Oil Politics and Class Conflict in Venezuela

03/07/2020

Thesis submitted for the degree of Master of Arts in International Relations,

Faculty of Humanities

University of Leiden

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Total word count: 14878

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Chapter 1: Introduction

To control Venezuela's oil is to control Venezuela's future. This petrostate sits on the second largest oil reserves in the world, and this extractive industry holds a hegemonic status in the country's economy.[1] It is for this reason that in 1976 the ownership of all oil production was nationalized. Nationalization brought with it a new global oil giant called *Petróleos de Venezuela* (PDVSA), a state-owned but not state-run oil company.[2] PDVSA would enjoy a great deal of autonomy in its corporate structure to keep it competitive in the global oil market and bring in significant sums of revenue. Its other role, however, was to provide the funds for reinvestment into the country's economy and society.[3] Fernando Coronil, the foremost scholar on Venezuela's relationship with oil, coined the terms the 'capitalist' and the 'landlord' to demarcate these two contentious roles.[4] Contestation over PDVSA's function in Venezuela intensified with Hugo Chávez, who sought to use PDVSA's revenues to revolutionize the country.

Chávez was a nontraditional leader, stemming from a poor and mixed race background as opposed to the bourgeois traditionalist political elite.[5] He has been reviled as a populist and shortsighted leader by some, and revered as a revolutionary hero for the poor by others. His politicization of class relations, strong anti-neoliberal stance, and promises to subvert PDVSA to his will led to his electoral victory in 1998.[6] His ambition was to help the poor out of marginalization through grandiose social programs, funded by Venezuela's huge oil wealth. His rise to power came after what came to be known as the "Lost Decade" in the 1980s where Latin America saw strong economic decline and rising social inequality.[7] Subsequent neoliberal austerity measures only worked to aggravate the situation. PDVSA had also taken a market-oriented neoliberal stance, increasingly favoring its role as the 'capitalist' over that of

[1] Christian Parenti, 'Venezuela's Revolution and the Oil Company Inside', *NACLA Report on the Americas 39* (2006), 8.
[2] Colin Wiseman and Daniel Beland, 'The Politics of Institutional Change in Venezuela: Oil Policy During the Presidency of Hugo Chávez', *Canadian Journal of Latin American and Caribbean Studies 35* (2010), 144.
[3] Anne Daguerre, 'Antipoverty Programmes in Venezuela', *Journal of Social Policy 40* (2011), 835.
[4] Fernando Coronil, 'Magical Illusions or Revolutionary Magic? Chávez in Historical Context', *NACLA Report on the Americas 33* (2000), 300.
[5] Iselin Åsedotter Strønen, *Grassroots Politics and Oil Culture in Venezuela: The Revolutionary Petro-State,* (Bergen 2017), 94.
[6] Samuel Handlin, 'Survey Research and Social Class in Venezuela: Evaluating Alternative Measures and Their Impact on Assessments of Class Voting', *Latin American Politics and Society 55* (2013), 141.
[7] Andy Baker and Kenneth F. Greene, 'The Latin American Left's Mandate: Free-Market Policies and Issue Voting in New Democracies', *World Politics 63* (2011), 44.

the 'landlord'.[8] The contestation on the dual character of PDVSA reached a climax when Chávez increasingly threatened to remove its managerial elites from the autonomous power they had enjoyed since the company's creation.

Chávez's ambitions of controlling the PDVSA checkbook for his grand socialist project, and the subsequent conflict which emerged with its managerial elites offers multiple avenues for research and interpretation. It is surprising then, that the academic literature has not offered a class-based Neo-Marxist dependency theory approach. While this theory has lost the mainstream popularity it enjoyed in the 1960s and 70s, its interpretations still offer valuable insights that can enrich the academic debate on Chávez, oil policy and class in Venezuela. As such, this paper seeks to examine the relationship between oil and class in Chávez's Venezuela with a dependency theory framework. More specifically, the works of André Gunder Frank, one of its originators, and leading thinkers on the class aspects of the theory will function as the main analytical tools to answer the following research questions:

What were the ideological motivations for Chávez's efforts to control PDVSA? To what extent were these motivations put into practice?

Frank's Marxist definition of class and class structures, identified as "the people's relation to the means of production and their participation in the productive process", will be used.[9] In addition, the "Lumpenbourgeoisie", a class concept Frank developed, which is defined and discussed in the literature review constitutes the main analytical framework from which the oil and class structures are analyzed. Strong arguments can be made for Frank's long underrepresented ideas on class and dependency theory as being strong interpretative avenues for analysis of Chávez's relationship with class and oil.

The timeframe for this thesis constitutes Chávez's first two presidential terms between 1998 and 2008. However, it shortly includes events that took place in the late 1980s and early 1990s as they offer contextual information necessary to understand the how Chávez's Bolivarian Movement came to power. The thesis is divided in three chapters, analyzing the leadup, manifestation and aftermath of the Oil Strike respectively.

[8] Juan Pablo Mateo Tomé and Eduardo Sánchez Iglesias, 'Política Económica en Venezuela: Propósitos, Medidas y Resultados Obtenidos en la Última Década', *XIV Encuentro de Latinoamericanistas Españoles* (2010), 2905.
[9] André Gunder Frank, *Latin America: Underdevelopment or Revolution*, (New York 1969), 373.

Chávez died in 2013, and his Bolivarian Movement has been at a breaking point ever since. His successor, Nicolás Maduro, has been met with intensifying protests since 2014.[10] The current Venezuelan political crisis demonstrates the importance of understating the various and complex factors that have preceded it. Many have pointed to Chávez's radical oil-funded social programs as the source of Venezuela's current malaise. A renewed focus on past policy relating to Venezuela's oil and the country's classes can shed new light into the emergence of Venezuela's present precarious situation.

1.1 Literature review

This literature review works to establish some conceptual bases from which a grounded analysis of class-based dependency theory can be carried out. The first part offers a short introduction to the different aspects of dependency theory, ranging from neoliberalism to class structures, that will be applied in this paper. The second provides a conceptual introduction into Venezuelan relationships with dependence, oil and class.

Dependency theory at its core, is the idea that the world economic system is structured between a metropole of industrialized states, and a satellite of underdeveloped and dependent states.[11] This idea was developed in the early 1950s by Raúl Prebisch, one of the foremost Latin American economists of the 20th century. The 'dependence' aspect of the theory, must be understood as the satellite's role within the world economic system to produce raw materials for the industrial metropole.[12] Writing from 1983, during the rise of neoliberalism, Prebisch argued that it had left Latin American states with a deficiency in capital as multinational companies from the metropole were often placed in these states in order to increase the productivity of primary resource extraction such as oil.[13] These companies would acquire much of the essential capital needed to finance strong bureaucratic power in Latin America.[14] It must be taken into consideration that Prebisch did not hold Marxist views.

[10] Carlos de la Torre, 'The Contested meanings of Populist Revolutions in Latin America', book chapter in: *'Transformations of Populism in Europe and the Americas: History and Recent Tendencies'* (London 2015), 342.
[11] Raúl Prebisch, 'The Economic Development of Latin America and its Principal Problems', *United Nations Department of Economic Affairs* (1950), 1.
[12] Ibid.
[13] Raúl Prebisch, 'La Crisis del Capitalismo y la Periferia', *Estudios Internacionales 16* (1983), 170.
[14] Ibid.

Adrian Sotelo Valencia, a student of Ruy Marini, an originator of Neo-Marxist dependency theory, has provided a 21st century reinterpretation of the theory. Valencia interprets the words of his mentor by describing how the neoliberal exploitation of the working and peasant classes in Latin America, especially following the neoliberal policies of the 1990s, had direct effect on class formations on the continent. Neoliberalism is based on the elevation of productivity at the cost of social development, leading to increasing socioeconomic class disparities. This, in turn, led to the decreasing possibility of the lower classes' political participation, while entrenching the political power of the domestic elites.[15] This line of thinking shows that neoliberalism is strongly related to dependency theory. This relationship can be used as a conceptual and methodological tool for understanding not only economic developmental aspects, but also political, societal, and class issues in Latin America.

André Gunder Frank, another originator of the Neo-Marxist branch of the theory, has arguably been the scholar who has best theorized the relationship between dependency and class structures. He argues that class structures in Latin America are a product of a historic relationship between the Latin American bourgeoisie and the metropole. He frames this relationship in the capitalist world system which originates in European imperial expansion. While the metropoles have changed throughout history, from the Spanish Crown, to the British Empire, and finally, to the United States, the conjunction of the local bourgeoisie with the metropole has remained. [16] Frank coined used the term "Lumpenbourgeoisie" to describe this class in Latin America. The Lumpenbourgeoisie, as such, produces a "policy of underdevelopment in the economic, social and political life of a nation" through a junior partnership with foreign capital and the exertion of their influence in "government cabinets and other instruments of the state".[17] Underdevelopment and dependency should therefore not be considered functions of a solely external relationship of Latin America with the metropole, it must also be seen as an internal condition of Latin American society.[18] The Lumpenbourgeoisie is the analytical foundation from which this paper will delve into Chávez's ideological motivations regarding oil policy and subsequent class conflict that emerged from it.

[15] Adrián Sotelo Valencia, 'El Capitalismo Contemporáneo en el Horizonte de la Teoría de la Dependencia', *Argumentos 26* (2013), 78.
[16] André Gunder Frank, *Lumpenbourgeoisie: Lumpendevelopment,* (New York 1972), 13.
[17] Ibid.
[18] André Gunder Frank, 'Dependencia Económica, Estructura de Clases y Política del Subdesarrollo en Latinoamérica', *Revista Mexicana de Sociología 32* (1970), 231.

As oil plays an integral role in the analysis of this paper, a short overview of the relation of Venezuelan oil with dependency theory and class formations must be mentioned and conceptualized. Donald Kingsbury is a scholar who has discussed the "coloniality of oil" in Venezuela. By coloniality, Kingsbury refers to the "uniquely capitalist power formation" that "obscures historically-rooted processes through which the developed world of the North Atlantic has actively hindered economic growth and political independence in the South", or in other words, dependency.[19] The rentier-state that emerged as a consequence of the ubiquity of oil prevented the emergence of a "domestic bourgeoisie with eyes for local reinvestment opportunities".[20] Kingsbury, therefore, demonstrates that oil has become the main dependency variable in Venezuela, leading to underdevelopment in other sectors.

Fernando Coronil has based his work on the totality of oil in all aspects of Venezuelan political life, and the contestations of its use within it. According to Coronil, "struggles over oil have shaped national politics at every level, defining the relation between citizens and nation, (and) the formation of social classes". [21] Terry Karl has articulated this argument further by explaining that the Venezuelan oil economy, from its inception, began funding an unsustainable growth of the state bureaucracy. This produced an inverted class pyramid where a middle-class of bureaucrats outgrew the working class in Venezuela. Oil, therefore, produced a separate process of class formation than in the rest of Latin America. This unique class structure fostered governments that favored middle-class and elite interests.[22] This inflated bureaucracy as proposed by Karl opposes Prebisch's aforementioned weakened bureaucracy due to dependency argumentation. This demonstrates that dependency took on a different characteristic in Venezuela than in the rest of Latin America, specifically because of oil, which will be demonstrated and discussed in this paper. The centrality of oil in political life and class formations, as argued by the abovementioned authors, is a central theme in this paper.

Barry Cannon, in his study of the populist aspects of the Chávez presidency, argued that the academic debate should expand towards dependency theory. He bases his argumentation on class politics.[23] Cannon argues that Chávez's discourse of political participation of the poor

[19] Donald V. Kingsbury, 'Oil's Colonial Residues: Geopolitics, Identity, and Resistance in Venezuela', *Bulletin of Latin American Research 38* (2019), 423.
[20] Idem, 425.
[21] Fernando Coronil, 'Venezuela's Wounded Bodies: Nation and Imagination During the 2002 Coup', *NACLA Report on the Americas 44* (2011), 33.
[22] Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, (California 1997), 82/83.
[23] Barry Cannon, '*Hugo Chávez and the Bolivarian Revolution: Populism and Democracy in a Globalized Age'* (Manchester 2009), 6.

led to his election in 1998. He reinforces this statement by describing the anti-elite sentiment that rose during the 1990s in Venezuela. It was due to globalization that the Venezuelan elites had strengthened their ties with American businesses.[24] This development mirrors characteristics of the Lumpenbourgeoisie, demonstrating the analytical validity of Frank's ideas. James Petras looks at Chávez's regime in a similar fashion, bringing a historical analytical perspective, joining neoliberalism, local elites, imperialism and one of the main foundations of Chávez's ideology: Bolivarianism. Simon Bolivar was the man who led the revolts against the Spanish Empire in the early 19th century in order to liberate South America.[25] Petras argues that Chávez saw that the class struggle following decades of neoliberalism had much in common with the one found in colonial times. The Venezuelan President took inspiration from Bolivar's writing, where it was essential to gain "mass support against untrustworthy domestic elites capable of selling out the country to defend their privileges".[26] Petras, therefore, sees the Chávez regime as a countermeasure against the growing economic inequality stemming from American imperialism and neoliberalism, while being historically inspired by one of Latin America's most beloved revolutionary figures.

The abovementioned authors have shown the integral importance of the relationship between class, neoliberalism and oil to understand Venezuela. These three themes, working in tandem, lend themselves perfectly to being analyzed in the framework of Frank's theoretical interpretations of class struggle and dependency theory.

1.2 Methodology and research design

In order to answer the research question this paper takes the form of a theoretical within-case analysis. The central theoretical aspect of the paper is Frank's Lumpenbourgeoisie, and all theoretical analysis and argumentation surrounds this class characterization. In addition, Frank's theoretical insights on revolution and class conflict will also be methodologically and analytically applied to the case study. Chávez took control of PDVSA following the Oil Strike of 2002-2003 carried out by the company's management and loyal employees, amongst other

[24] Idem, 9.
[25] James Petras, 'Latin America's Twenty-First Century Socialism in Historical Perspective', *Lahaine* (2009), 4.
[26] Ibid.

opposing parties. As such, the Oil Strike, including the events leading up to it and its consequences, constitute the case study.

Chapter 2 aims to theoretically determine the existence of dependency in Venezuela and the existence of the Lumpenbourgeoisie in PDVSA in order to contextualize the preceding environment that led to the Oil Strike. Chapter 3 discusses the direct causes of the Oil Strike and its subsequent manifestation. Chapter 2 and 3 mainly work to answer the first research question, contextualizing and determining what the ideological motivations of control over PDVSA constitute, and how these motivations shaped the class conflict that emerged. These chapters focus primarily on qualitative analysis. Chapter 4 discusses how PDVSA, and by extension Venezuela, changed following Chavez's newfound control of the company. As opposed to the previous chapters a higher degree of quantitative data is incorporated in order to strengthen the mainly qualitative arguments. Argumentation in this chapter works to answer the second research question, determining if the ideological motivations were put to practice and to what extent it could be constituted as a success.

The sources used for this paper vary from theoretical, primary and general secondary works. Four works from Frank on dependency, underdevelopment, revolution, and class constitute the theoretical analytical foundation of the thesis. While the availability of dependency theory perspectives on the Chávez government is limited, other types of secondary sources discussing class formations, class conflict, neoliberalism, and oil-politics have strongly lent their interpretations to a theoretical analysis using Frank's interpretations. Primary sources were principally suited to determine Chávez's motivations, and were therefore solely used for those purposes.

Chapter 2: Neoliberalism, the Petro-Lumpenbourgeoisie and the Rise of Chávez

André Gunder Frank argued that by 1980 dependency theory was dead. However, the rise of global neoliberalism made him reconsider his previous observation. The Latin American debt crisis, or aforementioned "lost decade" of the late 1980s and early 1990s, gave unprecedented power to the International Monetary Fund, which Frank refers to as an instrument of the United States Department of Treasury, to direct policy in the Third World.[27] This chapter seeks to shed light on the processes of neoliberalism within Venezuela, and relate these to Frank's interpretations of class, dependence and revolution. In turn, its aim is to theoretically determine the existence of dependency through neoliberalism, and its main agent, the Lumpenbourgeoisie, in Venezuela. In addition, it seeks to demonstrate that oil and this aforementioned class are intrinsically related, considering the hegemonic status of this commodity in the country.

2.1 Neoliberalism and the *Caracazo*

Multiple academics such as Cannon, Coronil and Kingsbury all view the *Caracazo* as a turning point in modern Venezuelan politics.[28] [29] [30] It was the largest civil revolt in the country's modern history and was triggered by the introduction of IMF-sponsored neoliberal structural adjustment programs (SAP). This new trajectory instated by the Carlos Andrés Pérez administration caused a significant decrease in the standard of living of most Venezuelans, especially the poor, who were keenly aware of this.[31] The *Caracazo* became a class-based movement against a perceived unjust policy imposed unto them by the ruling political classes.

The SAPs that satellite countries began to find themselves under, is what Frank meant when he spoke of the reemergence of dependency. When taken in the context of the economic crisis of the 1980s, the acceptance of IMF loans into the Venezuelan economy, was a strategy

[27] Pat Lauderdale and Richard Harris, 'Introduction: In the Light of Andre Gunder Frank', *Journal of Developing Societies 24* (2008), 3.
[28] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez" 739.
[29] Coronil, 'Venezuela's Wounded Bodies', 35.
[30] Kingsbury, 'Oil's Colonial Residues', 424.
[31] Mike Gonzalez, *Hugo Chávez: Socialist for the Twenty-first Century*, (London 2014), 2.

of the ruling elites to stabilize the economy through the injection of foreign exchange and austerity measures that most heavily affected the poor. Iselin Strønen argues that the true intentions of neoliberalism are to "expand and deepen he market of the U.S." and to find new places to invest its surplus capital.[32] Additionally, the economic crisis of the 1980s had left Venezuela severely in debt, making it "…subordinate to the dictums of Western capital interest and development ideologies, mediated through the IMF", making the country's satellite status as evident as it has ever been.[33] Arguments can therefore be made that the elites that accepted such terms must be considered a Lumpenbourgeoisie, as will be explored in more detail further in the chapter.

The main importance of the *Caracazo,* however, is that it demonstrates that the country's poor would not idly stand by when confronted with apparent political and economic exploitation. The country's poor, in this sense, can be conceptualized in Frank's "marginal floating population", an urban social class stemming from Latin America's shantytowns whose "relation to the means of production or even to the productive process is uncertain at best and their political behavior is extremely volatile at worst".[34] The *Caracazo* destroyed the myth of class-harmony that had existed in the national dialogue for many decades.[35] It would set the stage for future class-based conflict in Venezuela which was to culminate during Chávez's early presidency.

2.2 Oil wealth and the Lumpenbourgeoisie

Christian Parenti argued that the top engineers, geologists and managers of PDVSA were a class unto themselves, the *Petroleros,* or as he put it: "the cream of the Venezuelan elite".[36] Taking this into account, this section aims to argue that this significantly advantageous position PDVSA's *Petroleros* held, made them the main branch of Venezuela's Lumpenbourgeoisie, especially in the preceding years of the Chávez government. Arguments can be made that prior to neoliberalisation these managerial elites could be considered as a Lumpenbourgeoisie, as will be explored shortly. However, the *Apertura* or "opening" policy,

[32] Strønen, *Grassroots Politics and Oil Culture in Venezuela,* 316.
[33] Idem, 317.
[34] Frank, *Underdevelopment or Revolution,* 397.
[35] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez", 732.
[36] Parenti, 'Venezuela's Revolution and the Oil Company Inside', 8.

which began in the mid-1990s, constitutes a significant reinforcement of relations of the local Venezuelan bourgeoisie and the metropole.[37]

It is fitting to discuss the importance that oil has played in the Venezuelan economy, politics and class structures to contextualize the importance and influence of PDVSA's *Petroleros*. Venezuela falls under the definition of a 'petrostate', a characterization that is key to understanding the Lumpenbourgeoisie's presence in the country. Coronil has described this phenomenon as the "fusion of the power of political office and the power of oil money".[38] Oil wealth, as such, gave the ruling elites the tools "to monopolize political and economic power, and to exert extraordinary influence over society".[39] This dominating relationship between oil wealth and politics has been present in Venezuela since the 1920's and has led to underdevelopment in other important sectors of the economy such as agriculture, and has prevented productive industries from establishing firm footholds.[40]This is largely due to oil's profitability, which increased the value of the country's currency, leading to cheap imports and uncompetitive exports, therefore creating an uncompetitive environment for industry not related to hydrocarbons, this economic phenomenon is known as the Dutch Disease.[41]

The Collins dictionary has defined the petrostate as "a small oil-rich country in which institutions are weak and wealth and power is concentrated in the hands of a few".[42] In addition, Cristobal Valencia described the petrostate as one having a "colonialist and capitalist strategy".[43] To delve into Frank's this interpretative thinking, it is important to discuss two other essential aspects of the petrostate, export-based economy and rentier capitalism. Oil extraction is mainly an export-based economic activity, which according to the definition of the petrostate, is carried out by a small minority of the population, in other words, an elite. Mike Gonzalez demonstrates that in Venezuela, the elites that were beneficiaries of the oil industry "grew rich on the fraction of oil profits that remained in Venezuela".[44] What is most important about this quote is that only a small fraction of profits remained in Venezuela, meaning the rest were exported to the metropole.

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[37] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 144.
[38] Coronil, 'Magical Illusions or Revolutionary Magic?', 296.
[39] Idem, 297.
[40] Kingsbury, 'Oil's Colonial Residues', 423.
[41] Parenti, 'Venezuela's Revolution and the Oil Company Inside', 8.
[42] Collins Dictionary, 'Petrostate', accessed online at: <https://www.collinsdictionary.com/dictionary/english/petrostate>.
[43] Cristobal Valencia, *We Are the State! Barrio Activism in Venezuela's Bolivarian Revolution,* (Tucson 2015), 187.
[44] Gonzalez, *Hugo Chávez*, 5.

Oil profit exportation must be understood in the difference between crude oil and the derivate products that can be produced from it. Venezuela's has historically been, and still remains crude oil. For example, in the year 2000, 57% of all Venezuelan exports constituted crude oil, and 23.2% were refined petroleum.[45] This product offers potential profits from its industrial processing into more valuable products such as kerosene, gasoline and diesel. As such, exporting raw oil to the industrialized metropole, where these processes are carried out, means a large proportion of potential profits are lost, causing underdevelopment domestically and development abroad.

Insights from Theotonio Dos Santos, demonstrate that Venezuela's characterization as a petrostate reflects its status as a satellite in relationship to the metropole. Dos Santos describes the "unfavorable commercial relations… the import of capital and export of profits… (and) income concentration" as elements of dependence.[46] These elements can all be seen in Venezuela as a petrostate. In a nutshell, oil dependence breeds dependence of the metropole-satellite relationship. Where Frank's Lumpenbourgeoisie becomes relevant is in the class interests in these profits. Antón Allahar described this class as one "whose interests are best served by the flourishing of export trade" and one that "pursued policies which were aimed at the strengthening of that trade".[47] Focus on rentier capitalism, constituting the main form of income in a petrostate, prevented the creation of a Venezuelan bourgeoisie with a focus on local reinvestment.[48] In other words, the ease of profitmaking through of oil-extraction prevented the local bourgeoisie from investing in risky enterprises to develop a more diversified Venezuelan economy. Frank coined the term "Lumpendevelopment", to define this process, which he explained as "a state of wretched backwardness from which foreign commerce derives all advantages".[49]

Finally, the Lumpenbourgeoisie's role in class structures must be mentioned. Frank's argumentation revolved around how colonial and neo-colonial metropole-satellite relationship determined Latin American class structures.[50] In Venezuela, oil must be seen as a third determining variable. As discussed earlier, Karl argued that the Venezuelan oil economy

[45] Data accessed at: <https://oec.world/en/profile/country/ven/>.
[46] Theotonio Dos Santos, 'Dependence Relations and Political Development in Latin America: Some Considerations', *Iberoamericana – Nordic Journal of Latin American and Caribbean Studies 7* (2017), 19.
[47] Antón L. Allahar, 'The Evolution of the Latin American Bourgeoisie: An Historical-Comparative Study', *International Journal of Comparative Sociology 31* (1990), 227.
[48] Kingsbury, 'Oil's Colonial Residues', 425.
[49] Frank, *Lumpenbourgeoisie*, 5.
[50] Idem, 13.

created a unique process of class formation where a bureaucratic middle class grew larger than the working class. Accordingly, government policy prioritized middle class and elite interests over those of the marginal floating population.[51] Frank's argumentations are reflected in this process, as he proposed the idea that underdevelopment must be understood as "the product of a bourgeois policy formulated in response to class interests and class structures".[52] A cycle therefore emerged where class structures were created and maintained for the continuation of extractive activity which led to a policy of Lumpendevelopment in Venezuela.

PDVSA was established in 1976 with the *Ley de Nacionalización del Petroleo* (Petroleum Nationalization Law) as a means to give ownership of all oil production within Venezuela's borders to the state.[53] The rationale of nationalization was to strengthen the sovereign right of every Venezuelan to benefit from the riches of the country's subsoil.[54] With the company's establishment, the Venezuelan state gained a significant source of funds which it could directly use to finance social and economic programs.[55] However, PDVSA was established as a semi-autonomous company, leaving room for foreign involvement and allowing the previous corporate structure to remain that was existent prior to nationalization. Its new management would maintain many of the policies of Lumpendevelopment that were seen before. As one PDVSA employee put it, "everything changed, and nothing changed at the same time".[56]

PDVSA's *Petrolero* class maintained the structures of dependence that were described before. As such, the petro-Lumpenbourgeoisie maintained its foothold in Venezuela. PDVSA, has since its inception, been described as a "state within the state", one which worked with parallel interests to the actual Venezuelan state.[57] As such, the evidence suggests that there was a degree of continuity in the Lumpenbourgeoisie's relationship with oil wealth in Venezuela. This would escalate by the early 1990s when the *Petroleros* strengthened their policies of Lumpendevelopment through the *Apertura* policy. This policy was described by Luis Lander

[51] Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States,* (California 1997), 83.
[52] Frank, *Lumpenbourgeoisie*, 1.
[53] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 143.
[54] Ibid.
[55] Annegret Mähler, 'Oil in Venezuela: Triggering Conflicts or Ensuring Stability? A Historical Comparative Analysis', *Politics & Policy 39* (2011), 590.
[56] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 144.
[57] Javier Corrales and Michael Penfold, *Dragon in the Tropics: The Legacy of Hugo Chávez,* (Washington D.C. 2015), 84.

as an "aggressive agenda of transformation in the national oil sector" where the state-owned oil company was 'opened' to foreign investment and capital.[58]

Apertura did not solely constitute an opening, as it also lowered the royalties PDVSA had to pay to the state, significantly expanding its economic power and autonomy, while diminishing the state's ability to fund social and economic programs.[59] This led to the consolidation of the "fusion of the power of political office and the power of oil money" as had been observed by Coronil.[60] This development is embodied by the words of a former PDVSA economist, who stated that *Apertura* created an organization that worked "outside the limits of a state-owned company … the planning office of PDVSA had become the economic policy decision makers in the country".[61]

Apertura constitutes as much a significant strengthening of the economic and political power of the Lumpenbourgeoisie within Venezuela as it does a strengthening of the relationship between it and its counterpart in the metropole. Frank touched upon the evolution of dependency in the post-war period of the latter half of the 20th century by stating that the "classical colonial relationship… is being replaced, or at least supplemented by a new form of exploitation through foreign investment…".[62] Opening PDVSA to increased foreign investment, means that capital from the metropole can, in part, dictate oil policy. As Allahar argues, such developments place the class which owns the domestic means of production at the service of foreign capital.[63] The *Petroleros'* power in the Venezuelan government, extended this subservient relationship to foreign capital to a political one as well. This mix of the reinforcement of junior partnership with foreign capital and the use of "instruments of the state" to further their, and their foreign allies', interests, concretize Venezuela's *Petrolero* class as the main branch of Frank's Lumpenbourgeoisie in the country.[64]

The fact that the PDVSA Lumpenbourgeoisie acquired such political strength during this time began to raise alarms amongst sections of the population, and more importantly, in Chávez's political agenda during the 1998 presidential elections.[65] Increasing neoliberalisation,

[58] Luís Lander, 'La Insurrección de los Gerentes: PDVSA y el Gobierno de Chávez', *Revista Venezolana de Economía y Ciencias Sociales 10* (2004), 22.
[59] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 144.
[60] Coronil, 'Magical Illusions or Revolutionary Magic?', 296.
[61] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 148.
[62] Frank, *Underdevelopment or Revolution*, 388.
[63] Allahar, 'The Evolution of the Latin American Bourgeoisie', 232.
[64] Frank, *Lumpenbourgeoisie*, 13.
[65] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 144.

in Venezuela at large, and in oil policy more specifically, appears to have led to the tipping point wherein populist leaders, working against the status quo of class relationships with the national oil wealth became increasingly dominant in the country's politics.

2.3 A new political paradigm

Gonzalez, argues that one of the key elements of Chávez's electoral success in 1998 was his critical stance against the IMF's structural adjustment programs and *Apertura*, amongst others neoliberal policies, and against the elites that had enforced them.[66] His non-traditionalist and anti-bourgeois stance was an antithesis to the traditional political elite, giving him the image of a 'man of the people'. His presidential campaign, therefore, was carried out with a class-based rhetorical strategy, which Cannon has described as "a repoliticization of social inequality in Venezuela".[67]

The *Movimiento Boliviariano Revolucionario 200* (Revolutionary Bolivarian Movement 200) or MBR200 was a political movement established by military officers, including Chávez, who would later become its leader. Its political ideology, as described by Yolanda D'Elia, revolved around the "struggle against the use of political means to dominate one class over the another through ideological processes".[68] Additionally, MBR200 saw the need for confrontation of the revolutionary classes against the imperialist powers, mainly the United States, and its local puppets that function as the instruments of imperialism.[69] Looking at this line of argumentation, Frank's Lumpenbourgeoisie is strongly represented, however, another of Frank's works, 'Underdevelopment or Revolution', also lends its insight to further understanding MBR200.

In 'Underdevelopment or Revolution', Frank points to the United States as the most significant imperialist power in the modern age. In it, Frank proposes four theses on how

[66] Gonzalez, *Hugo Chávez*, 5.
[67] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez", 733.
[68] Yolanda D'Elia, 'Las Misiones Sociales en Venezuela: una aproximación a su comprensión y análisis', *Instituto Latinoamericano de Investigaciones Sociales* (2006), 195. Original text: "La principal perspectiva analítica del MBR 200 es la lucha contra el uso de los medios políticos para el dominio de una clase sobre otra a través de procesos ideologizantes".
[69] Ibid.

satellite nations can break with the domination of the imperialist metropole. His fist one is the most relevant for understanding MBR200's aims. Frank writes:

> "Today the anti-imperialist struggle in Latin America must be carried out through class struggle. Popular mobilization against the immediate class enemy on the national and local level produces a stronger confrontation with the principal imperialist enemy than does direct anti-imperialist mobilization."[70]

This quote effectively works to connect Frank's ideas on how to break with dependency and the aims of Chávez and the MBR200. The first concrete political step that reflected Frank's thesis that the MBR200 took, was an attempted coup carried out on February 4 1992. Coronil described this move as a symptom of both class polarization and blatant corruption.[71] While it eventually failed, the coup had widespread support and it paved the way for Chávez as a key political figure in Venezuela in the following years.[72] It became one of the defining moments for Chávez, as it created a strong sense of anti-elite symbolism around him.[73]

Chávez effectively used the deteriorating socioeconomic situation, blaming the corrupt economic and political elites who had allowed neoliberalism to dictate policy as being the source of Venezuela's suffering.[74] This rhetoric was largely based on true economic decline in the country; for example, between 1990 and 1997 per capita income decreased from US$5192 to US$2858.[75] Chávez's Bolivarian discourse portrayed elites that implemented neoliberalism and hoarded the country's oil profits, all in the service of the imperialist U.S.[76]

Chávez used existing class injustices to rally the marginal floating population to his cause. The listed evidence in this chapter has suggested that dependency on the metropole and Frank's Lumpenbourgeoisie was existent in Venezuela in this period, and most prevalently in PDVSA. It is not without reason that one of Chávez's leading rhetorical points was to subordinate the state-owned oil company.[77] Its subordination constitutes the rejection of the imposition of the class structures, as argued by Frank, which were imposed by the metropole to make Venezuela the suppliers of raw material for the prior's economic development.[78] Such

[70] Frank, *Underdevelopment or Revolution*, 371.
[71] Coronil, 'Magical Illusions or Revolutionary Magic?', 298.
[72] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez", 739.
[73] Coronil, 'Magical Illusions or Revolutionary Magic?', 298.
[74] Ibid.
[75] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez", 736.
[76] Gonzalez, *Hugo Chávez*, 68.
[77] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 144.
[78] Frank, *Underdevelopment or Revolution*, 376.

an action, therefore, can arguably be seen as the beginning of a revolutionary class conflict and ideological attempt to reform the class structures in Venezuela.

Chávez's victory in 1998 demonstrated that the traditional Venezuelan ruling classes, extended to the PDVSA Lumpenbourgeoisie, had been severely weakened due to increasing class polarization in Venezuela. While the poor had suffered under neoliberal policy, the Lumpenbourgeoisie had profited from Venezuela's increasing integration into the capitalist world system through the IMF's structural adjustment plans and more importantly, *Apertura*.[79] Following the 1998 elections, the polarized class sectors of Venezuela would increasingly begin to define themselves in relation to Venezuela's new President, making the environment one where an explosive class conflict would occur.[80]

[79] Gonzalez, *Hugo Chávez*, 5.
[80] Coronil, 'Magical Illusions or Revolutionary Magic?', 298.

Chapter 3: The Revolutionary Class Conflict

Following Chávez's electoral victory in 1998, his subsequent actions can be seen as a form of revolutionary action against the entrenched political elites, and more importantly and significantly, the PDVSA Lumpenbourgeoisie. A struggle against the Lumpenbourgeoisie is a confrontation with the direct agents of the economic interests of the metropole, and a successful confrontation severs the ties that lead to dependency and underdevelopment. One of Frank's theses of revolution, as has been stated, focuses on initial efforts against the "domestic class enemy".[81] This chapter seeks to analyse the motives and intended outcomes of these revolutionary actions, particularly, the oil reforms that stood at the heart of the changing political environment of Venezuela. Subsequently, it will seek to analyse the reaction on these reforms by the PDVSA Lumpenbourgeoisie and its allies, taking into consideration Frank's theorization on class struggle and dependency.

While what happened during Chávez's first presidential term was not a sudden revolutionary outburst, its final outcomes are a product of a class conflict which left the dominant class out of power and instated a new one in its place. It all began with a set of mainly political policies aimed at removing power from the traditional elites and redistributing Venezuela's oil wealth to the poor. A subsequent reactionary movement of the PDVSA Lumpenbourgeoisie and its allies between 2001-2003, aimed at removing Chávez from power, almost brought the Bolivarian Movement to its knees. Nevertheless, the President would end up surviving this class struggle stronger than ever. The defining theme of escalating struggle was control of the country's oil.[82]

3.1 Removing the political elites

After taking power in 1999, Chávez started a process of neutralizing all opposing institutions one at the time, in order to consolidate his power and push his new revolutionary project.[83] His first challenge was to remove the influence of the traditional political parties from government. Through a series of manoeuvres that made use of the electoral system, Chávez's party won

[81] Frank, *Underdevelopment or Revolution*, 371.
[82] Coronil, 'Venezuela's Wounded Bodies', 33.
[83] Corrales and Penfold, *Dragon in the Tropics*, 100.

93% of the seats in parliament with only 53% of the total vote. From this significantly advantageous position, Chávez gave himself the power to enact laws and call for referenda at will. He used this to constrain the power of the traditional ruling parties by banning their public financing.[84]

With the traditional ruling elites largely out of parliament and financially weakened, Chávez set out to change the Venezuelan constitution via a referendum. In 1999, the new Venezuelan constitution was created with a strong socialist character. Amongst the articles of the new constitution, was a reformulation of Venezuela's oil-policy. It aimed at strengthening the government's control over PDVSA, a reactionary measure to *Apertura*.[85] Control, however, would be slow to come to fruition, because of the autonomy and political strength of the company's Lumpenbourgeoisie.[86] It would take another three years before the PDVSA's *Petrolero* class was fully removed.

3.2 Legislation and the road to class conflict

By 2001 Chávez had obtained "enabling powers" from legislature, giving him the power to rule by decree in a variety of policy areas, one of which was hydrocarbons. With this newfound power, Chávez created a set of 49 laws called the *Leyes Habilitantes,* or enabling laws. Arguably the most important one for Venezuela's future was the *Ley Orgánica de Hidrocarburos,* or the Organic Law of Hydrocarbons. [87] Chávez, with ambitions of redistributing the oil wealth by establishing grandiose social projects to strengthen the poor's economic footing, needed the financing potential that the PDVSA check book offered. However, its Lumpenbourgeoisie still had full control of the company at this point.

Chávez's lack of control over PDVSA, explains the largely continuous, neoliberally inspired, economic and social policy the President maintained throughout the first years of his term.[88] As Corrales and Penfold argue the political tensions that occurred in Venezuela between

[84] Javier Corrales and Michael Penfold, 'Venezuela: Crowding Out the Opposition', *Journal of Democracy 18* (2007), 101.
[85] República Bolivariana de Venezuela, *Constitución de la República Bolivariana de Venezuela,* (Caracas 1999), articles 302 and 303.
[86] Corrales and Penfold, *Dragon in the Tropics,* 73.
[87] Idem, 102.
[88] Tomé and Sánchez, 'Política Económica en Venezuela', 2909.

2001 and 2003 were not due to radical economic policies.[89] These tensions were a product of the fruition of Chávez's ideology into legislation, which threatened to become a political reality.[90] This threatened the bourgeois opposition parties, which by 2001, as a direct result of the Hydrocarbons Law, began to set in motion a sequence of events that would become the largest threat to the Chávez government during its entire existence.[91]

An analysis of the Hydrocarbons Law, and the subsequent 2001-2007 National Development Plan (NDP) in which many of the law's propositions are discussed, helps to understand both Chávez's motivations and how these triggered an existential crisis for the PDVSA Lumpenbourgeoisie and its allies. The law in its most basic form is a reiteration of the sovereignty the state holds over the oil resources within Venezuela's borders, and how this resource is a public good, meant for the strengthening of the nation.[92] Article 5 of the law expands on the 'public good' idea by stating the "incomes that the nation receives from hydrocarbons shall be used to finance health, education and create funds for macroeconomic stabilization and for productive investments… all for the function of the wellbeing of the people".[93] This, however, had always been a foundational purpose of PDVSA's existence.

The PDVSA Lumpenbourgeoisie began to feel threatened with the articles that targeted foreign investment and involvement in Venezuela's oil extraction. For example, Article 44 determined a 30% tax on oil extraction activities of transnational corporations.[94] This would likely lead to a significant decline in foreign involvement in PDVSA's activities. Luis Giusti, the company's president who had led the move to *Apertura*, had intended the policy to be one where production was maximized to increase revenue, as opposed to OPEC's high-oil-price strategy.[95] Decreased foreign involvement, therefore, created a twofold problem for the PDVSA Lumpenbourgeoisie. It primarily decreased potential production, lowering revenues and diminishing PDVSA's power in the international capitalist market. Second, it severed potential ties with their allies in the metropole. Taxing foreign involvement and investment also had a twofold significance for Chávez. First, it prevents a significant portion of the

[89] Corrales and Penfold, *Dragon in the Tropics*, 53.
[90] Tomé and Sánchez, 'Política Económica en Venezuela', 2910.
[91] Idem, 2902.
[92] República Bolivariana de Venezuela, *Ley Orgánica de Hidrocarburos*, (Caracas 2001). Accessed online at: <http://www.pdvsa.com/images/pdf/marcolegal/LEY_ORGANICA_DE_HIDROCARBUROS.pdf>, article 3.
[93] Idem, article 5. Original text: "Los ingresos que en razón de los hidrocarburos reciba la Nación propenderán a financiar la salud, la educación, la formación de fondos de estabilización macroeconómica y a la inversión productiva, de manera que se logre una apropiada vinculación del petróleo con la economía nacional, todo ello en función del bienestar del pueblo".
[94] Idem, article 44.
[95] Coronil, 'Venezuela's Wounded Bodies', 34.

incomes from reaching the metropole, and lowered the metropole's interest in undertaking economic activity in Venezuela. In theory, this leads to the usage of oil profits for domestic investment to transcend the state of underdevelopment imposed by the metropole and the Lumpenbourgeoisie. Second, it breaks with foreign involvement in both extractive production and economic policy, considering PDVSA's political weight in Venezuela.

The NDP expands on the ambitions of the Hydrocarbons Law that was a direct threat to PDVSA's Lumpenbourgeoisie. It revolves around the creation of economic and social equilibrium and the distribution of the wealth. While pointing at neoliberalism and the elites that had maintained the former as the source of all of Venezuela's woes, it seeks to fully restructure the Venezuelan economy. The NDP's main aim regarding oil wealth, is to change the structure of the country from a rentier state to a productive economy, including the removal of the political influence of the traditional elites in favour of the poor. [96]

Alí Rodríguez Araque, former Minister of Energy under Chávez and president of PDVSA during much of political upheavals of 2001-2003, described the these goals as: "turning oil into an industrializing industry, establishing the bases for investment".[97] The NDP states that "this change will be achieved through a great boost to agriculture, industry, commerce, tourism and the construction of infrastructure, which will stimulate massive job creation".[98] This statement demonstrates the goal of breaking from away the Lumpendevelopment imposed by the PDVSA Lumpenbourgeoisie. As noted in chapter 2, Venezuela's rentier-state existence imposed by this class, had left the country dependent on oil and has left its other sectors neglected and unproductive.

Frank offers strong insights into the abovementioned goals, relating the economic desires of breaking with dependency and underdevelopment to existing class structures. His analysis was based on a period between the Great Depression and the Korean War, where the countries of the metropole were concerned with more pressing issues than keeping Latin America underdeveloped. In this period, some Latin American states managed to break away,

[96] República Bolivariana de Venezuela, *Líneas Generales del Plan de Desarrollo Económico y Social de la Nación 2001-2007*, (Caracas 2001), 14.
[97] Alí Rodríguez Araque, 'La Reforma Petrolera Venezolana de 2001', *Revista Venezolana de Economía y Ciencias Sociales 8* (2002), 195. Original Text: "Se trata de materializar la consigna de convertir el petróleo en una industria industrializadora estableciendo las bases para la inversión".
[98] República Bolivariana de Venezuela, *Líneas Generales del Plan de Desarrollo Económico y Social de la Nación 2001-2007*, 8. Original text: "Este cambio se logrará a través de un gran impulso a la agricultura, industria, comercio, turismo y la construcción de infraestructura, lo cual permitirá la masiva creación de empleos…".

to an extent, from a dependent relationship with the metropole through industrializing efforts. While Frank's analysis is on events five decades prior to the Venezuelan one, Chávez's economic ambitions nevertheless mirror many of the processes described, making his theoretical argumentations relevant to the goals and limitations of the Bolivarian oil-reforms. As stated earlier, the class structures in Latin America have been dictated by the metropole and the domestic Lumpenbourgeoisie, to keep Latin American nations as producers of raw materials for the metropole's economic development.[99] Therefore, the diversification of the Venezuelan economy, serves to break the rentier status, thus breaking with the metropole and Lumpenbourgeoisie-imposed situation of primary resource production, underdevelopment and dependency.

The process of industrialization in Venezuela, described by Corrales and Penfold as "a type of statism that looks like a modified form of import-substitution industrialization (ISI)" was discussed at length in both the NDP and the Hydrocarbons Law.[100] ISI, as such, will domestically produce goods previously imported from the industrialized metropole, leading to a diminished level of dependence on the former. However, Frank explained that such a process has a major limitation deriving from the existing domestic class structures. It is based on the demand for consumer goods, which is hampered by low distribution of wealth in dependent nations. If demand is to be stimulated, there must be a sudden change in domestic class structures and income distributions to give a stimulus to the internal market.[101] At least discursively, this theoretical hurdle is addressed in the NDP, with its emphasis in the distribution of wealth and the impulses it aims to give to other sectors of the economy such as agriculture, infrastructure, and tourism, therefore creating jobs, and in turn, creating demand for consumer goods.[102]

Juan Pablo Tomé and Eduardo Sánchez have discussed the anti-neoliberal and revolutionary aspects of the NDP and Hydrocarbons Law. They have argued that the aspired socio-economic policy, where the promotion of cooperatives, endogenous development, and business co-management are all revolutionary in the sense that they intend to change the social relations to the means of production.[103] All of Chavez's ideological motivations regarding

[99] Frank, *Underdevelopment or Revolution*, 376.
[100] Corrales and Penfold, *Dragon in the Tropics*, 64.
[101] Idem, 386.
[102] República Bolivariana de Venezuela, *Líneas Generales del Plan de Desarrollo Económico y Social de la Nación 2001-2007*, 8.
[103] Tomé and Sánchez, 'Política Económica en Venezuela', 2906.

control over PDVSA in one way or the other connected with the ambition of a restructuring of the classes. This ambition, however, faced a significant challenge in the increasing mobilization of the PDVSA Lumpenbourgeoisie and its allies. The removal of this class was the climax of a struggle where interest groups, increasingly threatened by the strengthening Bolivarian socialist discourse, intensifying control over PDVSA and other sectors of Venezuela's politics and economy, joined together to create a united opposition front.

3.3 The Oil Strike, class conflict and control of Venezuela's oil wealth

Victor Álvarez, an economist, high ranking member of Chávez's government and director of PDVSA, wrote a neo-Marxist/dependency theory-based paper on the future of Venezuela's "productive model" in light of the NDP. His theoretical analysis on the subject demonstrates how the stage was set for class-based struggle over the future of the Venezuelan economy, and by obvious extension, PDVSA. Álvarez offers a critique on the "mercantilist logic" alluding to, in part, *Apertura*. He states that this logic, of productive maximization, only works to "satisfy the voracity of profit and return on capital", and forgets to aid in the "satisfaction of the basic and essential needs of the population".[104] This kind of thinking is derived from the idea that oil-nationalization and the creation of PDVSA in 1976 was carried out to provide a financing arm for Venezuelan social and economic spending. *Apertura's* policy of productive maximization, as such, was a corruption of the distributive foundations of PDVSA. Álvarez emphasises the need to "displace the powerful groups embedded in the bureaucratic structure and exchange them with committed and responsible public servants with the task of… making the most of the resources to transform the productive model".[105]

The main ideas represented in Álvarez's theorization and proposals will be directly reflected in the class-based political upheavals of 2001-2003 wherein a complete restructuring will take place within the PDVSA's management. Álvarez merely reflected the ideological ambitions that the constitution, and by extension, the Hydrocarbons Law and NDP, all wished

[104] Víctor R. Álvarez, *Venezuela: ¿Hacia dónde va el modelo productivo?,* (Caracas 2009), 27. Original text: "satisfacer la voracidad de lucro, ganancia y rentabilidad del capital" and "nada que ver con la satisfacción de las necesidades básicas y esenciales de la población".
[105] Idem, 25. Original text: "Necesidad de desplazar los grupos de poder enquistados en la estructura burocrática por servidores públicos comprometidos y responsables con la tarea de impulsar nuevas formas de poder popular para hacer rendir al máximo los recursos destinados a saldar la deuda social y transformar el modelo de producción".

to achieve. One of these ambitions, anticipated by the political opposition and the PDVSA Lumpenbourgeoisie, was the objective to displace them from their power and completely revolutionize the country's economic policy. Oil was at the heart of this quickly approaching ideological and class-based struggle.

Between 2001 and 2003 Chávez's opposition seemed to have the upper hand. The President's popularity had steadily been decreasing since the beginning of his term. His 49 Laws, established by decree, had proven to be controversial amongst all sectors of the population, decreasing his approval rating from 80% in 2001 to 30% in 2002.[106] During this time, an opposing bloc had formed that feared the concentration of the President's power and his clear aims to control PDVSA.[107]

Chávez, from the onset of his presidency, began to appoint politically aligned allies to the upper ranks of PDVSA, creating tensions in the largely meritocratic corporate structure of the company which rejected politically motivated positions.[108] By 2001, following the Hydrocarbons Law, described by Tomé and Sánchez as the "detonator of the social, political and class conflict", active opposition began.[109] In April 2002 the largest protest march in Venezuelan history, up to that date, was held. It was prompted by Chávez's dismissal of PDVSA's Board of Directors, and subsequent appointing his close ally, Alí Rodríguez Araque, as president of the company. These protests escalated to the extent that a short lived military coup-d'état was carried out.[110] Pedro Carmona became Venezuela's new President. The first action in his few days in office was to give the company's presidency to Guaicaipuro Lameda, who aimed to return to *Apertura*.[111] This action reflects the key influence the company's Lumpenbourgeoisie held within the camp of the opposition and the centrality that oil played in ideological visions of Venezuela's future.

Frank, discussing threats to the Lumpenbourgeoisie, and the *modus operandi* they implement to combat these threats, has pointed to the use of military force.[112] The PDVSA Lumpenbourgeoisie, and its business and political allies, used their political and financial sway to mobilize disloyal sectors of the Venezuelan Military to act against Chávez. Annegret Mähler

[106] Coronil, 'Venezuela's Wounded Bodies', 34.
[107] Ibid.
[108] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 152.
[109] Tomé and Sánchez, 'Política Económica en Venezuela', 2905. Original Text: "verdadero detonante del conflicto social, político y de clase, que marcaría a Venezuela en los años siguientes".
[110] Mähler, 'Oil in Venezuela', 600.
[111] Coronil, 'Venezuela's Wounded Bodies', 36.
[112] André Gunder Frank, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil,* (New York 1969), 313.

touches upon one of the debates regarding the coup, that of rumours of U.S. involvement. This element, speaks to the entrenched relationship between the Lumpenbourgeoisie and the metropole.

It seems appropriate, therefore, to analyse widely accepted points about The U.S.-Venezuela oil-relationship. The U.S. has had historic ties with the Venezuelan oil-industry, with American companies playing an important role in the industry's development. In addition, the U.S. has had a keen historic interest in the stability of oil production in Venezuela, having fostered both military and democratic regimes that offered stability thew commodity's exports.[113] While relations diminished following the nationalisation of oil in 1976, relations remained friendly until Chávez came to power.[114]

Cristobal Valencia, has touched upon the relationships of the Venezuelan elites with the United States, stating that political parties of the opposition received both public and covert financial, ideological and even military support from the U.S. State Department.[115] In short, the literature suggests that there were in fact significant relationships between the U.S. and Chávez's opposition. This extends to PDVSA, as most Venezuelan oil-exports typically went to the U.S. market.[116] While relationships of the PDVSA Lumpenbourgeoisie and its allies in the U.S. continued, relationships between the latter and the Venezuelan state took a negative turn with Chávez's rise to power. For example, the Venezuelan President had begun to work directly against U.S. oil-interests by promoting the OPEC strategy of high oil prices. This led the U.S. to intensify its support of Venezuelan opposition groups. It is in this context that Mähler points to the rumours of direct U.S. involvement in the coup of 2002.[117] As she argues, it should be taken into consideration that the U.S. immediately recognized Carmona's interim government.[118] Whatever the case may be on U.S. involvement in the coup, it is widely accepted that the U.S. had a keen and direct interest in having Chávez removed from power. Nevertheless, the hopes of a re-consolidation of the alliance between the PDVSA Lumpenbourgeoisie and the U.S. against the Chávez government was short-lived. A few days after Carmona's induction, widespread counter-protests were held, mainly by the marginal

[113] Mähler, 'Oil in Venezuela', 592.
[114] Idem, 593.
[115] Valencia, *We Are the State!*, 8.
[116] Mähler, 'Oil in Venezuela', 592.
[117] Idem, 602.
[118] Idem, 603.

floating population marching down from Caracas's slums. The opposition's efforts to keep Carmona in power collapsed; Chávez was back.[119]

Despite this setback, in December of 2002 the PDVSA Lumpenbourgeoisie reinvigorated their efforts against the Venezuelan President, taking up the most significant role in an indefinite country-wide general strike. Their role was to completely paralyze oil operations within the country, slowing the Venezuelan economy to a crawl in the hopes of forcing the government to step down. Again, oil played the central role in the strike, making this commodity the namesake of the upheaval[120]

Various scholars writing on the Oil Strike, including Corrales and Penfold, have described the series of events as "a blessing in disguise" for the Venezuelan President. According to them, the Oil Strike gave Chávez the rhetorical ammunition to blame the opposition, including the PDVSA Lumpenbourgeoisie, for the economic malaise that existed in Venezuela. Halting oil production negatively affected the entire Venezuelan population, especially the marginal floating population, making the PDVSA Lumpenbourgeoisie seem out of touch with the needs of the Venezuelan people.[121] In addition, the government took measures to prevent a complete standstill of PDVSA's activities. A small group of Chávez supporters within the organization maintained a basic level of production in the early stages of the strike. What could not be produced was imported, allowing the government to survive.[122] On 12 December 2002, Araque was granted the power to replace any striking manager of the oil company by a presidential decree. This led to the government firing dozens of top managers and contracting loyal workers with a view to increase oil production. On 19 December 2002 the Supreme Court allowed the sacking of any striking PDVSA employee. By February of 2003, around 18,000 workers were dismissed, roughly half of all employees. A complete restructuring of PDVSA had therefore taken place. Leadership positions in the organization were subsequently given to ideological allies of the Bolivarian Movement.[123]

This set of events has often been described as a class conflict by academics such as Tomé and Sánchez.[124] A class conflict, according to Immanuel Wallerstein, is "The persistent

[119] Ryan Brading, 'From Passive to Radical Revolution in Venezuela's Populist Project', *Latin American Perspectives 41* (2014), 57.
[120] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 145.
[121] Corrales and Penfold, *Dragon in the Tropics*, 55.
[122] Adam Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', *Journal of Strategic Security 5* (2012), 79.
[123] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 145/146.
[124] Tomé and Sánchez, 'Política Económica en Venezuela', 2899.

cleavage within the modern world-system between those who control the capital and those who are employed by them".[125] As stated before, the PDVSA Lumpenbourgeoisie was the class that held direct control of a significant portion of the country's means of production, and therefore, the capital. They dictated what could and could not be done in almost all sectors of the economy. However, taking a closer look at the Venezuelan case of 2001-2003, Wallerstein's definition does not fully encapsulate the class characteristics of this conflict. To better understand this it is essential to take another look at the class structures in Venezuela and the manner in which Frank theorized them.

Frank argued that the neo-imperialist structure of international capitalism dictated the class structures in Latin America. However, this exploitative capitalist structure does not end with the metropole-satellite relationship. There is a domestic "colonial structure" where the national Lumpenbourgeoisie extend the colonial chain of exploitation to the provincial centers.[126] Gasiorowski, also discussing the Lumpenbourgeoisie, expands on this thought by stating that the international association with the metropole creates a very powerful (Lumpen)bourgeoisie which can subordinate non-associated elements of the national bourgeoisie because of its control of the most dynamic industries and its close ties to international capital.[127] The relation that the PDVSA Lumpenbourgeoisie holds with this line of thinking is its hegemonic financial power within Venezuela, giving it the ability to subordinate other classes to its political and economic will. This explains, in broad terms, the class distinctions that were found in the political upheavals that resulted in the Oil Strike. The PDVSA Lumpenbourgeoisie, rallied its petty bourgeoisie middle class allies against Chávez, who was threatening to end their hold on the Venezuelan economy.[128]

Wallerstein's definition, nevertheless accurately explains this class conflict, even though it gives a simplified picture of what happened in Venezuela. This class conflict should be understood as a cleavage between the Lumpenbourgeoisie who control the oil-related capital and their direct allies: the middle classes or petty bourgeoisie who have been created and subordinated by the former. The middle classes had a vested interest in maintaining their relationship with the Lumpenbourgeoisie as they were employed by them and policy was often carried out in their favor. On the other hand stood Chávez and his supporters of the marginal

[125] Immanuel Wallerstein, *World-Systems Analysis: An Introduction,* (London 2004), 92.
[126] Frank, *Underdevelopment or Revolution*, 371.
[127] Mark J. Gasiorowski, 'Dependency and Cliency in Latin America', *Journal of Interamerican Studies and World Affairs 28* (1986), 4.
[128] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 145.

floating population. This class had seen negligible, if any, improvement in their lives from Venezuela's huge oil wealth. They had the incentive to mobilize and seek a class change which could, in theory, provide them with a better future, something strongly reflected in Chávez's promises and ambitions.

In the end, the great irony faced by the PDVSA Lumpenbourgeoisie is that their demise came out of a class struggle they themselves escalated. Given the size of the opposition's marches in April 2002, they gained the mistaken perception that they had the whole population behind them.[129] They had failed to see that a great portion of the population felt marginalized by their policies of Lumpendevelopment. PDVSA had a significant proportion of Venezuela's resources and capital in their control, yet, they had done little to invest back to Venezuela's poor during *Apertura*.[130] Chávez, on the brink of defeat, was nevertheless able to maintain a large part of the population on his side. His, and Araque's, calculated manoeuvre of sacking all 18,000 striking PDVSA employees had given them the victory in this class struggle. Gonzalez has characterized this as the defining moment of the Bolivarian Revolution, or in other terms, "the transfer of power from one class to another".[131]

With the change in PDVSA leadership, a significant and sudden transformation of class structures took place in Venezuela. In one swift strike, the Lumpenbourgeoisie that had run the organization like an autonomous and market-oriented company, for their own and the metropole's advantage, had lost all agency over Venezuelan policy-making and economic development. In turn, Chávez could look to his remaining ambitions, as with his direct control of PDVSA he had found his much needed welfare funding agency.[132] He would use the significant funds he could channel from oil incomes to set his *Misiones Bolivarianas* in motion. His timing was opportune, as an oil boom between late 2003 and 2008 significantly increased PDVSA incomes.[133] However, in-depth observations on how the new PDVSA was run and to what extent the ideological motivations of the company's control were put into practice, are key to understand the long term consequences of this revolutionary change in the ideological make up of Venezuela's economic motor.

[129] Coronil, 'Venezuela's Wounded Bodies', 297.
[130] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 148.
[131] Gonzalez, *Hugo Chávez*, 7.
[132] Corrales and Penfold, *Dragon in the Tropics*, 81.
[133] Idem, 50.

Chapter 4: Ideological Motivations and Practical Outcomes

In essence, the class struggle over the control of PDVSA took center stage in a larger ideological and normative debate. It regarded the conception on the role that the petrostate should have in the distribution and management of the oil wealth. Coronil points to the nationalization of the oil industry in 1976 as the point when the conflict arose "within the state over its roles as landlord and as capitalist".[134] This contestation, however, reached a climax during the Oil Strike of 2001-2003. On one side stood Chávez and his supporters, aligned with historic class-related beliefs about the role of the state as the 'landlord'.[135] On the other side stood the PDVSA Lumpenbourgeoisie and its allies. They saw the role of the petrostate as the 'capitalist'.[136] The class struggle, as discussed in the previous chapter was thus defined by oil, and more importantly, by Chávez's ambition to transcend Venezuela's status as a petrostate.

Chávez's decisive victory in 2003 over the PDVSA Lumpenbourgeoisie destined the oil company to play the role of the 'landlord'. This chapter will analyze how this new role shaped the Venezuelan political economy, its class structures and, by extension, its position in the metropole-satellite capitalist world system.

Kingsbury lauded the moment Chávez won the struggle over the control of PDVSA as the climax of the "decolonizing moment" in Venezuela.[137] As stated before, Kingsbury's 'coloniality' closely resembles dependency as proposed by dependency theory.[138] He argued that Chávez, by taking control of PDVSA, led Venezuela down the path of *autogestión,* or self-management. *Autogestión*, understood as a countermove against neoliberal globalization and, by extension, dependency, works to create "democratized workplaces, and urban networks of mutual aid that aim to supplant traditional (and often corrupt) authorities".[139] Kingsbury's interpretation shows the more discursive, ideological, and intention-based argumentation that Chávez pushed forth in his Bolivarian Revolution. However, this paper takes an opposing stance, arguing that Kingsbury's argumentation is intrinsically flawed. While this project of *autogestión* is undoubtedly accurate in the ideological motivations of the Bolivarian

[134] Coronil, 'Magical Illusions or Revolutionary Magic?', 300.
[135] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 156.
[136] Ibid.
[137] Kingsbury, 'Oil's Colonial Residues', 424.
[138] Idem, 423.
[139] Idem, 432.

Movement, its repercussions, especially relation to the supplanting of corrupt authorities, are quite different from the "work in progress" as Kingsbury himself described it.[140]

4.1 The *Misiones* and the question of industrialization

The removal of the PDVSA Lumpenbourgeoisie was advantageously timed for Chavez's grand socialist ambitions. By 2003 a global commodity boom had started, increasing oil revenues to historically high levels.[141] The profits made by the oil company allowed for the 'landlord' to distribute the wealth in a manner never before seen. US$23-billion was channeled towards the *Misiones* between 2003 and 2008.[142] These missions were social welfare programs each attending a specific social need including housing, education, cultural pride, small cooperative enterprise, and many others.[143] Between 2001 and 2003, the economy had greatly suffered as a result of the political instability and the Oil Strike. In the first quarter of 2003 alone, the country saw an alarming 27% contraction in the national GDP.[144] Unemployment grew to 20.3 % and extreme poverty grew from 14.4% in 2001 to 25% in 2003. It is not surprising then, that the *Misiones* became significantly popular amongst Chávez's main constituency, the free floating population.

The *Misiones* appeared to gain success in their first years, lowering poverty from 44% of households in 1998 to 31% in 2006.[145] Chávez's motivation of spreading the wealth had, to an extent, become a reality. However, when considering to what extent these *Misiones* were implemented to create a restructuring of the social classes and confront the structural causes of poverty, evidence suggest that neither the intentions, nor the outcomes suggest such implementation. Chávez often claimed that the *Misiones* worked to alleviate poverty, this intention is reflected in the results that these social programs showed.[146] The *Misiones* did not in any significant manner change the relations of the marginal floating population over the

[140] Idem, 433.
[141] Daguerre, 'Antipoverty Programmes in Venezuela', 841.
[142] Corrales and Penfold, *Dragon in the Tropics*, 85.
[143] Kingsbury, 'Oil's Colonial Residues', 426.
[144] Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', 79.
[145] Cannon, 'Class/Race Polarisation in Venezuela and the Electoral Success of Hugo Chávez', 744.
[146] Wiseman and Beland, 'The Politics of Institutional Change in Venezuela', 157.

means of production, as they did not address poverty's structural causes.[147] As such, to make a case for class restructuring through the *Misiones* is a weak one.

The other avenue to restructure Venezuela's classes, with a more structurally directed foundation, was ISI. The NDP had demonstrated that this was a key ambition of the Chávez government. As Araque had put it, PDVSA was the "industrializing industry" from which significant economic development would result.[148] The extent to which this ambition was into practice was marginal at best, and nonexistent at worst. Quantitative evidence points to a significant decrease in the manufacture of products from 1987 to 2008. During the period of the commodity boom, manufacturing continually decreased by a few percentage points in relation to total GDP, maintaining a level from 8% to 7% between 2003 and 2008. While manufacture grew by a few percentage points in subsequent years, it held no significant value in the total of GDP.[149] The government's efforts appear to have been focused on the social investment potential of PDVSA during the incredibly profitable period of the commodity boom. Rafael Miranda argued that the Chávez administration privileged short term fiscal incomes over long term investment, which diminished productive capacity.[150] Industrial development is expensive, risky and only sees returns in the long-term. As such, the directly advantageous political return of the *Misiones* had the likely effect of focusing the Chávez administration's funds to these programs.[151]

No significant class restructuring took place via either addressed avenue; the marginal floating population maintained their marginal relation to the means of production throughout the period. The only place where clear and decisive class restructuring took place was in the bureaucratic middle and upper-classes, especially in PDVSA, whose managing Lumpenbourgeoisie had been eliminated. A new set of paradigms were established in the company, and a new elite class emerged from 2003 that would come to enforce them. The universal term for these new elites was *Boliburgesía,* a name created through the combination of Bolivarian and bourgeois.[152] Their ascension and subsequent ideological management of the political economy of Venezuela, including PDVSA would spell disaster for the country in the subsequent years.

[147] Corrales and Penfold, *Dragon in the Tropics*, 86.
[148] Araque, 'La Reforma Petrolera Venezolana de 2001', 195.
[149] Rafael Gustavo Miranda Delgado, 'Industrialización y Desindustrialización en Venezuela. Un Análisis Histórico', *Ensayos de Economía 27* (2017), 97.
[150] Ibid.
[151] Corrales and Penfold, *Dragon in the Tropics*, 59.
[152] Strønen, *Grassroots Politics and Oil Culture in Venezuela*, 172.

4.2 New elites, old continuities

Kingsbury stated that oil "has historically produced a self-defeating political subject among elites".[153] While he used this statement to look to the past, it actually speaks to a continuous pattern taking place in Venezuela. Evidence points towards a continuity of the same mistakes past political elites had made with oil money and social programs. Chávez was only one more of these politicians with grand ideas, but disappointing outcomes. Ever since 1958, when democracy was firmly established in Venezuela, the petrostate's role was seen as the grand provider of social welfare, the aforementioned 'landlord'. A break from this role did occur during 1980s, however, during the economic crisis and subsequent neoliberalisation of both the country's economic policies, and PDVSA's corporate structures.[154] Nevertheless, with Chávez's newfound control of PDVSA these old continuities began to resurface.

While Chávez's ideology of bottom-up democratization and poverty alleviation was carried out through the *Misiones* in the country's shantytowns, the management of the state-owned and now state-run PDVSA remained an elite club, only with a new *Petrolero* class. It must be noted that this new class should be seen as only a part of the *Boliburgesía,* as this term included all new economic and political elites that emerged from the Bolivarian Movement. Their focus had changed from favoring the role as the 'capitalist' to the one of the 'landlord'. This new *Petrolero* class, guided by Chávez's socialist project, led PDVSA down a path of inefficiency, corruption and mismanagement that crippled both the company, and the Venezuelan economy as a whole.[155]

The first aspect that must be touched upon, is what Adam Kott has described as the "brain drain" that took place in 2003. While the PDVSA Lumpenbourgeoisie did maintain strong relations with the metropole and worked to keep Venezuela underdeveloped, their combined expertise in effectively running the company cannot be denied. Dismissing 18,000 workers in one move, is a radical step by any standard, one that drained the company of hundreds of thousands of manhours of experience. To make matters worse, the corporate ideological paradigm of increased social spending led to decreasing reinvestment in the company itself, diminishing its future prospects of efficiency and competitivity in the

[153] Kingsbury, 'Oil's Colonial Residues', 423.
[154] Daguerre, 'Antipoverty Programmes in Venezuela', 835.
[155] Parenti, 'Venezuela's Revolution and the Oil Company Inside', 10.

international market. Even though oil windfall increased in the period 2003-2008, it was largely due to the historically high oil prices rather than increased efficiency in PDVSA. Throughout this period PDVSA stagnated, with the cost of production raising from $13 a barrel in 2001 to $29 in 2008.[156]

From a dependency theory perspective, PDVSA's new trajectory, ironically enough, proved to be one where increasing export of profits took place. As discussed in chapter 2, in 2000, 57% of total Venezuelan exports were crude oil and 23.2% constituted refined petroleum. In 2008 this changed to 74.1% crude and 14.7% refined exports. While these figures fluctuated between 2000-2008 there was a clear downward trend in the production of refined oil products.[157] As such, Venezuela increasingly became what the metropole had meant it to be, a primary resource-extracting and exporting satellite country. Quite paradoxically, the removal of the Lumpenbourgeoisie from PDVSA, led to increasing profit-export, with increased dependency and underdevelopment as a result.[158] Arguments can be made, that the new *Petroleros*, to an extent, enforced a new policy of Lumpendevelopment through their increased focus on oil dependency.

PDVSA, along with its role as the provider of social funding, is also seen as the grand employer of Venezuela.[159] Chávez took this idea to heart, swelling the ranks of the company from 30,000 to 80,000 in 2003. This development led to a swelling of people more closely related to PDVSA's means of production, while at the same time pointing to the growing inefficiencies that the company began existing under. Even though employment grew significantly, PDVSA's output actually shrunk from 2.85 to 2.47 million barrels per day.[160] This process directly mirrors the one that took place after the nationalization of the oil industry in 1976. The subsequent oil-boom that took place directly after nationalization, led to increased social spending, an inflated state sector that paid high salaries, and one that became increasingly linked with corruption.[161] As such, argumentation of continuity in the Chavez regime is concretized. The inflated state sector, including PDVSA, led to the entrenchment and expansion of the *Boliburgesia*.[162] This new class began to resemble the characteristics of the

[156] Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', 79.
[157] Data accessed at: <https://oec.world/en/profile/country/ven/>.
[158] Dos Santos, 'Dependence Relations and Political Development in Latin America', 19.
[159] Daguerre, 'Antipoverty Programmes in Venezuela', 835.
[160] Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', 81.
[161] Mähler, 'Oil in Venezuela', 590.
[162] Strønen, *Grassroots Politics and Oil Culture in Venezuela*, 172.

old elites; that of corruption, inefficiency and clientelist relations.[163] All sectors of the state began to be marked by corruption and shortsighted leadership, especially the *Misiones*, as many of its projects were institutionally deficient and unsustainable.[164] Arguably, they were carried out for political gain rather than promoting any true vision for future improvements. The poverty reduction seen in this period was more a result of the historically high oil prices than any structural reform on the underlying causes of poverty.[165] Slowly, the *Misiones*, the political economy, and PDVSA all began to show the severe practical deficiencies of the Bolivarian Revolution.[166]

As a final note, the neoliberal/capitalist world system must also be mentioned. It acts as another factor that led to the downfall of Chávez's grand socialist project. The truth in which Chávez existed at the time, was the hegemonic nature of the neoliberal world system. Going back to Frank's theses on revolution and underdevelopment, Chávez's first battle was won, the class enemy of Venezuela was defeated. The second stage of resistance against the policy of underdevelopment, imposed by the metropole, is direct opposition to its imperialism.[167] The main problem that arises, however, is Venezuelan oil dependency. To gain state revenues, oil must be sold in an international, capitalist market. Chávez seemingly understood this problem, as he had made clear his wishes to decrease the level of oil exports to the United States. However, Chávez faced an insurmountable dilemma which he would not overcome. The only other market with large enough demand for PDVSA's output was China. Significant oil exports to this country would prove to be geographically unattainable, however.[168] Distance, and its subsequent transport costs, took precedence over ideological and normative ideas about the metropole's economic imperialism. Additionally, Gonzalez, has pointed to the diplomatic relations that Chávez created with states such as China, Russia and Libya that were based not on the normative ideals of 21st century socialism and participatory democracy, but on "the mutual interest of state capitals creating negotiating blocks in a global economy".[169] This meant that for Chávez, whose policies had worked to increase the dependency on oil as opposed to diminish it, a dependent relation to world capitalism was an inescapable reality. As such, his struggle capitalism's hegemony in the world system was one he had lost.

[163] Gonzalez, *Hugo Chávez*, 8.
[164] Corrales and Penfold, *Dragon in the Tropics*, 86.
[165] Ibid.
[166] Gonzalez, *Hugo Chávez*, 8.
[167] Frank, *Underdevelopment or Revolution*, 371.
[168] Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', 81.
[169] Gonzalez, *Hugo Chávez*, 7.

Chávez's failure to resist Venezuela's entrenched existence of dependency came with the contradicting nature of his ideological motivations and the practical aspects of his policy. Taking Frank's theses on revolution into consideration, the core idea was present, the removal of the domestic class enemy, the Lumpenbourgeoisie, from PDVSA. However, the intended subsequent step to "displace the powerful groups embedded in the bureaucratic structure and exchange them with committed and responsible public servants" as Álvarez had put forth, ironically brought new, and just as corrupt elites known as the *Boliburgesía.*[170] In PDVSA, these new elites, put there to fight the policy of Lumpendevelopment, only worked to increase Venezuelan dependence in the capitalist world system by focusing on the export of crude oil and severely diminishing the efficiency of a once world leader in the oil sector.

[170] Álvarez, *¿Hacia dónde va el modelo productivo?,* 25.

Chapter 5: Conclusion

Oil is the almost magical substance that has dictated the past and will dictate the present and future of Venezuela. The country's historic dependency on oil enforced a status of underdevelopment and dependency on the industrialized metropole. Its Lumpenbourgeoisie, concentrated in PDVSA, maintained a policy of Lumpendevelopment by disregarding other economic activities due to the significant profitability of extractive production.[171] *Apertura* only intensified Venezuela's dependency on the metropole, and the Lumpenbourgeoisie's political influence domestically.[172] It overlooked the company's role as the national checkbook for social and economic programs.[173] With increasing neoliberalism and a Lumpenbourgeoisie uninterested in the plight of the country's poor, a non-traditionalist and anti-bourgeois political movement embodied in Hugo Chávez emerged, promising to subvert PDVSA to its will.

Primary documents published by the Chávez government demonstrated that control over PDVSA was the key to make his grand ambitions possible. Chávez's ambition to control the oil company was the first step in fulfilling his ideological motivations to transcend Venezuela's character of a petrostate through the "industrializing industry" that PDVSA could be.[174] Stimulation of historically underdeveloped sectors such as other industries and agriculture would lead to mass employment, and most importantly, a change in the relationship to the means of production of the country's marginal floating population.[175]

Frank argued that modern anti-imperialist struggle starts with a class struggle against the "immediate class enemy". While legislation in the Hydrocarbons Law demonstrates the beginning of this class struggle, the reactionary measures taken by the Lumpenbourgeoisie and its allies led to the true confrontation. Venezuela was spilt between two class-based camps, each with a different ideological conviction of the role that PDVSA should play in the country. The class struggle climaxed with the Oil Strike of 2002-2003 where 18,000 PDVSA employees were dismissed.[176] Chavez had won, securing the key necessary to set his grand ambitions in motion.

[171] Kingsbury, 'Oil's Colonial Residues', 425.
[172] Tomé and Sánchez, 'Política Económica en Venezuela', 2905.
[173] Corrales and Penfold, *Dragon in the Tropics*, 79.
[174] Araque, 'La Reforma Petrolera Venezolana de 2001', 195.
[175] Tomé and Sánchez, 'Política Económica en Venezuela', 2906.
[176] Gonzalez, *Hugo Chávez*, 7.

An almost revolutionary class restructuring had taken place in Venezuela. A new *Petrolero* class emerged, forming a part of the larger *Boliburgesía.* However, members of this class did not become the "committed and responsible public servants" that Víctor Álvarez had proposed must replace the "embedded bureaucratic structure".[177] These new elites maintained the vices of the old.

The global commodity boom that followed Chávez's victory in the class conflict, triggered huge economic growth and increased government revenues. However, its reinvestment potential was wasted in shortsighted and institutionally weak investments with quick political returns embodied in the *Misiones.*[178] Long-term investments in industry, that had been ideologically motivated in the Constitution and the NDP, were not carried out. As such, no structural changes in the causes of poverty were implemented and no significant restructuring of the marginal floating population had taken place.

PDVSA as a company suffered as well under the new political paradigm. Its distributive focus became hegemonic, concentrating all profits in social investment with no attention for the company's own reinvestment. Along with the "brain drain" of the PDVSA that took place during the Oil Strike, the company stagnated under the new, less experienced, management.[179] Chávez's ideological motivations were put into practice, but only marginally. The vices of the old elites continued in the new ones, and reinforced Venezuela's economic maladies and dependence.[180] Quite paradoxically, the removal of the Lumpenbourgeoisie from PDVSA, and the emergence of a new *Petrolero* class actually increased Venezuela's level of oil dependency and Lumpendevelopment and doomed the country to an ever declining economy and future political instability.

5.1 Reflections, limitations and future study

What happened in Venezuela, as described in this paper, demonstrates an intrinsic weakness in Frank's theorization on revolution. His thesis to remove the domestic class enemy and agent of the metropole's imperialism was successfully carried out by Chávez. However, the resulting

[177] Álvarez, *¿Hacia dónde va el modelo productivo?*, 25.
[178] Daguerre, 'Antipoverty Programmes in Venezuela', 835.
[179] Kott, 'Assessing Whether Oil Dependency in Venezuela Contributes to National Instability', 79.
[180] Corrales and Penfold, *Dragon in the Tropics*, 51.

new paradigms and elites that emerged, arguably did more damage to the Venezuelan political economy than if political continuity had remained. While his theorization in this case study is strong when it comes to dependency and the Lumpenbourgeoisie, his discourse ends with revolution. It does not focus on what must happen subsequently, especially in the prevention of the emergence of a new corrupt elite.

This development in Venezuela can lend itself to two types of new study. Frank has maintained that underdevelopment is a symptom of the Lumpenbourgeoisie's relationship with the metropole. However, due to the constraints of this thesis, a grounded analysis of the *Boliburgesía's* relationship with foreign capital could not be added. As such, a study analyzing the existence of this relationship can be carried out in order to prove or disprove the validity Franks' theorization in this specific case. Additionally, theories regarding the emergence of economic and political elites could lend valuable insights to understand the mechanisms behind the emergence of the *Boliburgesía.* What happened in Venezuela is a case of human behavioral patterns as much as it is one of the metropole-satellite relationship in the world economic system**.** While dependency theory looks to the latter, theories focused on the former could enrich the debate on the dramatic decline of the Venezuelan economy as an effect of the emergence of these new elites.

Another avenue for study is the other 21st century socialist states such as Bolivia and Ecuador. Bolivia, especially, offers an interesting class-based dependency theory analysis. Its processes under Evo Morales closely resemble much of the motivations of the Chávez government. Like Venezuela, Bolivia is an extractive economy, dependent especially on gas.[181] Morales's contestation of Bolivia's gas industry demonstrates similar ambitions of increased control of the nation's main source of income. Nevertheless, Bolivia maintained respectable levels of economic growth which continued after the commodity boom, and poverty was on a downward trend throughout Morales's presidency.[182] A comparative study on Morales's policies and how they were implemented could shed light on the processes that took place under similar political ideologies.

[181] Jeffery R. Webber, 'Evo Morales and the Political Economy of Passive Revolution in Bolivia, 2006-2015', *Third World Quarterly 37* (2016), 1862.
[182] Idem, 1864.

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