potentially dangerous threat to the Chavez government in the future.¹⁴ By confronting the problem of inflation and the overvalued, strong Venezuelan Bolivar Chavez is dealing with an issue that is real and deeply felt by most workers. Failure by the government to deal with its structural roots makes it vulnerable to demagogic appeals by the right and the sectarian ultra-left and its principle beneficiary, the US imperialism.

New public investments in fertilizer plants, prefabricated housing, positive measures reducing inflation by one third in the first 2 months of 2008 and policies sharply increasing food supply by 20% indicate that the Chavez government is beginning to confront some of the economy’s weak points. In visits to several public and private retail markets during the last part of February and early March, we did not find any shortages of essential items, contrary to the opposition, and the US and European media reports. An opposition organized protest of shortages of liquid gas in Catia (a popular neighborhood in Caracas) was front-page news (with blown-up photos) in the opposition daily, El Universal , but with no follow up reports

when the government sent in supplies the next day.¹⁵

By the beginning of 2008, public spending, which is not always efficiently invested or entirely free of corruption, reduced unemployment 8.5%, the lowest in decades.¹⁶ However a government goal of 5.5% seems over optimistic, especially in light of the fall-out from the US recession and decline in European demand.

The big challenge to Chavez' economic policy in 2008, a year of important state and local elections in November, is to ensure that the inevitable mid-year increase in public spending is directed toward productive investments and not to populist short-term programs, which will ignite another wave of inflation. We can expect that, as the elections approach, the capitalist class will once again resort to 'planned shortages', distribution blockages, as well as other politically induced economic problems in order to blame and discredit the government. Unless the government reduces its reliance on the private sector for investments, employment, production, finance and distribution, they will be forced into taking costly and improvised measures to avoid electoral losses and popular abstention. The indivisible ties between private business control over strategic economic decisions and their paramount interest in pursuing political measures designed to undermine the Chavez government, means that the government will remain under constant threat unless it takes control of the commanding heights of the economy. In recognition of those structural factors Chavez has announced plans to nationalize strategic sectors. The Chavez government has become pro-active, anticipating shocks from the economic elite and displacing them from power. Depending on the private sector will force the government to continue to be 'reactive', improvising responses to economic attacks during and after the fact and suffering the negative political consequences.

Politics: The Chavistas Strike Back

During the latter half of 2007, in the run-up to the referendum, and early 2008, the rightwing offensive (aided by the ultra-left) took hold and put the government on the defensive. Early March 2008, the pro-Chavez forces regrouped and launched a new political party – The Venezuelan United Socialist Party (PSUV) at a national convention in Maracaibo. In response to the defeat of the referendum, President Chavez called on his supporters to engage in a 'Three R's Campaign': Review, Rectify and Re-launch. This initiative has led to the election of new party leaders, a decline in old guard paternalistic bosses in the leadership of the PSUV, a rejection of sectarianism toward other pro-Chavez parties and a revitalization of grass roots activism.¹⁷ The party is intended to oversee the mobilization of the Chavez supporters and to educate and organize potential working and lower middle class constituents. The party is mandated to evaluate, criticize and correct the implementation of policies by local officials and engage the mass social movements in common struggle. To succeed the party must organize local popular power to counter-act corrupt Chavez-affiliated as well as opposition policy-makers, press local demands and initiatives, counter rightwing infiltration of neighborhoods by Colombian and local terrorists and turn out the vote at election time.

For the PSUV to succeed as a political organization it needs to take power away from the local clientelistic political machines built around some of the state, regional and municipal level Chavista officials. It needs to overcome the tendency to appoint leaders and candidates from above and to deepen rank and file control over decisions and leaders.¹⁸ Even during the founding congress of the PSUV several delegations criticized the process of electing the national leadership – for neglecting popular representation and overloading it with much criticized political officials.¹⁹

Active communal councils under democratic control have been effective in giving voice and representation to a large number of urban and poor neighborhoods. They have secured popular loyalty and support wherever they have delivered needed services and led struggles against incompetent or recalcitrant Chavista officials.

Violence, crime and personal insecurity are major issues for most poor and lower middle class supporters of the Chavez government and the police are viewed as ineffective reducing crime and securing their neighborhoods and as, at times, complicit with the gangsters.²⁰ Proposals by the government for greater cooperation between neighborhood committees and the police in identifying criminals have had little effect.

This is in part because police have shown little interest in developing on-the-ground, day-by-day relations in the poorer barrios, which they tend to view as ‘criminal breeding grounds’.

Armed gangs controlling the poor neighborhoods commit most of the crime. Local residents fear retaliation if they cooperate or worse, they think that the police are complicit with the criminals. Even more seriously reports from reliable intelligence sources have identified large-scale infiltration of Colombian death squad narco traffickers who combine drugs peddling and rightwing organizing, posing a double threat to local and national security. While the government has taken notice of the general problem of individual insecurity and the specific problem of narco-political infiltration, no national plan of action has yet been put into practice, apart from periodic routine round-ups of low-level common criminals.²¹

Venezuela should learn from the example of Cuba , which has had successful crime fighting and anti-terrorist programs for decades organized around a tight network of local ‘committees to defend the revolution’ and backed by a politically trained rapid action internal security force and an efficient judiciary. Individual security and political freedom depends on the collective knowledge of crime groups’ infiltration and the courage of local committees and individuals. Their cooperation requires trust in the integrity, respect and political loyalty of the internal security forces. Their intelligence, evidence collection and testimony depend on the protection of local citizens by the internal security forces against gangster retaliation.

A new type of ‘police official’ needs to be created who does not view the neighborhood and its committees as hostile territory – they must live and identify with the people they are paid to protect. To be effective at the local level, the Chavez government must display exemplary behavior at the national level: It must prosecute and jail criminals and not grant amnesty or give light sentences to coup-makers and economic saboteurs, as Chavez did in early 2008. The failure of the current Attorney General to pursue the murderers of her predecessor, Attorney General Danilo Anderson, was not only a shameful act but set an example of incompetent and feeble law enforcement which does not create confidence in the will of the state to fight political assassins.²²

‘Popular power’ will only become meaningful to the mass of the poor when they feel secure enough to walk their streets without assaults and intimidation, when the gangs no longer break into homes and local stores, and when armed narco-traffickers no longer flaunt the law. In Venezuela , the struggle against the oligarchs, George Bush and Colombia ’s Uribe begins with a community-based war against local criminals, including a comprehensive tactical and strategic sweep of known criminal gangs followed by exemplary punishment for those convicted of terrorizing the residents. This is one way to make the government respected at the grass roots level and to re-assert and make operative the term popular sovereignty. In every barrio today it is not only the ‘right wing NGO’s’, which challenge Chavez’ authority, it is the armed criminal elements, increasingly linked with reactionary political groups. To successfully confront the external threats, it is incumbent on the government to defeat the gangsters and narco-traffickers that represent a real obstacle to mass mobilization in time of a national emergency, like a new coup attempt.

Failures by some middle level Chavez officials to ensure security and resolve local problems have eroded popular support for political incumbents. The majority of local residents, popular leaders and activists still voice support for President Chavez even as they are critical of the ‘people around him’, ‘his advisers’, and ‘the opportunists’.²³ How this will play out in the November election is not totally clear. But unless fundamental changes take place in candidates and policies, it is likely that the opposition will increase their current minimal representation in state and municipal governments.

Social and Cultural Advances and Contradictions

Venezuela , under the leadership of President Chavez, has made unprecedented social and cultural changes benefiting the broad majority of the urban and rural poor, and working and lower middle classes. Nine new Bolivarian universities and dozens of technical schools have been established with over 200,000 students.²⁴ Over 2.5 million books, pamphlets and journals have been published by the new state-financed publishing houses, including novels, technical books, poetry, history, social research, natural sciences, medical and scientific texts.²⁵ Two major television studios and communitarian-based TV stations provide international, national and local news coverage that challenges opposition and US-based (CNN) anti-government propaganda. A major news daily, *Vea* , and several monthly and weekly magazines debate and

promote pro-Chavez politics.²⁶ Several government-funded missions, composed of tens of thousands of young volunteers, have reduced urban and (to a lesser degree) rural illiteracy, extended health coverage, while increasing local participation and organization in the urban ‘ranchos’ or shantytowns. Major cultural events, including musical, theater and dance groups regularly perform in working class neighborhoods. The Ministry of Culture and Popular Power has initiated a vast number of overseas and local programs involving the Caribbean and Latin American countries.²⁷ Sports programs, with the aid of Cuban trainers, have received large scale government funding for physical infrastructure (gymnasiums, playing fields, uniforms and professional trainers) and have vastly increased the number of athletes among the urban poor. Major funding to defend and promote indigenous and Afro-Venezuelan culture is in the works, and some movement to ‘affirmative action’ is envisioned, though cultural representation in fields other than sports, music and dance is still quite limited. There is no question that Venezuela is going through a ‘Cultural Revolution’ – reconstructing and recovering its popular, historical and nationalist roots buried below the frivolous and imitative artifacts of a century of culturally colonized oligarchs and their middle class followers.

Cultural Contradictions and Challenges

While the Venezuelan cultural reformation has made a massive impact in raising educational and cultural levels, it has not yet decisively displaced the cultural hegemony of the bourgeoisie and US imperialism. The latter still holds sway over the vast majority of the upper and affluent middle class professionals, Central University academics and students, and important sectors of the public and especially private professional groups (doctors, lawyers, publicists, engineers etc). Despite substantial pay increases and additional stipends, these middle class professionals still cling to their reactionary beliefs in a fit of ‘status panic’.

President Chavez, speaking at the first graduating class of the new inclusive (open admission) Venezuelan Bolivarian University, cited a doctoral thesis which found that 94% of students at the tax-payer funded elite ‘public’ university, Venezuelan Central University (UCV), were from the upper and middle class, while 99% of the students at the private Simon Bolivar University (SBU) were from the same privileged classes. What was especially disturbing was the increasingly exclusive and privileged nature of the UCV and SBU: in 1981 the UCV enrolled 21% from the lower classes compared to 6.5% in 2000; the SBU went from 13% to 1% in the same period. To open higher education to the working class, the poor and the peasants, the Chavez government has begun the construction of 29 public universities, upgrading 29 vocational-technical schools into Polytechnic Universities, and increasing the number of full scholarships from 6,000 to 10,000.

While the vast number of lower class neighborhoods and individuals have benefited from state health, educational and cultural programs, popular education in creating collective solidarity and class consciousness still has had a limited impact. Some individuals from the lower class who had set up economic cooperatives were either incapable of operating them or absconded with state funds. Similar theft and corruption afflicted some of the ‘missions’, where poor accounting practices facilitated waste and losses. Populist paternalism and official negligence (and corruption) weakened the effort to create a new nationalist class-consciousness linked to a new popular hegemony. On the other hand, President Chavez’ intervention in nationalizing the steel industry during the labor-capital dispute heightened class-consciousness and factory worker identification with the Venezuelan road to socialism.

Over the past 5 years the state-financed television programs have greatly improved in terms of their professionalism and programming. They still have not fully overcome the continued hegemonic hold of the bourgeois media over sectors of the popular majority. In terms of entertainment and breaking news coverage, especially during the run-up and the day of the December 2, 2007 referendum, the bourgeois media dominated public attention due, in large part, to the absence of pro-government media coverage.

One of the least effective pro-government print media is the daily newspaper *Vea*, which is read by few people because of its poor news reporting (big headlines, no content) and mediocre columns and essays. The Minister of Culture and Popular Power told me that substantial changes would soon take place.²⁸ The wide reaching cultural programs have improved cultural levels but has not led to the growth of mass Chavista cultural movements. Less than 10% of the students at the Central University of Venezuela (UCV) are active members of Chavista student movements or affiliated organizations (according to a Chavista

student leader), despite significant improvements in university salaries and facilities.²⁹ Apparently family and class identification takes precedence over cultural egalitarianism. The vast majority of students and professors at the UCV are apolitical, indifferent or into strictly vocational training and individual mobility. An active minority supports opposition groups; some are linked to US universities and CIA-funded 'leadership training' programs while small Trotskyist, Maoist and other sects agitate against the government.

The emergence of the autonomous pro-Chavez communal councils, linked to the Ministry of Culture and Popular Power, is probably the most effective counter-hegemonic movement. The political and social activities of party activists and leaders of the PSUV can succeed in creating a new class consciousness so long as they involve the masses in solving their own practical problems and assume local responsibility for their actions. Chavista cadres, which act paternally, create patron-client consciousness vulnerable to quick switches to oligarchic-client relations. The key contradiction in the cultural reformation is in the 'middle class' Chavista configuration which carries over its paternal orientation in implementing its 'class conscious programs to the popular classes.

There is a great need for recruitment and education of young local cadres from the barrios, who speak the language of the people and have the class bonds to integrate the masses into a nationalist and socialist cultural-social program. The government's cultural and popular power movement is a formidable force but it faces tenacious opposition from the virulent and disreputable mass media aligned with the oligarchy. As the Venezuelan process moves toward egalitarian socialist values, it faces the more subtle but more insidious opposition of middle class students, professors and professionals who in the name of 'liberal democracy' and 'pluralism' seek to destroy cultural class solidarity. In other words, we have a struggle between the progressive minority from the middle class in the government against the majority of reactionary liberal middle class individuals embedded in academic institutions and in the community-based NGO's. Only by gaining the support of the people outside the middle class, that is, the radical and exploited popular classes, can the cultural reformists in the Culture Ministry create a dominant popular hegemony.

Social Change: the Struggle of Popular Social Movements versus the Reactionary Middle Class Movements

To discuss the highly polarized social confrontation between the pro-Chavez popular movements and the US-backed oligarch-supported middle class movements, it is important to contextualize the social, political and economic relations, which preceded the ascendancy of the Chavez government. The United States was the key determinant of the economic conditions and the principle point of reference of Venezuela's oligarchy and middle class. US-Venezuelan relations were based on US hegemony in all spheres – from oil to consumerism, from sports to life style, from bank accounts to marriage partners. The role models and life styles of the Venezuelan middle class were found in the upscale Miami suburbs, shopping malls, condos and financial services. The affluent classes were upper class consumers; they never possessed a national entrepreneurial vocation.

The oil contracts between US and European firms and the PDVSA were among the most lucrative and favorable joint ventures in the world. They included negligible tax and royalty payments and long term contracts to exploit one of the biggest petroleum sites in the world (the Orinoco 'tar belt'). The entire executive leadership of what was formally described as a 'state enterprise' was heavily engaged in dubious overseas investments with heavy overhead costs, which disguised what was really executive pillage and extensive cost overruns, that is, massive sustained corruption.³⁰ >From the senior oil executives, the pillaged oil wealth flowed to the upper middle class, lawyers, consultants, publicists, media and conglomerate directors, a small army of upscale boutique retailers, real estate speculators and their political retainers and their entourage among middle level employees, accountants, military officials, police chiefs and subsidized academic advisers. All of these 'beneficiaries' of the oil pillage banked their money in US banks, especially in Miami, or invested it in US banks, bonds and real estate. In a word, Venezuela was a model case of a rentier-bureaucratic ruling class profoundly integrated into the US circuits of petroleum-investment-finance. Systematically, culturally and ideologically they saw themselves as subordinate players in the US 'free trade-free market' scheme of things. Chavez' assertions of sovereignty and his policies re-nationalizing Venezuelan resources were seen as direct threats to the upper-middle class' essential ties to the US, and to their visions of a 'Miami' life style.

This deep subordinated integration and the colonized middle class values and interests that accompanied it, was deeply shaken by the crash in the Venezuelan economy throughout the 1980's and 1990'. Emigration and relative impoverishment of a wide swath of public employees, professionals and previously better-paid workers seemed to 'radicalize' them or create widespread malaise. The profound downward mobility of the impoverished working class and lower-middle class, as well as professionals, led to the discredit of the endemically corrupt leaders of the two major political parties, mass urban riots, strikes and public support for an aborted Chavez-led military uprising (1992). These events led to his subsequent election (1998) and the approval of the referendum authorizing the writing of a new, more profoundly democratic constitution. Yet the middle class rebellion and even protest vote in favor of Chavez, was not accompanied by any change in political ideology or basic values. They saw Chavez as a stepladder to overcome their diminished status, and paradoxically, to refinance their 'Miami' life-style, and gain access to the US consumer market.

Time and circumstance would demonstrate that when push came to shove, in November 2001-April 2002, when the US confronted and was complicit in the short-lived, but failed coup, the bulk of the middle class backed the US-Venezuelan elite.³¹ The US-backed coup was a direct response to President Chavez' refusal to support the White House-Zionist orchestrated 'War on Terror'. Chavez declared, 'You don't fight terror with terror' in answer to President Bush's post-September 11, 2001 call to arms against Afghanistan. This affirmed Chavez' principled defense of the rights of self-determination and his unwavering stand against colonial wars. US Undersecretary of State for Political Affairs, Mark Grossman personally led an unsuccessful mission to Caracas in the fall of 2001 to pressure Chavez to back down.³² Chavez was the only president in the world prepared to stand up to the new militarist Bush doctrine and thus was designated an enemy. Even worse, from the point of view of the Bush Administration, President Chavez' nationalist policies represented an alternative in Latin America at a time (2000-2003) when mass insurrections, popular uprisings and the collapse of pro-US client rulers (Argentina, Ecuador and Bolivia) were constant front-page news.

In the run-up to the April 2002 coup, the policies of the Chavez government were extremely friendly to what are reputed to be 'middle class' values and interests -- in terms of democratic freedoms, incremental socio-economic reforms, orthodox fiscal policies and respect for foreign and national property holdings and capitalist labor relations. There were no objective material reasons for the middle classes or even the economic oligarchy to support the coup except for the fact that their status, consumerist dreams, life style and economic investments were closely linked with the United States. In a word, the US exercised near complete hegemony over the Venezuelan upper and middle classes. As a result, its policies and its global interests became identified as 'the interests' of the wealthy Venezuelans. Venezuelan elite identification with US policy was so strong that it compelled them to back a violent coup against their own democratically elected government. The Caracas ruling class supported the imposition of an ephemeral US-backed dictatorial political regime and an agenda, which, if fully implemented, would have reduced their access to oil revenues, and the trade and socio-economic benefits they had enjoyed under Chavez. The brief coup-junta proposed to withdraw from OPEC, weakening Venezuela's bargaining position with the US and EU, expel over 20,000 Cuban physicians, nurses, dentists and other health workers who were providing services to over 2 million low income Venezuelans without receiving any reciprocal compensation from Washington. ³³

The economic elite and the middle class's second attempt to overthrow President Chavez began in December 2002 with a bosses and oil executive lockout. This lasted until February 2003 and cost over \$10 billion dollars in lost revenues, wages, salaries and profits.³⁴ Many Venezuelan businessmen and women committed economic suicide in their zeal to destroy Chavez; unable to meet loan and rent payments, they went bankrupt. Over 15,000 executives and professionals at the PDVSA, who actively promoted the strike and, in a fit of elite 'Luddite' folly, sabotaged the entire computerized oil production process, were fired. The principal pro-US and long time CIA funded trade union confederation suffered a double defeat for their participation in the attempted coup and lockout, becoming an empty bureaucratic shell. The upper and middle classes ultimately became political and social losers in their failed attempts to recover their 'privileged status' and retain their 'special relation' with the US. While the privileged classes saw themselves as 'downwardly mobile' (an image which did not correspond with the reality of their new wealth especially during the commodity boom of 2004-2008), their frustrations and resentments festered and

produced grotesque fantasies of their being ruled by a 'brutal communist dictator'. In fact, under Chavez' presidency (after 2003), they have enjoyed a rising standard of living, a mixed economy, bountiful consumer imports and were constantly entertained by the most creatively hysterical, rabidly anti-government private media in the entire hemisphere. The media propaganda fed their delusions of oppression. The hardcore privileged middle-class minority came out of their violent struggle against Chavez depleted of their military allies. Many of their leaders from the business associations and moribund trade union apparatus were briefly imprisoned, in exile or out of a job.

On the other hand, the pro-Chavez mass supporters who took to the streets in their millions and restored him to the Presidency and the workers who played a major role in putting the oil industry back in production and the factories back to work, provided the basis for the creation of new mass popular movements. Chavez never forgot their support during the emergency. One of the reasons he cited for nationalizing the steel industry was the support of the steel workers in smashing the bosses' lockout and keeping the factories in operation.

Venezuela is one of the few countries where both the Left and the Right have built mass social movements with the capacity to mobilize large numbers of people. It is also the country where these movements have passed through intense cyclical volatility. The tendency has been for organizations to emerge out of mass struggle with great promise and then fade after a 'great event' only to be replaced by another organized 'movement', which, in turn, retains some activists but fails to consolidate its mass base. In effect what has been occurring is largely sequential movements based on pre-existing class commitments which respond in moments of national crises and then return to everyday 'local activities' around family survival, consumer spending, home and neighborhood improvements. While this cycle of mobilization 'ebb and flow' is common everywhere, what is striking in Venezuela is the degree of engagement and withdrawal: the mass outpouring and the limited number of continuing activists.

Looking at the big picture over the past decade of President Chavez's rule, there is no question that civil society activity is richer, more varied and expressive than during any other government in the last sixty years.

Starting from the popular democratic restoration movement that ousted the short-lived military-civilian junta and returned Chavez to power, local community based movements proliferated throughout the ranchos (slums) of the big cities, especially in Caracas. With the bosses lockout and actual sabotage, the factory and oil field workers and a loyal minority of technicians took the lead in the restoration of production and defeating the US-backed executive elite. The direct action committees became the nuclei for the formation of communal councils, the launching of a new labor confederation (UNT), and new 'electoral battalions', which decisively defeated a referendum to oust Chavez. From these 'defensive organizations' sprang the idea (from the government) to organize production cooperatives and self-governing neighborhood councils to by-pass established regional and local officials. Peasant organizing grew and successfully pressured for the implementation of the land reform law of 2001. As the left organized, the right also turned to its 'normal institutional base' – FEDECAMARAS (the big business association), the cattle and large landowner organizations, the retailers and private professionals in the Chambers of Commerce and toward neighborhood organizations in the up-scale neighborhoods of the elite centered in Altimar and elsewhere. After suffering several demoralizing defeats, the right increasingly turned its attention toward US funding and training from NGO's, like SUMATE, to penetrate lower class barrios and exploit discontent and frustrations among the middle class university students whose street demonstrations became detonators of wider conflicts.³⁵

The Chavistas consolidated their organizational presence with health clinics, subsidized food stores and coops and educational programs. The Right consolidated its hold over the major 'prestigious' universities and private high schools. Both competed in trying to gain the allegiance of important sectors of the less politicized, sometimes religious low-income informal workers and higher paid unionized workers – both focused on immediate income issues. The Chavistas secured nearly 50% of the vote among the voters in a radical referendum spelling out a transition to socialism, losing by 1%. The right wing capitalized on the abstention of 3 million, mostly pro-Chavez, voters to defeat the referendum.³⁶

The right wing, via violence and sustained disinvestment in the country has polarized Venezuela despite nearly double-digit sustained growth over a 5 year period. This basic contradiction reflects the fact that the

‘socialist’ project’ of the government takes place in the socio-economic framework in which big capitalists control almost all the banking, financing, distribution, manufacturing, transport and service enterprises against the gas-oil-telecom, electricity, steel, cement and social service sectors of the government. In April 2008, Chavez launched a major offensive to reverse this adverse correlation of economic power in favor of the working classes by expropriating 27 sugar plantations, food distribution networks, meat packing chains, as well as the major cement and steel complexes.

In 2008 Chavez recognized that the populace mobilized ‘from below’ was stymied by the ‘commands’ issued by the economic elite ‘from above’. Whether it is food distribution or production, job creation or informal/contingent employment, funding small farmers or speculative landlords trading in bonds or financing oil derivative plants – all of these strategic economic decisions which affect class relations, class organization, class struggle and class consciousness were in the hands of the mortal enemies of the Chavez government and its mass base. By directly attacking these crucial areas affecting everyday life, Chavez is revitalizing and sustaining mass popular organization. Otherwise to remain subject to elite economic sabotage and disinvestment is to demoralize and alienate the popular classes from their natural gravitation to the Chavez government.

US-Venezuelan Relations

More than in most current Latin American societies, the Venezuelan ruling and middle classes have demonstrated a willingness to sacrifice their immediate economic interests, current remunerative opportunities, lucrative profits and income in pursuit of the high risk political interests of the US . How else can one explain their backing of the US-orchestrated coup of April 2002 at a time when Chavez was following fairly orthodox fiscal and monetary policies, and had adopted a strict constitutionalist approach to institutional reform? How else can one explain engaging in an executive and bosses 2-month lockout of industry and oil production, leading to the loss of billions in private revenues, profits and salaries and ultimately the bankruptcy of hundreds of private firms and the firing of over 15,000 well-paid senior and middle level oil executives?

Clearly the ‘ultra-hegemony’ of the US over the Venezuelan elite and middle class has a strong component of ideological-psychological self-delusion: a deep, almost pathological identification with the powerful, superior white producer-consumer society and state and a profound hostility and disparagement of ‘deep Venezuela ’ – its Afro-Indian-mestizo masses.

Typifying Theodor Adorno’s ‘authoritarian personality’, the Venezuelan elite and its middle class imitators are at the feet and bidding of those idealized North Americans above and at the throat of those perceived as degraded dark-skinned, poor Venezuelans below. This hypothesis of the colonial mentality can explain the pathological behavior of Venezuelan professionals who, like its doctors and academics, eagerly seek prestigious post-graduate training in the United States while disparaging the ‘poor quality’ of new neighborhood clinics for the poor where none had existed before and the new open admission policies of the Bolivarian universities – open to the once marginalized masses.

The deep integration – through consumption, investments and vicarious identification – of the Venezuelan upper and middle classes with the US elite forms the bed-rock of Washington ’s campaign to destabilize and overthrow the Chavez government and destroy the constitutional order. Formal and informal psychosocial ties are strengthened by the parasitical-rentier economic links based on the monthly/yearly consumer pilgrimages to Miami . Real estate investments and illegal financial transfers and transactions with US financial institutions, as well as the lucrative illegal profit sharing between the former executives of PDVSA and US oil majors provided the material basis for pro-imperialist policies.

US policy makers have a ‘natural collaborator class’ willing and able to become the active transmission belt of US policy and to serve US interests. As such it is correct to refer to these Venezuelans as ‘vassal classes’.

After the abject failures of Washington ’s vassal classes to directly seize power through a violent putsch and after having nearly self-destructed in a failed attempt to rule or ruin via the bosses’ lockout, the US State Department oriented them toward a war of attrition. This involves intensified propaganda and perpetual harassment campaigns designed to erode the influence of the Chavez government over its mass

popular base.

Imperial academic advisers, media experts and ideologues have proposed several lines of ideological-political warfare, duly adapted and incorporated by the Venezuelan 'vassal classes'. This exercise in so-called 'soft-power' (propaganda and social organizing) is meant to create optimal conditions for the eventual use of 'hard power' – military intervention, coup d'état, terror, sabotage, regional war or, more likely, some combination of these tactics.³⁷ The predominance of 'soft power' at one point in time does not preclude selective exercises of 'hard power' such as the recent Colombian cross-border military attack on Venezuela's ally Ecuador in March 2008. Soft power is not an end in itself; it is a means of accumulating forces and building the capacity to launch a violent frontal assault at the Venezuelan government's 'weakest moment'.

Imperial-Vassal Three Part 'Soft Power' Campaign: Drugs, Human Rights and Terrorism

In the period between 2007-2008, the US and the Venezuelan elite attempted to discredit the Venezuelan government through the publication and dissemination of a report fabricated to paint Venezuela as a 'narco-center'. A DEA (US Drug Enforcement Agency) report named Venezuela as a 'major transport point' and ignored the fact that, under Washington's key client in Latin America President Alvaro Uribe, Colombia is the major producer, processor and exporter of cocaine, is beyond bizarre. Blatant omissions are of little importance to the US State Department and the private Venezuelan mass media. The fact that Venezuela is successfully intercepting massive amounts of drugs from Colombia is of no importance. For US academic apologists of empire, lies at the service of destabilizing Chavez are a virtuous exercise in 'soft power'.³⁸

The US, its vassal classes and the Washington-financed human rights groups have disseminated false charges of human rights abuses under Chavez, while ignoring US and Israeli Middle East genocidal practices and the Colombian government's long-standing campaigns of killing scores of trade unionists and hundreds of peasants each year. Washington's attempt to label Venezuela as a supporter of 'terrorists' was resoundingly rejected by a United Nations report issued in April 2008.³⁹ There is no evidence of systematic state sponsored human rights violations in Venezuela. There are significant human rights abuses by the opposition-backed big landowners, murdering over 200 landless rural workers. There are workplace abuses by numerous FEDECAMARAS-affiliated private employers.⁴⁰ It is precisely in response to capitalist violations of workers rights that Chavez decided to nationalize the steel plants. No doubt Washington will fail to properly 'acknowledge' these human rights advances on the part of Chavez.

The point of the 'human rights' charges is to reverse roles: Venezuela, the victim of US and vassal class' coups and assassinations is labeled a human rights abuser while the real executioners are portrayed as 'victims'. This is a common propaganda technique used by aggressor regimes and classes to justify the unilateral exercise of brutality and repression.

In line with its global militarist-imperialist ideology, Washington and its Venezuelan vassals have charged the Venezuelan government with aiding and abetting 'terrorists', namely the FARC insurgency in Colombia. Neither the Bush or Uribe regimes have presented evidence of material aid to the FARC. As mentioned above, a UN review of the Washington-Uribe charges against the Chavez government have rejected every allegation. This fabrication is used to camouflage the fact that US Special Forces and the Colombian armed forces have been infiltrating armed paramilitary forces into Venezuela's poor neighborhoods to establish footholds and block future barrio mobilizations defending Chavez.

The Hard Power Campaign - Three Part Strategy: Economic Boycotts, Low Intensity Warfare and the Colombia Card

Complementing the propaganda campaign, Washington has instrumentalized a major oil producer (Exxon-Mobil) to reject a negotiated compensation settlement, which would have left the US oil giant with lucrative minority shares in one of the world's biggest oil fields (the Orinoco oil fields). All the other European oil companies signed on to the new public-private oil contracts.⁴¹

When Exxon-Mobil demanded compensation, PDVSA made a generous offer, which was abruptly rejected. When PDVSA agreed to overseas arbitration, Exxon-Mobil abruptly secured court orders in the US, Amsterdam and Great Britain 'freezing' PDVSA overseas assets. A London court quickly threw out Exxon-

Mobil's case. As with other countries' experiences, such as Cuba in 1960, Chile in 1971-71 and Iran in 1953, the oil majors act as a political instrument of US foreign policy rather than as economic institutions respecting national sovereignty. In this case, Washington has used Exxon-Mobil as an instrument of psychological warfare – to heighten tensions and provide their local vassals with an 'incident' which they can elaborate into fear propaganda. The Venezuelan private media cite the threat of a US oil boycott and evoke a scenario of a collapsing economy causing starvation; they attribute this fantastic scene to the Chavez government's 'provocation'. By evoking this illusion of US power and Venezuelan impotence, they obfuscate the fact that the new oil contracts will add billions of dollars to the Venezuelan Treasury, which will benefit all Venezuelans.

US military strategy options have been severely limited by its prolonged and open-ended wars in Iraq and Afghanistan and its military-buildup threatening Iran . As a result, US military strategy toward Venezuela involves a \$6 billion dollar military build-up of Colombia over the last eight years, including arms, training, combat advisers, Special Forces, mercenaries and logistics. US advisers encourage Colombian armed forces to engage in cross frontier operations including the kidnapping of Venezuelan citizens, armed assaults and paramilitary infiltration capped by the bombing in Ecuador of a campsite of a FARC negotiating team preparing a prisoner release. The US dual purpose of these low intensity military pressures is to probe Venezuela 's response, its capacity for military mobilization, and to test the loyalties and allegiances of leading intelligence officials and officers in the Venezuelan military. The US has been involved in the infiltration of paramilitary and military operatives into Venezuela , exploiting the easy entrance through the border state of Zulia, the only state governed by the opposition, led by Governor Rosales.

The third component of the military strategy is 'to integrate' Venezuela's armed forces into a 'regional military command' proposed by Brazilian President Lula da Silva and endorsed by US Secretary of State Condoleezza Rice.⁴² Within that framework, Washington could use its friendly and client generals to pressure Venezuela to accept US military-political hegemony disguised as 'regional' initiatives. Unfortunately for Washington , Brazil ruled out a US presence, at least for now.

The US military strategy toward Venezuela is highly dependent on the Colombian Army's defeat or containment of the guerrillas and the re-conquest of the vast rural areas under insurgent control. This would clear the way for Colombia 's army to attack Venezuela . A military attack would depend crucially on a sharp political deterioration within Venezuela , based on the opposition gaining control of key states and municipal offices in the up-coming November elections. From advances in institutional positions Washington 's vassals could undermine the popular national social, economic and neighborhood programs.

Only when the 'internal circumstances' of polarized disorder can create sufficient insecurity and undermine everyday production, consumption and transport can the US planners consider moving toward large-scale public confrontation and preparations for a military attack. The US military strategists envision the final phase of an air offensive -Special Forces intervention only when they can be assured of a large-scale Colombian intervention, an internal politico-military uprising and vacillating executive officials unwilling to exercise emergency powers and mass military mobilization. The US strategists require these stringent conditions because the current regime in Washington is politically isolated and discredited, the economy is in a deepening recession, and the budget deficit is ballooning especially its military expenditures in Iraq and Afghanistan . Only marginal extremists in the White House envision a direct military assault in the immediate future. But that could change to the degree that their vassals succeed in sowing domestic chaos and disorder.

Diplomatic and Economic Confrontation: Chavez Versus Bush

Diplomatically and economically, President Chavez has gained the upper hand over the Bush Administration.

No country in Latin America supports Washington 's proposals to intervene, boycott or exclude Venezuela from regional trade, investment or diplomatic forums. No country has broken diplomatic, economic or political relations with Caracas – nor has the US , despite strong moves in that direction by Bush in March 2008 (by labeling Venezuela a 'terrorist' country). Even Washington 's principal vassal state, Colombia , shows no enthusiasm for shedding its \$5 billion dollar food and oil trade with Venezuela to

accommodate Bush. Chavez has successfully challenged US hegemony in the Caribbean . Through Petro-Caribe, numerous Caribbean and Central American states receive heavily subsidized oil and petroleum products from Venezuela , along with socio-economic aid in exchange for a more favorable diplomatic policy toward Caracas . The US no longer has an automatic voting bloc in the region following its lead against a targeted country.

The Venezuelan government has successfully contributed to the demise of the US-led Free Trade for the Americas (ALCA) proposal and has substituted a new Latin American free trade agreement (ALBA) with at least 6 member states. Venezuela 's proposal for a Latin American Bank of the South, to bypass the US influenced IDB (BID) has been launched and has the backing of Brazil , Argentina and a majority of the other Latin American states.⁴³

Washington 's arms embargo, that included Spain , has been a failure, as Venezuela turned to arms purchases from Russia and elsewhere. Washington's effort to discourage foreign investment, especially in oil exploration is a complete failure, as China, Russia, Europe, Iran and every major oil producer has invested or is currently negotiating terms.

Despite vehement US opposition, Venezuela has developed a strategic complementary link with Cuba , exchanging subsidized oil and gas sales and large-scale investment for a vast health service contract covering Venezuela 's needs in all poor neighborhoods.⁴⁴ Venezuela has consolidated long-term finance and trade ties with Argentina through the purchase of Argentine bonds, which the latter has had difficulty selling given its conflict with the Paris Club.

Venezuela had significantly improved its image in Europe through Chavez' positive role in mediating the release of FARC prisoners while the US vassal Uribe regime is perceived in Europe as a militaristic, dehumanized narco-driven entity. US militarism and its economic crisis have led to a sharp decline in its image and prestige in Europe , while eroding its economic empire and domestic living standards. Chavez' opposition to Bush's global war on terror and his calls for upholding human rights and social welfare has created a favorable international image among the poor of the Third World and within wide circles of public opinion elsewhere.

Vulnerability, Opportunities and Challenges

Presently and for the near future, Venezuela is vulnerable to attack on several fronts. It is experiencing several internal contradictions. Nevertheless it possesses strengths and great opportunities to advance the process of economic and social transformation. Key weaknesses can be located in the state, social economy and national security sectors.

In the sphere of politics, the basic issue is one of democratic representation, articulation and implementation of popular interests by elected and administrative officials. Too often one hears among the Chavista masses in public and private discussions that, 'We support President Chavez and his policies but...?' and then follows a litany of criticism of local mayors, ministry officials, governors and Chavez' 'bad advisers'.⁴⁵ Some – not all – of the elected officials are running their campaign on the bases of traditional liberal clientele politics, which reward the few electoral faithful at the expense of the many. The key is to democratize the nomination process and not simply assume that the incumbent in office – no matter how incompetent or unpopular– should run for office again. Clearly the PSUV has to break free from the personality-based electoral politics and establish independent criteria, which respond to popular evaluations of incumbents and party candidates. Communal councils need to be empowered to evaluate, report and have a voice in judging inefficient ministries and administrative agencies which fail to provide adequate services.⁴⁶ The dead hand of the reactionary past is present in the practices, personnel and paralysis of the existing administrative structures and worst of all influences some of the new Chavista appointments.

The tactic of creating new parallel agencies to overcome existing obstructionist bureaucracies will not work if the new administrators are ill prepared (late or miss appointments, derelict in rectifying problems, fail to meet commitments etc.). Nothing irritates the Chavista masses more than to deal with officials who cannot fulfill their commitments in a reasonable time frame. This is the general source of mass discontent, political alienation and government vulnerability. In part the issue is one of incompetent personnel and, for the most part, the solution is structural – empowering popular power organizations to chastise and oust

ineffective and corrupt officials.

In the economic sphere there is a need for a serious re-thinking of the entire strategy in several areas. In place of massive and largely wasted funding of small-scale cooperatives to be run by the poor with little or no productive, managerial or even basic bookkeeping skills, investment funds should be channeled into modern middle and large scale factories which combine skilled managers and workers as well as unskilled workers, producing goods which have high demand in the domestic (and future foreign) markets. The new public enterprise building 15,000 pre-fabricated houses is an example.

The second area of economic vulnerability is agriculture where the Agriculture Ministry has been a major failure in the development of food production (exemplified by the massive food imports), distribution networks and above all in accelerating the agrarian reform program. If any ministry cost Chavez to lose the referendum, it was the Agriculture Ministry, which over 9 years has failed to raise production, productivity and availability of food. The past policies of controlling or de-controlling prices, of subsidies and credits to the major big producers have been an abysmal failure. The reason is obvious: The big land-owner recipients of the Government's generous agricultural credits and grants are not investing in agricultural production, in raising cattle, purchasing new seeds, new machinery, new dairy animals. They are transferring Government funding into real estate, Government bonds, banking and speculative investment funds or overseas. This illegal misallocation of Government finance is abundantly evident in the gap between the high levels of government finance to the self-styled agricultural 'producers' and the meager (or even negative) growth of production-productivity on the large estates.⁴⁷

In April 2008, President Chavez recognized that fundamental changes in the use and ownership of productive land is the only way to control the use of government credit, loans and investment to ensure that the funds actually go into raising food and not purchasing or investing in new luxury apartments or real estate complexes or buying Argentine bonds. In March and April 2008, President Chavez, with the backing of the major peasant movements and workers in the food processing industry, expropriated 27 plantations, a meat processing chain, a dairy producer and a major food distributor. Now the challenge is to ensure that competent managers are appointed and resourceful worker-peasant councils are elected to insure efficient operations, new investments and equitable rewards. What is abundantly clear is that President Chavez has recognized that capitalist ownership even with government subsidies is incompatible with meeting the consumer needs of the Venezuelan people.

Thirdly, as mentioned above, inflation is eroding popular consumer power, fomenting wage demands by the unionized workers in the export sector while eroding wages and income for contingent and informal workers. The government has announced a decline in the rate of inflation in January-February 2008 (2.1%). This is a positive indication that urgent attention is being paid. The outrageous rates of profit in both consumer and capital goods industries has increased the circulation of excess money, while the lack of investment in raising productivity and production has weakened supply. The inflationary spiral is embedded in the structure of ownership of the major capitalist enterprises and no amount of regulation of profit margins will increase productivity. President Chavez moves into 2008 to accelerate the socialist transformation through the nationalization of strategic industries.

The key is to invest large sums of public capital in a vast array of competitive public enterprises run with an entrepreneurial vision under workers-engineers control. Relying on 'incentives' to private capitalists in order to increase productivity has run afoul in most instances because of their rentier, instead of entrepreneurial, behavior. When the government yields to one set of business complaints by offering incentives, it only results in a series of new excuses, blaming 'pricing', 'insecurity', 'inflation', and 'imports' for the lack of investment. Clearly counting on public-private cooperation is a failed policy.

The basis of the psychological malaise of business can be boiled down to one issue: They will not invest or produce even in order to profit if it means supporting the Chavez government and strengthening mass support via rising employment and workers' income.⁴⁸ They prefer to merely maintain their enterprises and raise prices in order to increase their profits.

In the social sphere, the government faces the problem of increasing political consciousness and above all encouraging the organizing of its mass supporters into cohesive, disciplined and class-conscious organizations. The government's socialist project depends on mass social organizations capable of advancing on the economic elite and cleaning the neighborhoods of rightwing thugs, gangsters and

paramilitary agents of the Venezuelan oligarchs and the Uribe regime.

The peasant movement, Ezequiel Zamora, is establishing the kind of political-educational cadre schools necessary to advance the agrarian reform. By pressuring the Agrarian Reform Institute, by occupying uncultivated land, by resisting landlord gunmen from Colombia, this emerging movement provides a small-scale model of social action that the government should promote and multiply on a national scale.

The principle obstacle is the counter revolutionary role of the National Guard, led by General Arnaldo Carreño. He directed a raid on the peasant training and educational school with attack helicopters and 200 soldiers, arrested and beat educators and students and wrecked the institute. No official action against the military officers responsible for this heinous action was taken.⁴⁹ Apart from the reactionary and counter-revolutionary nature of this assault on one of the most progressive Chavista movements, it is indicative of the presence of a military sector committed to the big landlords and most likely aligned to the Colombian-US military 'golpistas'.

Labor legislation still lags. The new progressive social security law is tied up in Congress and/or buried by the dead hands of the Administration. Contingent (non-contracted, insecure) workers still predominate in key industries like oil, steel, aluminum, and manufacturing. The trade unions – both the pro-Chavez and the plethora of competing tendencies and self-proclaimed 'class unions' – are fragmented into a half dozen or more fractions, each attacking the other and incapable of organizing the vast majority (over 80%) of unorganized formal and informal workers. The result has been the relative immobilization of important sectors of the working class faced with big national challenges, such as the 12/2 referendum, the Colombian-US military threats and the struggle to extend the agrarian reform, public enterprises and social security.

The government's relative neglect of the organized and unorganized manufacturing workers has changed dramatically for the better, beginning in the first half of 2008. President Chavez' forceful intervention in the steel (Techint Sidor), cement (CEMEX), meatpacking and sugar industries has led to massive outpouring of worker support. A certain dialectic has unfolded, in which militant worker conflicts and strikes against intransigent employers has induced President Chavez to intervene on their behalf, which in turn has activated the spread and depth of worker and trade union support for President Chavez. This dialectic of reinforced mutual support has led to meetings of inter-sector union leaders and militants from the transport, metallurgic, food processing and related industries. In response to increased trade union organized support, Chavez has raised the prospect of nationalizing banks and the rest of the food production and distribution chain. Much depends upon the unification and mobilization of the trade union leaders and their capacity to overcome their sectarian and personalistic divisions and turn toward organizing the unorganized contingent and informal workers.

The sectarianism of the ultra-leftist sects and their supporters among a few trade union bureaucrats leads them to see Chavez and his government and trade union supporters as 'the main enemy' leading them to strike for exorbitant pay increases. They organize street blockades to provoke 'repression' and then call for 'worker solidarity'. Most of the time they have had little success as most workers ignore their calls for 'solidarity'. The unification of pro-Chavez union leaders around the current nationalizations and the growth of a powerful unified workers' trade union movement will isolate the sects and limit their role. A unified working class movement could accelerate the struggle for social transformation of industry. It would strengthen the national defense of the transformative process in times of danger.

The National Security Threats

The multi-country surveys reveal that most people in almost all countries think the US is the biggest threat to world peace. This is especially the case in Venezuela, a Caribbean country which has already been subject to a US-backed and orchestrated coup attempt, a employers and executives lockout of the vital petroleum industry, a US-financed recall-referendum, an international campaign to block the sale of defensive weapons and spare parts accompanied by a massive sustained military build-up of Colombia, its surrogate in the region. The violent efforts of the US to overthrow President Chavez have a long and ugly pedigree in the Caribbean and Central America. Over the past half century the US has directly invaded or attacked Guatemala, Panama, Cuba, the Dominican Republic, Grenada, Nicaragua and El Salvador; it organized death squads and counter revolutionary surrogate armies in Guatemala, El Salvador, Nicaragua and

Honduras, which murdered nearly 300,000 people.⁵⁰

The US assault against Venezuela includes many of the strategies applied in its previous murderous interventions. Like in Guatemala, it has and continues to bribe, cajole and subvert individuals in the Venezuelan military and among National Guard officers. Their plan is to use Venezuelan military officials to organize a coup, collaborate with Colombian cross border infiltrators and to encourage defections to the pro-US opposition. Like in Central America, US operatives have organized death squad killers to infiltrate the Venezuelan countryside to attack peasant movements pursuing land reform and to consolidate support among big landowners.

Like in Nicaragua, the US is combining support for the systematic sabotage of the economy by the business elite to foment discontent while financing opposition electoral campaigns to exploit the unstable economic circumstances. Like its economic blockade of Cuba, the US has organized a de facto arms and parts embargo as well as an international 'freeze' on Venezuela's PDVSA overseas assets through international court processes initiated by Exxon-Mobil. Colombia's cross-border bombing of Ecuador is as much a 'test' of Venezuela's preparedness as it is an overt aggression against Ecuador's President Correa's nationalist government's cancellation of the strategic US military base in Manta (Ecuador).

Venezuela had taken several measures to counter the US-Colombian-Venezuelan Fifth Column threats to national security. Following the coup President Chavez ousted several hundred military officers involved in the overthrow and promoted officers loyal to the constitution. Unfortunately the new group included several pro-US and anti-leftist officers open to CIA bribes, one of whom even became the Minister of Defense before he was 'retired' – and became a virulent spokesperson against Chavez' transformative referendum.⁵¹ Worse still, Chavez amnestied the military and civilian coup makers and economic 'lock-out' saboteurs after they had served only a small fraction of their sentences – to the utter shock and dismay of the mass of popular forces that shouldered the burden of their violent coup and economic sabotage and who were not consulted.

Venezuela has purchased some light weapons (100,000 rifles and machine guns) and a dozen submarines from Russia and helicopters from Brazil to counter Colombia's \$6 billion dollar light and heavy arms build-up. Clearly that is a step forward, but it is still inadequate given the massive arms deficit between the two countries. Venezuela needs to rapidly build up its ground to air defenses, modernize its fighter jets and naval fleet, upgrade its airborne battalions and vastly improve its ground forces capacity to engage in jungle and ground fighting. Colombia's army, after 45 years of counter-insurgency, has the training and experience lacking in Venezuela. Venezuela has taken positive steps toward organizing a mass popular militia – but the advances have a very mixed record, as training and enlistment lag far below expectations for lack of political organization and politico-military leadership.

While President Chavez has taken important steps to strengthen border defenses, the same cannot be said about internal defenses. In particular, several generals in the National Guard have been more aggressively dislodging peasant land occupiers than in hunting down and arresting landlord-financed gunmen who have murdered 200 peasant activists and land reform beneficiaries. Extensive interviews with peasant leaders and activists indicate active collaboration between high military officers and right-wing cattle barons, calling into question the political loyalties of rural based Guard garrisons.

There is an urgent need to accelerate the expropriation of big estates and to arm and train peasant militias to counter-act Guard complicity or negligence in the face of landlord-sponsored violence. There are thousands of peasants ready and willing to enlist in militias because they have a direct stake in defending their families, comrades and their land from the ongoing paramilitary attacks.

Today the most immediate and enduring threat to internal security takes the form of a blend between a mass of hardened Venezuelan criminal gangs and narco-paramilitary infiltrators from Colombia, which are terrorizing the populace in low income neighborhoods. Police investigations, arrests and government prosecution are inadequate, incompetent, and corrupt and occasionally point to complicity. To this day the infamous broad daylight assassination of the respected Attorney General Danilo Anderson has not been solved and the current Attorney General has essentially buried the investigation and, even more importantly, buried the investigation into the economic elite networks planning future coups that Anderson was carrying out at the time of his murder.

Anderson was the chief investigator of the forces behind the April 2002 failed coup, the economic sabotage and a series of political assassinations. Venezuelans close to the case state that Anderson had compiled extensive documentation and testimony implicating top opposition political, economic and media figures and some influential figures in the Chavez administration. With his death, the investigations came to an end, no new arrests were made and those already arrested were subsequently granted amnesties. Some of Anderson's top suspects are now operating in strategic sectors of the economy. There are two hypotheses: Either sheer incompetence within the office of the new Attorney General, the Ministry of Justice and related agencies of government has derailed the investigation; or there is political complicity on the part of high officials to prevent undermining the present socialization strategy. In either case the weakness of law enforcement, especially with regard to a dangerous capitalist class operating an extensive network supporting the violent overthrow of the elected government, opens the door to a re-play of another coup. Indeed the amnesty of the elite coup-makers and economic saboteurs and the case of Danilo Anderson weighs heavily on the minds of militant Venezuelans who see it as an example of the continued impunity of the elite.

Factory and anti-crime 'neighborhood watches' and defense militias are of the utmost importance given the rising internal and external national security threats and crime wave. With the greater cooperation of communal councils, sweeps of local gangs is a top priority. Neighborhood police and militia stations must saturate the poor neighborhoods. Large-scale lighting must be established to make streets and sidewalks of the ranchos safer. The war against drug traffic must delve into their bourgeois collaborators, bankers and real estate operators who launder money and use illegal funds to finance opposition activities. Petty and youth delinquents should be sentenced to vocational training programs and supervised rural and community service. Large-scale illegal financial transactions must be prosecuted by the confiscation of bank accounts and property. National and internal security is the sine quo non of maintaining any political order dedicated to transforming the socio-economic system.

On April 9, 2008 President Chavez took a major step toward reducing crime, strengthening community-police relations and improving the security of the people by passing a National Police Law through presidential law decree. Under the new law, a new national revolutionary police of the people will be established 'demolishing the old repressive police model with education, conscience, social organization and prevention'. He contrasted the past capitalist police who abused the poor with the new communal police who will be close to the citizens and dialogue oriented. To that end the newly formed communal councils will be encouraged to join and help select a new type of police based on rigorous selection process and on their willingness to live and work with the neighborhood. The PSUV and the communal councils will become the backbone of creating the new political solidarity with the newly trained police from the neighborhoods. Chavez' recognition of the security issue in all its political and personal dimensions and his pursuit of democratic and egalitarian approach highlights his commitment to both maintaining law and order and advancing the revolutionary process.⁵²

Conclusion: Advantages and Opportunities for Socialist Transformation

Venezuela today possesses the most advantageous economic, political and social conditions for a socialist transformation in recent history despite the US military threats, its administrative weaknesses and political institutional limitations.

Economically, Venezuela's economy is booming at 9% growth, world prices for exports are at record levels (with oil at over \$100 a barrel), it has immense energy reserves, \$35 billion dollars in foreign exchange reserves and it is diversifying its overseas markets, although much too slow for its own security.⁵³ With the introduction in April 2008 of an excess profit tax which will take 50% of all revenues over \$70 dollars a barrel and an additional 60% of all revenues over \$100 a barrel, several billion dollars in additional income will swell the funds for financing the nationalization of all strategic sectors of the economy.

Venezuela benefits from a multi-polar economic world eager to purchase and invest in the country. Venezuela is in the best possible condition to upgrade the petroleum industry and manufacture dozens of downstream petrochemical products from plastics to fertilizers – if public investment is efficiently and rationally planned and implemented. Venezuela has over a million productive landless workers and small farmers ready and willing to put the vast tracts of oligarch-owned under-utilized lands to work and put

Venezuela on the road to food self-sufficiency – if not an agro-exporting country. Millions more hardworking Colombian refugee-peasants are eager to work the land along side their Venezuelan counterparts. There is no shortage of fertile land, farmers or investment capital. What is needed is the political will to organize expropriations, cultivation and distribution.

Politically, President Chavez provides dynamic leadership backed by legislative and executive power, capable of mobilizing the vast majority of the urban and rural poor, organized and unorganized workers and youth. The majority of the military and the new academy graduates have (at least up to now) backed the government's programs and resisted the bribes and enticements of US agents. New Bolivarian-socialist military instructors and curricula and the expulsion of US military 'missions' will strengthen the democratic link between the military and the popular government.

The intelligence and counter-intelligence services have detected some subversive plots but remain the weakest link both in terms of information collecting, direct action against US-Colombian infiltration, detecting new coup plans and providing detailed documentation to expose US-Colombian assassination teams. Clearly housecleaning of dubious and incompetent elements in the intelligence agencies is in order. New training and recruitment processes are proceeding, rather slowly and have to demonstrate competence.

Socially the Chavez government retains the support of over 65% of the electorate and nearly 50% of the people were in favor of an overtly socialist agenda in the referendum of December 2, 2007. If the communal councils take off, and the militias gain substance and organization and if the PSUV develops mass roots and the popular nationalization accelerates, the government could consolidate its mass support into a formidable organized force to secure a huge majority in a new referendum and to counter the US-backed counter-revolution.

A lot will depend on the government's deepening and extending its social-economic transformation – increasing new public housing from 40,000 to 100,000 a year; reducing the informal labor sector to single digits and encouraging the trade unions to organize the 80% of the unorganized labor force into class unions with the help of new labor legislation.

Given the availability of mass social support, given the high export earnings, given the positive social changes, which have occurred, the objective basis for the successful organization of a powerful pro-socialist, pro-Chavez movement exists today.

The challenge is the subjective factor: The shortages of well trained cadres, political education linked to local organizing, the elaboration of a socialist political-ideological framework and the elimination of personality-based liberal patronage officials in leading administrative and party offices. Within the mass Chavista base, the struggle for a socialist consciousness is the central challenge in Venezuela today.

¹Weisbrot, Mark and Luis Sandoval 2008, “Update: The Venezuelan Economy in the Chavez Years”, Washington D.C. Center for Economic and Policy Research.

²Mark Weisbrot, “An Empty Research Agenda: The Creation of Myths About Venezuela”, March 2008. Center for Economic and Policy Research, Washington D.C.

³Ibid. Also see “Letter From Venezuela’s Communication Minister to the Washington Post”, March 26, 2008 by Andres Izarra printed on March 28, 2008.

⁴A good example can be found in the Socialist Register 2008. For an example of rampant propaganda disguised as ‘scholarship, see Francisco Rodriguez, “An Empty Revolution: The Unfulfilled Promises of Hugo Chavez”, Foreign Affairs March/April 2008.

⁵Weisbrot, Op cit page 10.

⁶Weisbrot, Op cit

⁷Interview with peasant leaders of the Frente Nacional Campesino Eqzquiél Zamora in Caracas, Feb. 27, 2008. Boston Globe April 11, 2008

⁸Interview with President Chavez, Caracas, March 2, 2008

⁹Dario Vea, February 25, 2008 p.2

¹⁰Interview with President Chavez, March 2, 2008

¹¹Weisbrot, Op cit

¹²Hyperinflation brought down the social democratic Alfonsín regimes in Argentina (1989) and García in Peru (1990); weakened the Allende regime in 1973 and led to right wing take over. Hyperinflation has also led to the collapse of right wing regimes in China (1945-49) and the rise of Communism as well as regime change in Brazil in the 1990’s.

¹³Reuters News Service April 9, 2008; BBC News April 2, 2008.

¹⁴“La grave repression de los trabajadores siderúrgicos” Argenpress March 24, 2008.

¹⁵El Universal, March 5, 2008. page 1.

¹⁶Izarra, Op cit

¹⁷‘Partido Socialista Unido de Venezuela: Herramiento de Masas in Gestión’, Rebelion , March 25, 2008.

¹⁸ibid

¹⁹Interview in Caracas with PSUV delegates, March 1, 2008.

²⁰Interviews and meetings of neighborhood delegates of Communal Councils, February 29, 2008.

²¹Interview with Minister of the Interior Ramon Rodriguez Chacun, La Jornada , March 31, 2008.

²²Interview with Communal Councils, February 29, 2008. According to a poll by the respected polling group, Barometro, in early April 2008, 66.5% of Venezuelans approved Chavez presidency.

²³Commentaries from Communal Council delegates and peasant activists in Caracas , ‘Popular Power Meeting’ at the Ministry of Culture and Popular Power. February 29, 2008

²⁴Interview with Carmen Boqueron, Ministry of Culture, February 25, 2008.

²⁵Interview with Miquel Marquez, President Editorial El Perro y la Rana, State Publishing House, March 5, 2008.

²⁶See La Plena Voz , Memórias , Política Exterior y Soberania , among other magazines.

²⁷Interview with Carmen Boquerón, February 26, 2008

²⁸Interview with Minister of Culture, March 1, 2008.

²⁹Interview February 29, 2008. Even at the new Bolivarian Universities, only a minority of working class students are involved in political activities, most concentrate on their studies and future job prospects. However among active students at the new universities, the great majority are pro-Chavez.

³⁰>From the beginning of the first nationalization in 1976 under President Carlos Andres Perez, the fundamental question was ‘nationalization for whom?’ In the 1970’s to the re-privatizations, the answer was the wealthy elites. See James Petras, Morris Morley and Steven Smith, The Nationalization of Venezuelan Oil , (New York Praeger Press. 1977)

³¹Eva Golinger's detailed documentary study based on files secured from the US Government through the Freedom of Information Act which provide ample evidence of US intervention.

³²Interview with Venezuelan Presidential adviser, Paris November 2001.

³³www.rebellion.org April 13, 2002

³⁴Weisbrot Op cit

³⁵Eva Golinger, *The Chavez Code: Cracking US Intervention in Venezuela* (Havana : Cuba Book Institute 2005). Golinger provides extensive documentation of US financing of the self-styled NGO's through AID and NED (National Endowment for Democracy, a government conduit for destabilizing regimes critical of the US).

³⁶For a more detailed analysis, see James Petras "El referendo Venezolano: analisis y epilogo", www.rebellion.org Dec 17, 2007.

³⁷The phrase 'soft power' is credited to Harvard political science professor and long time US presidential adviser, Joseph Nye, who offers his expertise on empire management and the uses of imperial power. See Joseph Nye, *Soft Power: The Means to Success in World Politics* 2004

³⁸Venezuelan drug interdiction has captured 360 tons of drugs between 2000-2007, according to the National Anti-Drug Office , January 2008.

³⁹On the Colombian State 's mass terror, see the annual reports of the International Labor Organization, Via Campesino, Human Rights Watch and Amnesty International.

⁴⁰Interview with peasant leaders from the Frente Nacional Campesino Ezequiel Zamora, February 27, 2008.

⁴¹Throughout the dispute between Exxon-Mobil and the PDVSA, the European press sided with their more conciliatory multi-nationals while the Washington Post, NY Times and Wall Street Journal engaged in vituperative attacks on Venezuela .

⁴²While Condeleeza Rice gave her backing to the 'Regional Command', Lula immediately informed her that the US was not part of it.

⁴³The Bank of the South is already financing development projects without the usual onerous conditions imposed by the World Bank and IMF.

⁴⁴In interviews with both Fidel Castro (Feb 10, 2006 Havana) and with Hugo Chavez (March 2, 2008) both confirm the long-term, large-scale ties, which bind them in a strategic alliance.

⁴⁵The testimony of a militant female peasant leader at a meeting organized by the Ministry of Popular Power was very demonstrative: ‘We support President Chavez; we defend President Chavez; but he has to replace those incompetent officials in the ministry who fail to provide us with credit so we can buy seed and fertilizer in time to plant our crops.’ February 27, 2008. Ministry of Popular Power

⁴⁶While I have noticed improvements in the punctuality and preparation of more agency officials, there are still too many highly placed functionaries who fail to keep appointments, comply with their professional responsibilities or inform themselves about the subject matter of their ministries.

⁴⁷The anti-production behavior of the big land owners and cattle barons has been the practice for decades. Back in the mid-1970’s, President Carlos Andres Perez also pumped hundreds of millions into ‘making Venezuela food self-sufficient’ in a program he called ‘ploughing the oil wealth into agriculture’ with the same miserable results as the present. The reason is clear, many of the big landlords are the same people. The lessons from the past are very clear: As long as the present government tries to develop agriculture through the existing land owners it is doomed to repeat the failures of the past.

⁴⁸Interview with an oil executive from British Petroleum, Caracas , March 6, 2008.

⁴⁹‘El Frente Nacional Campesino Ezequiel Zamora es atacado por militares’ March 22, 2008 report from the FNCEZ.

⁵⁰See Petras and Morley, *Empire or Republic* (NY Routledge 1995).

⁵¹General Baduel was always a virulent anti-communist who is said to have received a seven-figure payoff and threats of exposure of unseemly personal revelations if he didn’t ‘turn’ against Chavez.

⁵²James Suggett, “Venezuela Passes National Police Law”, www.venezuelanalysis.com April 11, 2008.

⁵³See Weisbrot, *Opcit*