OIL POLICIES AND BUDGETS IN VENEZUELA, 1938–1968*

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I

SOME HISTORIANS AND POLITICAL SCIENTISTS HAVE PROBABLY PASSED EACH OTHER on their way to incorporate the paraphernalia of their respective disciplines. The historians are showing greater interest in theoretical questions and a growing methodological sophistication. The political scientists have begun to test their models against well-known events which have been previously researched by the historians.[1] Obviously, this trend is no harbinger of disciplinary convergence although it underlines the similarity of interests between quantitatively oriented historians and developmentally oriented political scientists.

Latin Americanists are well aware of this movement and the literature confirms it. A recent work on the social history of the Mexican Revolution could serve as an illustration.[2] The study received considerable praise, a Bolton prize, and its due share of criticism. No doubt, Professor James Wilkie—the author of the study—produced a significant contribution to our understanding of the Mexican Revolution. Combining extensive archival research with elite interviews, Wilkie was able to describe major trends and shifts in federal expenditures in Mexico since 1910. He identified the more notorious and glaring differences in the patterns of budgetary allocations of different revolutionary regimes.

Wilkie's interpretation of these differences attracted the criticism of some of his fellow historians.[3] This criticism was primarily methodological and it focused on the lack of tests of significance and regression analysis, faulty index construction, and a somewhat careless aggregation of expenditure categories.[4]

This essay represents an attempt to capitalize on the potential usefulness of Wilkie's approach for policy analysis. In contrast to the Wilkie assumption that a budget is "a statement of the government's ideology translated into practical terms,"[5] I will assume that a budget represents a statement of the *policy priorities* of a government, and that budgetary decisions are *policy decisions*.[6] This unwillingness to accept government ideology as a unique determinant of budgetary allocations is justifiable on several grounds.

First, political scientists recognize the importance of the budgetary arena,[7] and they also recognize the fact that, as initially advertised by a government, budgetary

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allocations represent a summary of governmental priorities and policy preferences.[8] But a considerable gap exists between all of the above and the assertion that a budget reflects "government ideology." Budgetary decisions are policy decisions and, as such, they do not reflect government ideology to any greater extent that other governmental policies do. After all, one of the latest counts of the number of explanatory models of the policy-making process indicates that there are, at least, six leading alternatives: the systems output model, the elite preferences model, the group equilibrium model, the rationality model, and the incrementalist and the institutionalist models.[9] Government ideology is not incompatible with some of these explanations and there is even the distinct possibility that, under certain conditions, this could be the more significant causal factor. However, it does not seem appropriate to give government ideology—in the light of the research findings available at this time—the unqualified status of leading causal factor in policy decisions.

Second, accepting Wilkie's assumption with qualifications one may then turn to the delimitation of those cases in which ideology is an important component of the definition of a regime and/or a major factor in the formulation of policy decisions. Structurally speaking, ideology does not seem to be a very important component of polyarchies—according to Dahl[10]—or a very salient feature of authoritarian regimes —as defined by Linz.[11] There is always the possibility that in these, as in any regimes, some policies are strongly influenced by ideological considerations. But it would be necessary to specify the range of policy decisions that are influenced by ideological considerations. On the other hand, ideology seems to be a crucial factor in the structure of totalitarian regimes although many observers agree that, besides ideology, other considerations are taken into account by policy-makers in these kinds of regimes.[12] Finally, there is a fourth and residual category including the ideologically oriented, non-totalitarian regimes in which policies are formulated on predominantly ideological grounds.

Lacking the space and the stamina to discuss all the implications of these four logical possibilities at the length that they deserve to be discussed I would like to bring up a related point of no less importance: the problem of complexity. According to Andrew McFarland the complexity of a system varies directly with (1) the number and variety of its components, (2) with the extent and incidence of relational interdependence among the components, and (3) with the variability of the components and their relationship through time.[13] McFarland's argument is relevant because he was concerned with power as a system of causation,[14] and budgetary systems can be conceptualized in this fashion. As far as policy-formulation goes, it is clear that non-pluralist systems are *simpler*—although Schwartz and Keech have shown that this is not always the case.[15] But it seems that in all types of systems the time lag required to implement policy decisions tends to increase the overall complexity of the policy process itself. In other words, policy decisions may be formulated by a very small number of participants, but the implementation of those decisions requires the participation of a much larger number of actors. Consequently,there is always the distinct possibility that ideological or any other type of criteria guiding the formulation of a policy may be lost in the implementation of such a policy. To offer an example of immediate and utmost concern to this discussion, consider the differences between the *projected* and the *actual* expenditures of *any* government, and the fact that these differences seem to occur in *all* kinds of governments. Can one assume that budgets translate governmental ideology into practical terms? Can one assume that government ideology, or any type of governmental criteria, is efficiently translated and incorporated in the implementation of its policies? Can one assume that government policy represents government ideology?

To summarize, I am not ready to indict Wilkie of one count of unawareness of the policy literature and several counts of methodological inadequacy, but in order to try to expand his approach I cannot accept his leading assumption either. As a historian Wilkie was ultimately concerned with how he could characterize the trajectory of the Mexican revolution: he believed that federal expenditures could be utilized for that purpose and he tried to show that, in effect, different patterns of government expenditures reflected the different ideological stages of the revolution. His conceptualization was weak and his conclusions suffered from it, but the approach can have a much wider use if it is divorced from this ideological emphasis—no matter how justified this emphasis was as applied to the Mexican case. Not to do so would severely limit the applicability of the approach to a trivial number of cases; it would produce a faulty conceptualization of the budgetary process, ignoring its basic complexity; and it would badly misplace the focus of the analysis, depriving it of one of its more redeeming instrumental qualities. Putting the emphasis on policy does not exclude the possibility of an ideological explanation but the opposite does not hold. Moreover, this emphasis on policy is congruent with the work of a growing number of Latin Americanists who are exploring the dimensions of the budgetary process at the present time.[16] The emphasis on policy also lends the approach a greater theoretical flexibility, compatible with some of the leading middle-range theories about Latin American politics: Charles Anderson's "prudence model,"[17] Philippe Schmitter's "interest conflict" model,[18] Eldon Kenworthy's initial statement about coalition behavior,[19] and the still very much controversial "theory of sectoral clashes."[20] As an added advantage, all of these models draw their inspiration from similar models developed and utilized by political economists and comparative political scientists. *En resumen*, the policy emphasis is more advantageous for comparative purposes.

II

In previous studies this writer has addressed himself to the question of how the Wilkie approach can be improved. One attempt included a replication of Wilkie utilizing the case of the Cuban republic, and a contrast between the regimes of the *auténtico* party and General Batista.[21] The research findings were conclusive with respect to the differences between the two regimes in terms of their treatment of political opposition, their patterns of elite recruitment and circulation, and their basic style of decision-making.[22] It was clear that, in structural terms, the two regimes were different and that the patterns of causation of their decision-making styles were different.[23] However, in terms of what Wilkie appropriately calls the "active state,"[24] the contrast of the patterns of budgetary expenditures of the two regimes suggested that the auténticos did not utilize the budget to promote socio-economic change to a greater extent than Batista did. As a matter of fact, the opposite was true in a number of important categories.[25]

It could be argued that the ideological differences between auténticos and batistianos were not great, that the auténticos did not have sufficient time to be able to impose their policy preferences—especially in view of the corrupt and disorganized nature of the Grau San Martín regime—and that the Cuban example was not an ideal testing ground for a replication of Wilkie. On purely technical grounds a number of problems assailed the reliability of the findings. First, the Grau regime had to be excluded from the analysis because of the misappropriation of funds by several ministers. This limited the comparison to the four years of the Prío regime against Batista's first four. As a result the analysis was based on only eight data points. Second, actual expenditure figures were not available for all these eight years and the analysis had to be conducted with projected expenditures. Third, as a result of the foregoing, the reliability of the test statistics was not too great. In any event, the results were hard to take and even harder to explain.

But I found that other researchers were on similar grounds concerning the meaning of the differences between the expenditure patterns of capitalist and socialist regimes. A recent study concluded that not only are these differences few but also that:

> . . . the policy dilemmas facing decision-makers of public consumption expenditures are quite similar in all nations, regardless of system. Such problems include: the desirability of financing a service through the public rather than the private sector; the proper relationship of different public consumption expenditures to the tax revenues which must be raised; and balancing the citizens' demands for particular services with the adjusted interests of the state. . . .[26]

Similarly, I also found that Charles Anderson's recent survey of the policy-making apparatus of the contemporary Franco regime had failed to uncover features that were unique to authoritarian regimes. Having analyzed the stabilization program that the regime launched in the early 1960s, and having shown that the Spanish planners borrowed the inspiration from their French colleagues, Anderson concluded:

> Despite the fact that the institutions and processes of the French political system were structured in a more participatory and representative fashion than those of Spain . . . there was little significant difference in the way economic policy was formulated in the two nations. If anything, the participatory processes of planning were more vital in Spain than in France. . . .[27]

I did not interpret these findings as proof of a policy convergence between communist and capitalist economics, and/or between democratic and authoritarian regimes. But they clearly indicated that McFarland's considerations about complexity, as applied to the nature of policy-making and budgetary processes, are relevant. That these different regimes—Western versus Eastern European regimes in the case of Pryor; and Spain versus France in the case of Anderson—were not greatly dissimilar in their actual policy-making processes suggested that the shortcomings of the Wilkie approach were more unwieldy than the ideosyncracies of Republican Cuba. This paper, is a logical consequence of that conclusion.[28]

The present discussion concerns a case very similar to the Cuban: the case of Venezuela between 1938 and 1968. Data are available for projected and actual expenditures and the analysis is conducted with the latter. The unit of analysis is the regime but a much larger number of data points can be utilized. Moreover, there is the opportunity to compare not two but several different regimes. Initially, the regimes can be grouped into two major subtypes: "democratic," and "authoritarian." One kind of comparisons can contrast the values of the "dependent variables"—expenditures and budgetary allocations—and the "independent variables"—economic factors plus other policy variables—of the study for these two subtypes. A second kind of comparisons could involve a contrast among all the regimes. Each of these two kinds of comparisons has one major advantage and one major disadvantage. Comparisons between subtypes—"democratic" versus "authoritarian"—are based on a large number of data points and, consequently, their test statistics will be more reliable. However, there is the problem of defining and defending the criteria under which the labels of "democratic" and "authoritarian" are utilized. Following Linz,[29] a basic definitional distinction is made between the regimes in order to call them "democratic" or "authoritarian." In contrast with the previous effort—and for obvious reasons of space—I will not be able to analyze the structure of the two types of regimes to show that they are "different." Instead, I will have to rely on the literature to substantiate this assumption.

Following the Linz rationale and the historical and empirical evidence available, I will consider the military regimes authoritarian because they created conditions of "limited, not responsible political pluralism;" they did not follow "elaborate and guiding ideologies (although their leaders had a distinctive mentality);" they did not encourage "intensive nor extensive political mobilization (with incidental exceptions);" and they were operated by "leaders who exercised power within formally ill-defined limits but actually quite predictable ones."[30] The López Contreras regime (1938–1941), the Medina Angarita regime (1941–1945), and the Pérez Jiménez regime (1949–1957) are included in this category.[31]

The regimes of the Acción Democrática party are considered *democratic* because they allowed

> . . . the free formulation of political preferences through the use of basic freedoms of association, information, communication, for the purpose of free competition between leaders to validate their claim to rule at regular intervals by non-violent means without excluding any effective political office from that competition, nor any members of the political community from expressing that preference by norms requiring the use of force to enforce them.[32]

I do not offer this definitional distinction as a substitute for rigorous empirical testing, but the point is that the literature seems to confirm the distinction.[33] And, as far as structural distinctions go, the mode of recruitment of political leaders has more important consequences than any other difference between authoritarian and democratic regimes.[34] Electoral accountability is the difference which Linz considers to be the "decisive one," in contrast to "efficacy," or "responsiveness."[35] Consequently I am assuming that there is at least this distinction between the two types of regimes; the present effort is concerned with the policy implications—as reflected in budgetary alloctions—of the distinction, but because of the Pryor and Anderson findings, I will not make any *a priori* statements about differences between the budgetary policies of these regimes.

It would be unwise to consider the second Betancourt administration (1959–1963) a carbon copy of the first (1946–1948), or to consider these two as identical with the Leoni regime (1964–1968).[36] Likewise, it is erroneous to lump the López Contreras and the Medina Angarita regimes together, not to say anything of their glaring differences with the Pérez Jiménez dictatorship.[37] Therefore, the fiscal analysis by subtypes should be replicated with a set of comparisons *among* all the different regimes. The major objection to this would be the small number of data points on which each of the test statistics will be based; this will have a deleterious effect on the reliability of these statistics but there seems to be no easy solution to this problem.[38]

Throughout the discussion an effort will be made to replicate Wilkie as closely as possible. The performance of the national economy and the revenue side of the fiscal policies of the regimes—two aspects omitted by Wilkie—loom very large in the analysis. The petroleum and taxation policies of the regimes are examined in some detail in order to better understand whatever differences obtain between their budgetary allocations, and to determine a highly important feature of the policy-orientations of these regimes with respect to national development. As stated in a preliminary version of this study,[39] my concerns are: (1) to refine the Wilkie approach and lend it a more general applicability; (2) to utilize this approach to study the nature of the differences between democratic and authoritarian regimes in Latin America; and, (3) to determine if there is any kind of "uniqueness" embedded in the policy processes of these regimes.

III

Some of the strongest substantive criticisms leveled against Wilkie concern his failure to include some reference to the fluctuations of the national economy during the period of analysis, and his unwillingness to discuss the revenue aspect of public finance.[40] After admonishing his readers that he would not engage in the type of economic analysis utilized by students of public finance, Wilkie justified his tangential discussion of federal income on the grounds that he was interested in types of expenditure and not in detailed taxation policies.[41] Although he did not deny the usefulness of these kinds of analyses, Wilkie nevertheless overlooked the fact that the revenue policies of a government are as much a reflection of governmental priorities as expenditure patterns are.

As a result of his unwillingness to discuss the performance of the national economy Wilkie had little to say about a basic feature of the active state, namely, the magnitude of the state relative to the national economy. This is a relevant consideration because the "small" active state does not have the *impact* of a "big" active state—defining "small" and "large" in terms of the absolute magnitudes of their fiscal operations and what these magnitudes represent as a percentage of GNP. This point has been sufficiently stressed by Skidmore and Smith and requires no further repetition.[42]

But there are other points deserving further consideration. A relevant operational test of the priorities of political regimes would be to compare the patterns of allocations of these regimes under conditions of growth and during period of stagnation of the national economy. True, many regimes never experience one or the other but with the type of dichotomous grouping introduced here it is possible to conduct this type of comparison. Economic growth being one of the casual factors influencing the growth of public expenditures and, indirectly at least, the growth of particular categories of public expenditures, it would be useful to determine how different regimes allocate their resources under different economic conditions. This leads us to the basic question of whether the "active state" is an offspring of economic prosperity or a miscarriage of economic depression. The cases of Mexico and the United States—during the Cárdenas regime and the Roosevelt administration, respectively—suggest that the case is the latter and that the active state is a response to economic depression. But it would be fruitful to accumulate more evidence about what happens to the active state when new economic difficulties arise.

Wilkie's concern with expenditures allowed him to determine "who was getting what" through the federal budget in Mexico but his neglect of revenue policies prevented him from telling "who was paying for it." This is a very important point because the state has a say in determining how much revenue will be raised for which purposes and it is important to determine if there are any typical patterns of taxation associated with the "active state." Of particular relevance are the cases where the state depends on two or three major sources of revenue but, as a general principle, it is always necessary to determine the diversity of the sources from which the state raises its monies. This enables the analyst to identify which interests are carrying what kinds of tax burdens and to get a more complete picture or the constituencies that are benefiting the most from the fiscal policies of a particular regime. After all, a welfare oriented active state is not mutually exclusive with a regressive system of taxation. Finally, as far as policy priorities go, it is not possible to distinguish between a regime that reaps the benefits of economic growth and is able to allocate its budgetary resources in a manner suggestive of the active state from a regime that has engaged in a considerable effort to tax every possible realm of economic activity and produces a pattern identical to that of the first. The results—as measured by expenditures—are the same but the strategies utilized—as measured by tax policies and their revenue outcomes—are different. Evidently, the revenue aspect should not be overlocked.

One additional concern complicates the analysis ever further. This refers to the problem of economic dependence and the strategies of national development utilized by different regimes in order to overcome dependence.[43] It is not possible to look at this question if the nature of the national economic system is not described in some detail. And, given the exogenous nature of many of the most important sectors of the economies of dependent contries it is not enough to look at the growth of GNP. More importantly, it is necessary to determine the manner in which conflicts between foreign and domestic interests take place, to study the strategies utilized by the major actors involved, and to measure the incidence of the outcomes of these conflicts on the revenues of the regime.

I will not suggest that Wilkie deserves to be criticized for not discussing all of these considerations. Conceptual cloture and manageable size are powerful imperatives in research and Wilkie enumerated *all* of the aspects which he would not include in his study. On the other hand, I am not prepared to deal with all of these questions myself, nor would I have the space if I decided to do so. By proffering all of these different concerns I am suggesting a research agenda and not strict criteria to measure the value of a particular contribution.

With respect to the preliminary questions that should be tackled before any analysis of expenditures is undertaken I would suggest the following: (1) the question of the performance of the national economy during the period of analysis; (2) the question of the identity of the main sources of revenue and the fluctuations of their contribution to the level of revenues; and (3) the outcomes of the strategies utilized by the state in order to maximize its resources. A precise but not exhaustive examination of the behavior of relevant indicators of these three dimensions will provide the analyst with adequate answers to these three queries.

IV

In our case, these three concerns can be brought together through an analytic discussion of the Venezuelan economy, the growth of which it is practically impossible to overstate. Since the Banco Central initiated national income accounting, its annual *Informes* indicate that national income and gross domestic product have experienced a phenomenal rate of growth. Between 1950 and 1969 gross domestic product grew at an annual rate of 6.8 per cent.[44] During the same period, the average rate of growth of national income was 7.9 per cent per year.[45] But Venezuelans have learned to take this growth with a grain of salt. Venezuelan economists worry about the dependence of the national economy on oil production;[46] they worry about the long range impact of the oil policies of the different regimes that have ruled the country during the last three decades.[47] In Venezuela one cannot discuss economics without talking about oil and, similarly, one cannot write about Venezuelan fiscal policies without writing about oil politics.

Both the growth of the Venezuelan economy, and the dependence of Venezuela on oil can be established rather quickly. The data presented in Table 1 indicate that, between 1938 and 1968, the growth of the oil sector was dramatic: the volume of

TABLE 1

Indices of Economic and Fiscal Growth, 1938–1968

Year	Oil production: crude	Oil production: derivatives	Realization value: production[1]	Realization value: exports[1]	Government revenue: total	Government revenue: from oil sources
1968	701.6	4,750.0	2,064.8	1,251.3	2,633.7	3,063.2
1967	687.6	4,643.2	2,046.7	1,239.5	2,550.0	3,054.9
1966	654.4	4,687.8	1,943.9	1,175.6	2,336.4	2,853.2
1965	674.1	4,688.0	2,005.8	1,218.5	2,164.6	2,825.6
1964	660.4	4,377.6	1,990.7	1,223.6	2,120.5	2,789.4
1963	630.5	4,160.8	1,444.2	868.9	1,944.7	1,914.4
1962	621.1	4,100.6	1,465.2	972.9	1,936.1	1,788.6
1961	566.8	3,708.5	1,376.2	899.4	2,076.3	1,756.6
1960	554.0	3,531.0	1,339.5	892.7	1,806.3	1,821.0
1959	537.9	3,296.4	1,342.1	879.2	1,452.5	1,827.9
1958	505.6	2,925.7	1,411.4	856.2	1,382.7	1,519.7
1957	539.5	2,749.3	1,559.4	880.0	1,588.0	2,991.9
1956	478.2	2,490.3	1,258.3	802.5	1,286.9	2,448.1
1955	418.7	2,138.2	1,082.5	712.4	879.1	1,154.4
1954	367.9	1,773.1	983.4	644.4	773.3	1,005.0
1953	342.6	1,654.2	901.4	549.7	744.4	922.3
1952	351.1	1,387.8	861.8	557.3	707.4	917.0
1951	330.9	1,255.5	811.6	527.8	645.4	964.3
1950	290.8	995.9	690.6	454.0	563.3	685.2
1949	256.5	578.7	575.6	393.5	581.6	669.3
1948	260.6	474.9	687.3	403.3	521.9	804.0
1947	231.3	400.5	445.0	247.9	377.8	485.2
1946	206.6	382.4	279.3	160.0	251.4	304.9
1945	172.0	355.7	194.6	123.8	194.1	298.0
1944	136.7	285.8	153.6	127.6	159.2	270.5
1943	95.4	239.1	104.9	94.9	98.7	84.9
1942	78.8	246.9	85.3	76.8	85.7	73.0
1941	120.6	345.5	126.2	120.8	105.6	125.5
1940	97.8	298.8	97.5	97.7	97.0	81.4
1939	108.8	144.6	93.5	108.1	103.1	93.1
1938	100.0	100.0	100.0	100.0	100.0	100.0

[1] All oils.

Base date for all indices: 1938 = 100: production indices derived from figures in cubic meters; monetary indices derived from figures in *bolivares*.

Sources: Adapted from, Dirección General de Estadística y Censos Nacionales (1948:418), (1971:308), and Ministerio de Minas Hidrocarburos (1963:10,11), (1969:10, 136).

the output of crude increased sevenfold, the volume of throughputs increased almost fifty times. The public sector seems to have reaped considerable benefits from this growth; government revenue increased at a faster rate than the oil sector beginning in 1958; revenue from oil sources show the largest increase of all the monetary indicators included in the table. Periods of possible economic and fiscal stagnation seem to coincide with the López Contreras regime (1938–1941), the Medina Angarita regime (1942–1945), and to a lesser extent the Betancourt regime (1959–1963).

A more accurate picture may be drawn, beginning in 1949, with available estimates of national income and gross domestic product. The data presented in Table 2 contain this type of information, with the effects of the cost-inflation generated by the oil sector being duly removed.[48] These data indicate that some regimes seem to have enjoyed a better economic outlook than others. The boom of the 1950's, sustained by high levels of investment, favored the Pérez Jiménez regime with a rapidly expand-

TABLE 2

Income, Productivity, and Investment in Venezuela, 1949–1968

Year	National income[1]	Gross domestic product[1]	Per capita income[2]	Per capita g.d.p.[2]	Investment ratio[3]
1968	17,989	22,269	1,845	2,284	15.5
1967	17,713	21,704	1,810	2,288	14.3
1966	15,915	20,494	1,736	2,236	14.4
1965	15,591	20,426	1,760	2,306	14.4
1964	15,005	19,819	1,759	2,323	14.2
1963	13,290	18,738	1,618	2,281	13.0
1962	12,295	17,761	1,551	2,241	13.5
1961	11,299	16,099	1,477	2,105	14.1
1960	11,140	15,593	1,513	2,177	17.4
1959	11,204	14,793	1,573	2,077	23.3
1958	10,439	13,800	1,518	2,006	24.4
1957	9,757	13,865	1,470	2,089	24.9
1956	8,340	12,112	1,305	1,895	26.2
1955	7,373	10,912	1,199	1,774	26.7
1954	6,941	10,136	1,175	1,716	30.8
1953	6,339	9,413	1,119	1,662	29.6
1952	5,764	8,585	1,063	1,583	28.6
1951	5,307	7,900	1,025	1,525	24.4
1950	4,987	7,374	1,002	1,482	25.6
1949	4,463	5,366	931	1,120	N.A.

[1] Deflated, in millions of bolívares.
[2] Deflated, in bolívares.
[3] Investment ratio = gross fixed investment/GDP, in percentages.
Source: Adapted from Banco Central de Venezuela (1970).

ing economy. This rapid expansion tapered off very rapidly—following the overthrow of this regime—and more modest increases in income and productivity set in. The early 1960s, including the Betancourt regime, show the most severe economic contraction during the 29 years of which estimates of the national income and the gross domestic product are available. A decline in the rate of investment and declines in per capita income and per capita GDP suggest that the Betancourt regime had to function in what amounts to an economic recession.

A preliminary assessment of the dependence of the Venezuelan economy on oil can be conducted with the data presented in Table 3. The data require very little comment. During our period of analysis, oil exports account for at least 90 per cent of total f.o.b. exports; oil income taxes account for about 70 per cent of total income taxes; the value of oil production is about one-fourth of GDP. Nominal import capacity, the fourth of our indicators, gauges the more subtle aspect of the trade bottlenecks created by dependence. Measured in 1959 prices, this indicator is the ratio of export prices over import prices, times the volume of exports. The fluctuations of this indicator gauge the capacity of the Venezuelan economy to generate enough foreign exchange to acquire the necessary capital goods to promote diversification and reduce dependence on a single product. The data indicate that the picture did not change very much throughout these thirty years. So, which of these regimes had the better economic situation?

Ignoring for a moment that the state is a participant in economic production and that the Latin American state plays a large role in the national economy—as has been described by Anderson[49]—it could be possible to ask whether any of these regimes, independently of their fiscal policies, enjoyed a better economic situation than the others as a result of the effects of economic growth. Basically, what we are trying to determine is if any abatement, any temporary setback, of the rate of economic growth put any of these regimes in a more disadvantageous position than the rest. On the question of dependence, what we are trying to measure is if, regardless of reasons, the condition of dependence was exacerbated during the tenure of any of these regimes. In operational terms, we expect the indicators of growth to be significantly larger for the more recent regimes if growth was not seriously abated. We also expect that, if as a result of growth, the dependence on oil was ameliorated, the indicators measuring this dependence will decrease with time.

Analysis of variance is an adequate technique for our purpose. Like any test of significance, this technique determines whether any inferences based on a description of the apparent behavior of a set of measurements are adequate or not. The measurements are grouped according to a research criterion—in our case the grouping criterion dichotomizes all the measurements into two sets: those belonging to the authoritarian and those belonging to the democratic regimes—and the total variance is partitioned into within-group and between-group variance. A ratio is computed to determine which of these two sources of variance is more important. This ratio is F., the test statistic utilized by this technique. The value of the test is that it confirms or belies any inference based on raw stochastic series introducing scientific rigor into the attempt to differentiate comparison groups. The reason for the test follows from our preliminary discussion and there is no need to repeat the argument once more.

Because of the fact that the Betancourt and Leoni regimes are the most recent

TABLE 3

Some Aspects of Venezuelan Economic Dependence, 1938–1968

Year	Export dependence[1]	Fiscal dependence[2]	Production dependence[3]	Trade dependence[4]
1968	92.9	70.2	21.4	106.8
1967	92.1	70.3	22.1	106.2
1966	92.4	64.5	21.9	99.9
1965	92.9	68.0	23.1	106.1
1964	93.5	72.8	24.0	114.7
1963	93.5	70.8	25.1	108.9
1962	93.5	69.0	26.4	99.9
1961	92.9	66.5	26.3	99.7
1960	91.1	69.8	27.0	99.0
1959	91.8	73.8	27.4	100.0
1958	93.0	75.0	27.8	127.8
1957	93.4	77.1	29.9	136.0
1956	94.3	75.3	29.5	120.9
1955	94.7	74.6	28.5	111.7
1954	94.9	75.0	27.3	96.8
1953	95.3	80.5	27.8	91.8
1952	95.7	81.0	30.1	87.4
1951	94.7	78.2	30.4	80.9
1950	97.3	73.0	29.8	78.0
1949	97.6	83.3	N.A.	61.6
1948	97.0	80.7	N.A.	68.2
1947	96.1	75.3	N.A.	53.2
1946	94.7	76.9	N.A.	43.2
1945	94.6	61.4	N.A.	31.0
1944	96.1	46.3	N.A.	33.6
1943	92.4	—	N.A.	28.8
1942	91.2	—	N.A.	25.4
1941	95.3	—	N.A.	45.7
1940	94.2	—	N.A.	41.4
1939	93.9	—	N.A.	N.A.
1938	93.3	—	N.A.	N.A.

[1] Export dependence: value of oil exports as percentages of total f.o.b. exports.

[2] Fiscal dependence: oil income taxes as percentage of total income taxes.

[3] Production dependence: oil production as percentage of GDP.

[4] Trade dependenc: nominal import capacity; expressed as value of exports over value of imports, times volumes of exports.

Sources: Adapted from Banco de Venezuela (1970), and Dirección General de Estadística y Censos Nacionales (1971).

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of all, it is not surprising to find that the test data in Table 4 indicate that these democratic regimes enjoyed higher levels of economic development. The levels of income and productivity are higher for these regimes when they are lumped together and are compared to the Pérez Jiménez regime. On the other hand, the Pérez Jiménez regime enjoyed a signifiantly higher rate of capital formation than the *adeco* (Acción Democrática party) regimes; the decline in investment suggests a drop in the confidence of the private sector—both domestic and foreign—toward the democratic regimes. This lower level of investment and the flight of capital that it represents must have been a serious economic constraint affecting the adeco regimes.[50]

Further inspection of our test results—see Table 4—show that there is only one aspect of oil dependence for which there is no difference between the two types of regimes: fiscal dependence. Both types of regimes relied on oil income taxes to about the same extent and they were similarly dependent on oil taxes. This indicates that they had to be similarly concerned with the growth of the oil sector. Yet this growth seems to have been more disorderly under the Pérez Jiménez regime, as the other three indicators of dependence show. For whatever reasons, the tenure of the authoritarian regimes coincides with periods of heightened dependence on oil.

So our test data indicate that significant differences in levels of economic growth,

TABLE 4

Economic Development and Economic Performance under Authoritarian and Democratic Regimes, 1949–1968

Indicators	Means (A)	Means (B)	Standard deviations (A)	Standard deviations (B)	Value of F., test statistic	P <
(1) National income[1]	6,586	13,758	1,707	2,682	48.13	.005
(2) Gross Domestic prod.[1]	9,518	18,319	2,581	2,901	50.19	.005
(3) Per capita income[2]	1,143	1,651	167	133	57.28	.005
(4) Per capital GDP[2]	1,650	2,206	274	109	38.25	.005
(5) Investment ratio[3]	27.10	16.23	2.32	3.95	48.19	.005
(6) Export dependence[3]	94.64	93.39	1.60	1.60	4.71	.05
(7) Fiscal dependence[3]	73.25	71.69	10.62	4.35	.25	NS
(8) Production dependence[3]	29.16	24.77	1.15	2.37	23.16	.005
(9) Trade dependence[4]	71.40	95.26	36.20	23.70	4.34	.05

[1] Millions of bolívares.
[2] Bolívares.
[3] Percentages.
[4] For this indicator dependence is higher for lower values.
(A) Authoritarian regime: Pérez Jiménez (1949–1957).
(D) Democratic regimes: Trienio (1946–1949), Larrazábal-Sanabria (1958), Betancourt (1959–1963), Leoni (1964–1968).
NS = not significant.
All variables are measured in exactly the same manner reported in Tables 2 and 3.

investment, and oil dependence between the two types of regimes must have imposed a different set of economic constraints upon them. The test data show that the democratic regimes enjoyed a higher level of economic development than their predecessors, but that these regimes were not equally favored by high levels of investment. These regimes seem to have done a little bit more than the authoritarian regime of Pérez Jiménez to diminish the dependence on oil although the results of their efforts are perceptible only through rigorous statistical comparisons. Finally, one must realize that although the democratic regimes were concurrent with lower levels of dependence, these levels of dependence are still exhorbitantly high and our conclusions are stated in relative terms as a result of this. The difference sems to be between growth with high dependence—with the adecos—and growth with even higher dependence—with Pérez Jiménez.

The Political Economy of Oil. A thorough analysis of the politics of Venezuelan oil is clearly beyond the scope of this discussion. The "technical" aspect of such analysis would have to include a detailed inventory of (1) the pricing strategies of the international oil cartel,[51] (2) the structure of the world demand for oil and the manipulation of the levels of supply by the major oil companies;[52] (3) the merits of the argument about risk, development costs, and profits;[53] (4) the accounting practices of the oil industry;[54] (5) the control of sensitive information by the industry;[55] (6) the operation of the "netback" as the real determinant of supply[56]; (7) the question of "posted" versus observed prices;[57] and (8) the minimum profits at which oil companies will be willing to find, produce, export, and market the oil.[58] One basic difficulty is the fact that this type of analysis is beyond my competence and, on the other hand, there is hardly enough space to produce a tight synthesis of the political economy of Venezuelan oil. But these general guidelines can be utilized, at least tangentially, to impose some theoretical coherence upon our discussion. After all, Venezuela is a country where the companies tested many of the strategies that they later utilized in the Middle East, and the Venezuelan government—at least during the tenure of the democratic regimes—set the blueprint for the behavior of host governments vis-à-vis the oil cartel.

A summary description of the interaction between the regimes and the oil companies follows. The focus is on the fiscal and regulatory innovations introduced by the regimes, the counter-measures adopted by the industry, and the fiscal outcomes of the clash between the two—the analysis of which is conducted in Section V. Two important aspects are also included; first, the relative strength of the bargaining positions of the two main actors—government and industry—and, second, the principles and priorities that these actors invoked in order to maximize their actions. Our goal is to determine which of these regimes—given the market for Venezuelan oil, the conditions of the world market, and the regime's ability to implement its own policies—better maximized Venezuela's share in the oil profits. Following our description of the highlights of the oil policies of these regimes we will engage in extensive testing of a host of relevant indicators concerning this question.

The López Contreras Regime: 1938–1941. On August 5, 1936, a new hydrocarbons law was passed by the Venezuelan Congress. This legislation attempted to correct the chaotic situation created by the existing concessions which had been separately negotiated by the oil companies with Gómez under the 1922 hydrocarbons law. The 1936 legislation was utilized by Néstor Luis Pérez, López Contreras' development minister, to try to bring the industry under a closer scrutiny by the state and to try to maximize Venezuela's share in the profits of the industry. In these *desiderata* Pérez did not greatly differ from his adeco colleagues but his methods and ultimate success were modest since he was very much on his own.

Two attitudes characterized the position of the oil industry towards the regime. On the one hand, the companies tried to stand on their "legal grounds," invoking the principle that the existing regime of concessions had been legitimized by previous legislation which included the promise of no additonal taxes. They were able to defeat Pérez concerning the implementation of article 49 of the 1936 law. This article stipulated that the oil companies could no longer get a tax rebate for *all* of their imports but only for the importation of those goods not available locally. The companies took the government to court and they got a favorable decision from the Venezuelan Federal Court. The court bought the argument of the companies in its entirety and struck down all clauses pertaining to the import rebate. The second attitude of the industry, and the one which Venezuelans resented the most, was the violence and disrespect of the companies' protests.[59]

Pérez' diligence culminated in the 1938 hydrocarbons law which, ironically, cost him his portfolio. Having been extremely active in bringing the companies to trial for past wrongdoings, making the companies pay for illegal discounts, and trying to fiscalize and audit the volume and magnitude of all phases of production and exporting, Pérez finally tried to link up with his fellow conservative *lopecistas* in Congress in order to further institutionalize the policies of the regime. Most congressmen were annoyed because of what they considered to be a transgression of Venezuelan sovereignty on the part of the industry, and during the debates concerning this legislation no one dared stand up to defend the industry. There was also considerable pressure from public opinion. But the lopecistas believed they could not afford to follow the Mexican example and they wanted a corrective, not a radical, type of legislation.[60]

Armed with an opinion upholding their position regarding the legality of their previous concessions, the companies could afford to shrug off all of these efforts. They had all the land they would need for the foreseeable future, and they continued to operate under the 1922 law. López Contreras took stock of the companies' stubbornness and ability to resist these limited measures, and he dismissed Pérez shortly before the law was passed. One outcome of the law was to keep the companies from having to bid against newcomers—mostly independents—in order to get new concessions; the land they would need in the future was safely kept away from the competition as a result of the regime's decision—announced in January 1938—to

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grant no more concessions.[61] In summary, the oil companies had what they wanted, they had no need to negotiate anything with the regime, and they could fight in the courts whatever measures they did not like.

Taxes and royalties were raised during the López Contreras regime. As a result of the 1936 and 1938 laws, the schedules for exploration and initial exploitation taxes were raised, and the minimum level of royalties was set at 15 per cent. Some back taxes were collected through favorable court decisions.[62]

On the labor front the regime pursued a policy of limited paternalism. Labor unions were tolerated but labor activism was interpreted as politicking, and strikes were not tolerated. On January 22, 1937—to offer a concrete example—López Contreras settled a wildcat strike by the petroleum workers, declaring the strike terminated after he had granted a total of one bolívar in wage increases to the workers.[63] In July of that year several labor leaders—dubbed as "agitators" by the oil companies—were expelled from the Maracaibo area.[64] Also, and mainly as a result of the efforts of Minister Pérez, the companies opened up their private highways to the public and no more tolls were collected on these roads. The fences surrounding the oil fields also came down.[65] However, the appalling sanitary conditions of the camps did not show any immediate improvement because López Contreras refused to consider labor's complaints about living conditions.[66] To paraphrase Lieuwen, one could say that so it went, with the companies standing their ground and conducting a legalistic defense of their interests, and the government combining civic pride and public interest to try and get its due share.[67]

The Medina Angarita Regime: 1941–1945. If the López Contreras regime was ambivalent about its oil policies the Medina regime followed such a tortuous path in this respect that a concise analysis is extremely risky. Medina is a figure whom Venezuelan historians are still trying to understand. He tolerated the opposition, allowed parties to organize, engaged in limited collaboration with the communists, and even talked about agrarian reform. Furthermore, Medina got out of Caracas and showed himself in public quite often, going to the mobilization rallies organized to generate popular support for his policies. In one of his messages to Congress Medina announced that

> . . . the national government . . . purports to achieve a more just participation of the state in the exploitation of oil . . . [since] Venezuela ought to have a participation consonant with its ownership of the resources . . . [and if] not all of the anticipated results are obtained, the government . . . will proceed to vindicate what rightly corresponds to it. . . .[68]

But such strong language was not accompanied by a big stick because although Medina implemented a series of reformist measures concerning the oil question, these measures were not radical or innovative enough to be able to reverse the trends that were adverse to the national interest of the country and that Medina clearly understood. World War II had the initial effect of slowing down production and exports, and this severely affected the bargaining power of the regime. What went on was a precarious balancing act. The year 1942 is critical for understanding the oil policies of Medina. In June he received extraordinary powers to deal with the oil industry.[69] On July 16 development minister Aguerrevere announced the government's acceptance of the utilization of the price levels of the Gulf (east and west Texas) oil crudes as the criterion to determine the commercial value of the Venezuelan crude.[70] On August 3, he addressed a letter to President Roosevelt explaining his oil policies.[71] The letter served as an introduction for Medina's personal emissary, whose mission was the usual hat-in-hand type of lobbying effort carried out by delegations from dependent countries in Washington. This set the stage for what came later, the substantial deletion of the price of crude from the negotiations that were actively and privately pursued by the regime, the State Department, and oil industry representatives.[72] In brief, the oil industry was interested in a redefinition of the terms of existing concessions—which were to end in 1960—and the industry wanted new concessions.[73] The industry could not have picked a better time to get them.

Medina had to negotiate. Inheriting the consequences of the fiscal policies of his predecessor, Medina was watching government revenues shrink and, at first, he tried more of the same: pay cuts for public employees, cuts in programs of infrastructural development, new sales taxes and—when reserves got dangerously low—the floating of a public debt. So, at first, Medina did not take the shortest and most effective and equitable route: raise petroleum taxes. He preferred safer measures and this explains the apparent contradiction of a request for approval of a Bs. 68 million loan—sent to Congress in June of 1942—and the enactment of a program of fiscal reform affecting the oil industry, with the prospect of increased revenues, in 1943.

In February 1943, following the conclusion of secret negotiations between the executive and the oil industry, the Venezuelan Congress was hurriedly convened and the draft of a new hydrocarbons law unveiled. The maneuver was accompanied by the regime serving notice that the draft could not be amended in any form. The bill contained a number of long-awaited measures such as the mandate to expand local refining, increases in royalty and surface taxes, and a 2½ per cent levy on net company income—the latter a part of Art. 46 which created an income tax system for Venezuela. On the darker side of the draft were a number of disquieting clauses and missing elements from previous legislation. First, all pending litigation initiated by the state against the companies for tax evasion and fraudulent practices would be terminated.[74] Second, new concessions would be granted.[75] Finally—to keep the list short—there was no mention whatsoever of three specific measures that had mysteriously disappeared from the 1938 Law before it reached the desk of the executive for his signature.[76]

To summarize, Medina needed the companies as much as they needed him. By agreeing not to air the dirty linen, and by opening up a new cycle of concessions, Medina lowered the resistence of the companies to a uniform system of taxation; this was probably Medina's greatest accomplishment. However, it is clear that the com-

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panies—at least in the short run—got a lion's share of the benefits because, as is so characteristic of the oil industry when it is able to reset the conditions of its operation, production levels went up dramatically, the pipe that had been so hard to get appeared overnight, and all the minor difficulties aggravating the industry disappeared.

The Trienio Interlude: 1945–1948. On October 19, 1945, Medina was overthrown. According to Pérez Alfonso, those who overthrew Medina discovered that his regime had not supervised the enforcement of the 1943 Law very closely.[77] Prominent among the broad field of forces that supported the coup was the Acción Democrática party, which set out to rule the country under the scrutiny of the military. The coming to power of the AD implied that for the first time the most vocal advocates of a tougher oil policy would have the opportunity to implement such a policy. However, a revolutionary oil policy was not forthcoming. According to Rómulo Betancourt the men of AD "were not demagogues . . . [and] knew how to take a 180 degree turn."[78] But why such a turn? Weren't these the subversives who had been suppressed by two previous regimes? Betancourt offered the following rationale:

> We [AD] had always discarded the possibility to apply, in the beginning of a revolutionary oriented regime, a measure similar to . . . the . . . Lázaro Cárdenas [measure], because substantial differences existed between the situation of . . . [that] country when it nationalized its oil, and ours, . . .[79]

Mexican oil was important but it was not the cornerstone of the Mexican economy and Venezuela could not afford the cost of a similar policy because when Betancourt first came to power "practically the totality of the economy and a significant portion of the fiscal activity rotated around oil."[80] So Betancourt and his comrades though it suicidal to nationalize the oil industry and embraced the incrementalist approach of previous regimes. In principle they wanted to redress a situation in which

> . . . exceptional profits of the oil industry, based on public domain resources on which the standard of living and the economic, social and cultural betterment of Venezuelans depended . . . [represented] an unjustified profit contrary to the public interest and the general welfare.[81]

So, how did this differ from the similarly stated purpose of the López Contreras and Medina policies? What was new, if anything, about these policies?

The oil policies of the *trienio* were reformist and not revolutionary, and the main instrumental difference with previous regimes was the vigor with which the 1943 Code and existing tax laws were enforced. This incrementalism was not based on the traditional mentality of a López Contreras, nor on the mixture of prudence and progressivism of a Medina. The adecos were not going to abolish "free enterprise," but they were not going to put up with shoddy corporate practices. They had no doubts—at least at that junction—about the legitimacy of state interventionism in the industry, but they realized that they had to temper that interventionism.

According to Betancourt, the instrumentation of the oil policies of the regime would include:

1. Tax increases compatible with a capitalist framework and a market economy.
2. No more concessions and the creation of a state oil enterprise.
3. Direct royalty sales by the state on the open market.
4. Construction of a national refinery.
5. Reinvestment of a portion of corporate profits on agricultural projects.[82]

In contrast with previous regimes the Betancourt regime not only believed in the correctness of greater interventionism but also in the utilization of the profits derived from that interventionism in the development of the country. So the intent was to create what Wilkie calls the "active state" by utilizing the broad range of policy instrumentalities available at that time. In spite of this gradualism the regime projected a revolutionary image abroad and most of its policies had to be weighed very carefully.

But these policies were not especially difficult to implement. First, the regime was favored by good prices and increasing production, and it had the support of the military. Second, the industry—according to Lieuwen—was extremely apprehensive about the new regime but was reluctant to antagonize the government for fear this would worsen the situation. Third, world oil was going through a rapid expansion and the companies wanted to continue to increase Venezuelan output. So, if the Betancourt regime was more aggressive in the pursuit of its oil policies, it also had a much stronger bargaining position than that of previous regimes. Furthermore, the AD believed that the companies needed the oil, and that they would be willing and able to absorb the new "costs" created by raising taxes and employee wages.

The AD regime of the trienio differed the most from previous regimes in its labor policies. Labor Minister Raúl Leoni encouraged the formation of new unions and stood behind the workers' demands forcing the companies to recognize the unions and to deal with them. On June 14, 1946, the first collective contract was signed; later in the year, the Venezuelan Confederation of Labor was organized.[83]

But the area that the companies feared the most was the government's intention to enter the oil business. The best example of this came on the occasion of Pérez Alfonso's insistence that the companies pay 25 per cent of their 1948 and 1949 royalties in kind so that the government could take advantage of the high level of world demand. Lieuwen has well described the event:

> Standard and Shell found themselves in a truly embarrassing position. They could hardly offer more for the government's oil than the quoted market value of Venezuelan petroleum according to which case royalty payments were assessed. This would be tantamount to confessing they had deliberately undervalued the crude. But when the government . . . obtained (in spite of boycott attempts by the "majors") better than market prices . . . Standard and Shell were

presented with the threat that all the government's royalty oil would be sold to outsiders. Rather than permit this to happen, they agreed, in late 1947, to pay the government for the remainder of its royalty crude $.19 to $.24 more than the value placed on their own oil which came from the same wells.[84]

In summary, the strategies utilized by the adecos to maximize the Venezuelan share of industry profits during the trienio suggest that they were learning the oil business fast, and that they knew how to take advantage of every favorable juncture. But the regime failed in its attempt to secure at least 50 per cent of all corporate profits for the state.[85] This goal, which the adecos had made the cornerstone of their opposition to the oil policies of López Contreras and Medina did not materialize during the trienio.

Pérez Jiménez: 1949–1958. On November 24, 1948, the AD regime died by the sword of a military coup; the trienio experiment had ended. The event was well received by the oil interests, which took advantage of the opportunity to correct the tax "inequities" created by the Betancourt regime. The companies hurriedly assembled the "facts" so that they could impress their "difficult" situation upon the new regime. In June of that year J. E. Pogue, vice president of the Chase Manhattan Bank, visited Caracas. As if by magic, copies of a paper read by Pogue before a meeting of the Engineering Association of Caracas began to appear all over the country. Pogue's message was straightforward: Middle East oils were superior, Venezuela could not compete with cheaper oil producers, the 1948 Tax Law should be amended, new concessions should be granted immediately, and no more social and economic benefits should be extended to the workers.[86]In short, Pogue wanted Venezuela to become a cheap oil factory.

Like the three lawyers in García Márquez's novel, *One Hundred Years of Solitude*, who successively demonstrated that there had not been a bloody oil strike, that there had been no strike, and that there had not been a banana company in Macondo, Walter Dupouy—an executive of the Creole Petroleum Corporation—followed up Pogue's efforts with some fancy logic of his own. Dupouy argued that oil (1) was not responsible for the deterioration of Venezuelan agriculture; (2) that oil was not a factor in the decline of traditional Venezuelan exports; and (3) that the industry had no impact whatsoever on the massive rural exodus that was taking place.[87] These arguments do not sound so fantastic when one considers that Dupouy's leading assumption was that the oil industry was called upon to play a "modernizing role" similar to the role played by the *Compañía Guipuzcoana*—the Spanish monopolist concessionaire—during colonial times.[88] These arguments were seriously received by a regime that had just taken the Medina advisors out of retirement, giving them the portfolios they had held earlier, without these advisors ever cutting their ties with the oil lobby.[89] On May 9, 1949, development minister Aguerrevere stated in an article published in the Chicago *Daily News* and in the Washington *Evening Star* that the "new Caracas regime could afford to lighten the tax burden of the North

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American oil companies."[90] In other words, the regime was prepared to subsidize the growth of the industry.

As if to drive the point home, Creole, Shell, and Mene Grande had started to curtail their production of crude by 200,000 barrels or 15 per cent of their daily output. Pogue immediately advanced the explanation that the reductions were the result of "increasing competition and diminishing demand."[91] He also reiterated that it was imperative that the government grant new concessions so that companies could start exploratory drilling and thus increase the production-proven reserves ratio. In other words, the oil lobby wanted lower taxes and production costs, increased profits, and new land concessions. In due time they got everything they asked for. Either for fear of a flight of capital, or because of the desire to avoid a confrontation with "private enterprise," the regime relented.

Between 1949 and 1954 the tax "adjustments" of the Pérez Jiménez regime cost Venezuela a whopping Bs 4,508 million in revenue losses. According to Betancourt this represented the equivalent of two federal budgets. This occurred at a time when other oil producing countries were following Venezuela's initiative of the 50-50 sharing system, an initiative now rendered obsolete by the largesse of the regime.

The oil companies had to wait a little longer for the oil concessions but, as in other instances, they finally got what they wanted. On January 12, 1956, the Ministry of Mines and Hydrocarbons announced that concessions would be granted soon. On August 21 the concession-granting cycle began. Between that time and October 20, 1957, a total of 823,163 hectares were granted at a cost of Bs. 685 million.[92] It is interesting to note that, by 1960, two-thirds of these lands had been returned because of the increasing ability of the companies to pinpoint areas they wanted. The increased revenues from the concessions were reinforced by the higher prices brought about by the Suez crisis. The increases in revenues and expenditures were exhorbitant and the latter allowed Pérez Alfonso to come full circle in his hypotheses about the relationship between oil revenues, government expenditures, non-petroleum GDP, national income, and investment rates.

According to Pérez Alfonso, during the first few years of the Pérez Jiménez regime—say through 1954—the fiscal picture was not too promising as a result of regime policies but the situation was not critical because the growth of public expenditure had lagged behind the growth of national income and investment. This being the case, the level of public expenditures was not artificially inflated by a situation in which *real* economic growth was absent from the picture. But this was reversed beginning in 1956 when as a result of extraordinary revenues from the land concessions, the Suez crisis, and increased production, the growth of public expenditure far exceeded the growth of non-petroleum GDP, and national income. Moreover, this was taking place at the same time that investment was declining.[93] There was no doubt that through increased production the industry was effectively withdrawing larger and larger profits, offering the increasing size of oil revenues as a smoke screen to hide the lower proportion of profits left in the country.

During the Pérez Jiménez regime Venezuela initiated contacts with the Middle

East producers in an attempt to gain some leverage over the determination of crude prices in the world market. The regime also successfully resisted attempts to set up import quotas by the U.S.; the Venezuelan government was not alone in this effort, being a component of a coalition of (U.S.) State Department officials, oil lobbyists, the U.S. and Venezuelan Chambers of Commerce, and the large dailies of the northeast. Against them were the independent (oil) producers, and interests of the coal sector.

In summary, the Pérez Jiménez regime was cowed by the necessity to become an efficient producer of oil, holding the line of production costs and giving the industry the benefit of the doubt in the absence of a well articulated set of policy instruments. The regime undoubtedly surpassed the López Contreras and Medina regimes in its laissez-faire attitude toward the industry. Probably corruption had a greater impact on the formulation of oil policies in this regime than in the preceding ones, with a number of officials maintaining close ties with the industry they were supposed to regulate. The characterstic stance of the regime was to temper its desire to increase the country's share of the sector with its fear of driving out the investors. In light of subsequent policies enforced by the AD, the belief that foreign oil producers would not tolerate very high rates of taxes was mythical. Pérez Jiménez utilized oil to operate on a grand scale but willingly or unwillingly his regime was "taken" by the oil companies. Under the Pérez Jiménez regime, the most primitive form of capitalist development took over the growth of the oil industry, and its regulation by the government was the most limited of all the regimes.

AD: The Second Round, 1959–1968. On January 23, 1958, the Pérez Jiménez regime was overthrown. This time the oil companies expressed no satisfaction whatsoever. A provisional regime was organized under the leadership of Rear Admiral Wolfgang Larrazábal. The brief Larrazábal regime did not pass without making its own little forays into the oil arena. The Pérez Jiménez concessions were investigated, the Income Tax Law was amended to raise the level of taxation, discussions took place with the U.S. Undersecretary of State for Economic Affairs about upcoming U.S. oil import quotas and, finally, presidential elections were held. On December 19 the transitional regime of President Sanabria increased (oil) income tax rates to 46 per cent of net earnings in addition to the cedular income tax of 1.5 per cent. This implied that if the foreign oil companies wanted to continue to operate in Venezuela they would have to pay the state approximately 66 to 67 per cent of their gross profits.[94]

The coming to power of the Betancourt regime, as a result of the 1958 presidential election, was followed by a series of momentous events and decisions. First, in early February 1959, prices began to decline for Venezuelan and Middle East crudes —the latter by a greater magnitude. Second, stable posted (crude oil) prices in the U.S. signaled the breakdown of the international price structure. Third, on March 10, President Eisenhower issued a proclamation establishing mandatory controls of oil imports to the U.S. Fourth, as a result of the above, secret consultations began in April between Venezuela, Iran, the United Arab Republic, and Kuwait toward the establishment of an oil consultation commission. Fifth, Minister Pérez Alfonso spent a great part of the month of May explaining the oil policies of the Betancourt administration to the United States officials, the Venezuelan business community, and the country at large. The year finally came to an end but not without the Betancourt regime having negotiated a short-term Bs. 300 million loan.[95] Had they been trying to put the Betancourt regime in a most difficult negotiating position the oil companies could not have written a more effective scenario. Whether by chance or collusion the companies had managed to put on the squeeze.

The year 1960 was a still more difficult year for the Venezuelan government. Prices fell; import quotas limited large increases in production; oil revenues declined. The advice of a mission from the International Bank for Reconstruction and Development sounded familiar: maintain the industry competitive, decrease the tax rate, abandon the plans to create a government petroleum corporation, etc. In summary, the Report read at times like a carbon copy of the arguments of the oil industry, the same arguments of 1943 and 1949.[96] The Report forgot to mention that part of the decrease in demand was really a result of the recessions that some of the industrial nations were going through at the time. This had the complicating effect of creating an adverse trade situation for Venezuela which could not be reversed until 1963.[97] But the regime stood firm. On April 19, 1960, the Venezuelan Petroleum Corporation (CVP) was created. On August 9, ministerial resolution 994 warned the oil companies that abnormal discounts for production sales would not be tolerated. On August 12 the government shut down production of companies found in violation of Resolution 994. On September 14, following a series of high level meetings in Baghdad, the Organization of Petroleum Exporting Countries (OPEC) was created. To complete the hardening of the government posture on the oil question a new Constitution was adopted on January 23, 1961. The express power to operate and administer the oil resources was vested in the state, and "under no circumstances" could new concessions be granted unless authorized by the National Congress. On February 13 the Income Tax Law was amended once more, placing the oil industry on a "pay as you go" schedule. On March 19 the regime introduced exchange controls maintaining the oil dollar rate and on June 29 Congress enacted emergency legislation to deal with the economic crisis.[98] The regime had thus availed itself of all possible policy and procedural instruments to carry on not only its policies regarding the oil question but also the fiscal adjustments required by the adverse conditions in which the country found itself. As if to remind the companies that things could still be worse President Betancourt declared in March 1963 that there would be no nationalization. In summary, the five years of the second Betancourt regime showed that the Venezuelan economy and a resolute regime could overcome adverse conditions without having to renounce a large share of the oil profits; a nationalistic oil policy was viable, in spite of the protests and lamentations from the industry.[99]

When the Leoni regime came to power in March 1964 the country had not yet turned the corner, but Leoni continued to pursue the mixture of short-term incrementalism and long range transformations that had come to characterize the oil policies of the Betancourt administrations. In his inaugural address Leoni announced that the principle of "no more concessions" would be upheld and that service contracts would be the basis for future development of the private sector of the oil industry.[100] Under his leadership the CVP extended its activities to distribution and exports. But the oil policies of Leoni did not take place in an uneventful situation. The U. S. reimposed import quotas in 1966 and, also in that year, the Leoni regime had to moderate an ambitious reform of the tax system which was bitterly opposed by the Venezuelan Chamber of Commerce (FEDECAMARAS). The oil companies continued to fight the expansion of the government role in the industry by taking the government to court—this time with negative results for the companies—and by stalling or refusing to sign service contracts with CVP. Leoni continued to utilize OPEC to protect prices, and the 1966 Middle East "Seven Days" War bolstered the bargaining position of his regime. He also received considerable congressional support for his oil policies, which enabled him to present a common governmental position against the companies.

V

This description of the oil policies of military and civilian regimes in Venezuela, which is not intended as a definitive statement on this matter, indicates that two different sorts of principles were endorsed by those administrations with respect to government participation in the oil industry. The fact that oil constitutes such a critical component in the national economy of the nation suggests that these policies had to produce a significant contrast in the manner in which the state utilized this basic resource under the two types of regimes. The military, especially Pérez Jiménez, seemed to have followed a line of contentment with whatever level of resources were generated by a modest ,"low-risk" governmental share in the profits of the industry. Impressed with the argument that the industry had to remain "competitive" and that the companies could not shoulder a heavy tax burden, the military converted the arguments and protestations of the industry into government policy most of the time, in spite of the efforts of men like Néstor Luis Pérez and Manuel Egaña. In contrast, the adecos assumed that the companies would always find the business profitable and that, short of nationalization, they would resist but finally accept larger and larger tax rates and more governmental regulation. They set out to make the costs that the policies would have for the companies tolerable by not launching an all-out attack on them. Instead they enacted one measure after another, trying to maintain the calculus of the implied costs away from a zero-sum condition for the companies, while in looking at the behavior of the companies throughout the entire period it seems as if the companies had always tried to beat the clock of increasing governmental regulation by utilizing many strategies to impress their viewpoint on the government.

We could retouch the picture suggested by the above description with the stochastic series presented in Table 5 and 6. Unfortunately, data are not available for the entire period of analysis; reliable estimates of company earnings are not available prior to 1947, and a similar situation concerns the export data. The available export data suggest a gradual decline of the Venezuelan share of the U. S. imports, modest increases and a gradual stabilization of the Venezuelan share of U.S. total demand, and an apparently irreversible increase in prices. The behavior of the first indicator is much less definitive although there is no question that the United States was the main consumer of Venezuelan oil exports. With respect to the market situation the data in Table 5 suggests long-term trends rather than wild fluctuations. Finally, the price structure seems to have been increasingly favorable.

Turning to the data of Table 6, which refers to the revenue outcomes of the

TABLE 5

Characteristics of the Market for Venezuelan Petroleum, 1946–1968

Year	U.S. share of Venezuelan exports[1]	Venezuelan share of U.S. imports[1]	Venezuelan share of U.S. demand[1]	Unit export price[2]	Unit sale price[2]
1968	41.7	48.6	10.4	52.77	53.08
1967	42.3	54.7	11.0	52.52	52.84
1966	45.3	54.7	11.7	52.74	53.03
1965	42.9	55.1	11.8	53.47	53.49
1964	41.8	57.9	11.9	54.22	54.21
1963	41.3	58.0	11.4	40.35	40.82
1962	42.4	59.6	11.9	41.21	41.61
1961	43.1	60.1	11.5	42.37	42.82
1960	44.6	63.9	11.8	42.40	42.73
1959	44.1	62.2	11.4	44.48	44.54
1958	44.7	64.0	11.6	49.88	49.28
1957	42.2	68.1	11.4	52.28	52.16
1956	39.2	64.3	10.0	46.78	46.23
1955	40.0	65.7	9.3	46.22	45.66
1954	38.8	67.3	8.7	46.48	46.01
1953	38.7	63.3	8.2	44.95	44.72
1952	36.0	64.8	8.0	42.02	41.98
1951	39.0	71.3	8.1	41.93	41.53
1950	45.1	71.8	9.0	40.73	40.98
1949	43.2	75.1	7.9	38.25	38.32
1948	39.9	91.1	7.6	43.08	42.93
1947	39.7	90.5	6.7	32.81	33.10
1946	40.8	98.8	7.0	25.10	N.A.

[1] All oils, in percentages of millions of barrels.
[2] Bolívares per cubic meter.
Sources: Adapted from: Ministerio de Minas e Hidrocarburos (1963: 85, 120), (1969: 104, 150, 172), and American Petroleum Institute (1971: 283–85).

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petroleum policies of the 21 years included in the series, there can be little doubt that the adecos collected more per unit of production, and that they took larger shares of company profits. However, it is equally clear that the companies continued to make considerable profits.

But all of these are impressionistic and require more rigorous testing, and also much of the foregoing discussion is based on the testimony of some of the principal actors who are, of course, biased. So we have to conduct more scientific comparisons. The question we are trying to answer is, "Who was more effective—regardless of

TABLE 6

Revenue Outcomes of Petroleum Policies in Venezuela, 1947–1968

	Public Sector			Private Sector	
Year	Unit taxes[1]	Unit excess taxes-profits[2]	Outcome of 50/60 rule[3]	Unit net profits[4]	Net profits as % total income[5]
1968	25.95	13.31	68/32	12.64	23.7
1967	26.01	13.78	68/32	12.33	22.6
1966	24.45	11.68	66/34	12.77	23.7
1965	24.24	11.17	65/35	13.07	24.2
1964	24.44	12.00	67/33	12.44	22.7
1963	17.73	8.83	67/33	8.90	21.4
1962	17.45	8.33	66/34	9.12	21.3
1961	16.80	8.08	66/34	8.72	19.8
1960	16.09	8.35	68/32	7.74	17.6
1959	17.51	9.21	68/32	8.30	18.3
1958	19.93	9.24	65/35	10.69	21.1
1957	18.24	1.04	52/48	17.20	32.8
1956	15.96	1.17	52/48	14.79	31.0
1955	14.71	1.05	52/48	13.66	29.1
1954	14.33	1.50	53/47	12.83	26.5
1953	14.67	2.36	54/46	12.31	25.8
1952	14.71	2.69	55/45	12.02	27.0
1951	14.64	2.51	55/45	12.13	27.3
1950	11.75	.59	51/49	11.16	25.9
1949	13.77	4.59	60/40	9.18	22.6
1948	16.56	2.96	55/45	13.60	30.0
1947	11.82	1.04	52/48	10.78	31.1

[1] Total taxes, in bolívares per cubic meter.
[2] Derived by subtraction, unit excess = unit taxes — unit net profits.
[3] Total state participation through taxes and royalties divided by net profits.
[4] In bolívares per cubic meter.
Source: Adapted from: Ministerio de Minas e Hidrocarburos, (1963: 117, 120), (1969, 53, 136, 150).

rhetoric and intent—in getting a larger share of industry profits for Venezuela?" We are also trying to ascertain who was in a better position to do so in the light of the condition of the market.

The answers to these two questions are provided, in reverse order, by the data of Table 7. First and foremost, *price was not a factor* affecting the comparative ability of these regimes to draw more resources from the industry. This means that, on the average, the price sttructrue was not more favorable to either of the two types of regimes. Second, U.S. demand for Venezuelan oil was at a somewhat larger level during the democratic regimes—in spite of the import restrictions imposed in 1958—and the Venezuelan share of the total U. S. demand was also higher. This indicates that, on the average, the adecos enjoyed a better market at least as far as the United States is concerned. The conclusion is that, had the adecos been willing to maximize oil revenue, they would have been in a better position to do so. This finding contradicts the conventional wisdom about the impact of the oil bonanza of 1956–1957 to the extent that this was a temporary phenomenon over which the Pérez Jiménez regime had absolutely no control. If Pérez Jiménez banked on a seller's market to increase his level of revenue our data shows that this was a bad time to do so. In sum-

TABLE 7

Market Conditions and Revenue Outcomes of Petroleum Policies, 1947–1968

Indicators	Means (D)	Means (A)	Standard deviations (D)	Standard deviations (A)	Value of F., test statistics	P <
(10) U.S.share of Venezuelan exports[1]	42.48	40.24	1.75	2.77	5.68	.05
(11) Venezuelan share of US imports[1]	65.66	67.97	15.71	3.99	.18	NS
(12) Venezuelan share of US demand[1]	10.55	8.96	1.92	1.15	5.00	.05
(13) Unit export price[2]	44.81	44.40	8.57	4.16	.02	NS
(14) Unit sales price[2]	46.50	44.18	6.60	4.03	.88	NS
(15) Unit taxes[2]	19.92	14.75	4.57	1.72	10.34	.05
(16) Unit excess, taxes over profits[2]	9.08	1.94	3.70	1.24	30.69	.05
(17) Outcome of the 50/50 rule[3]	64.69	53.78	5.12	2.73	33.85	.05
(18) Unit net profits[2]	10.85	12.81	2.07	2.27	4.43	.05
(19) Net profits as percentage of total income	22.88	27.56	3.95	3.03	8.88	.05

[1] Percentages.
[2] Bolívares per cubic meter.
[3] Measures government participation only.
(D) Democratic regimes: Trienio (1946–1948), Larrazábal-Sanabria (1958), Betancourt (1959–1963), Leoni (1964–1968).
(A) Authoritarian regime: Pérez Jiménez (1949–1957).
NS = not significant.
All variables measured in exactly the same manner reported in Tables 5 and 6.

mary, with prices not making any significant difference the market gave the adecos a comparative advantage over Pérez Jiménez.

The results of Table 7 indicate that the adecos maximized revenue to a much larger extent than Pérez Jiménez. As a matter of fact, all three of our indicators indicate that this was the case. The adeco regimes got more per unit of production, and they were getting larger shares of net company profits. The data also show that the oil bonanza of the Pérez Jiménez regime was a bonanza of profits for the oil industry.[101]

In summary, the analysis presented in Sections IV and V concerning economic growth, dependence, oil market conditions, and revenue outcomes indicates: (1) that the adecos had more available economic resources at their disposal; (2) that during the adeco regimes dependence was curtailed by small but significant amounts; (3) that the adecos had more trouble promoting capital investment; (4) that the adecos enjoyed a more favorable market; and (5) that they were the more efficient maximizers of Venezuelan participation in the profits of the oil industry. This leads me to conclude, without any methodological or theoretical reservations, that the adecos were in a much better position to finance the emergence of an active state in Venezuela.

The data suggest that whatever merits the oil policies of the military regimes may have had, the more important was a high rate of capital investment. This seems to indicate that the Venezuelan military embraced, in following this policy, the notion of a favorable investment climate as a top economic priority. But the data underline the riddle created by this policy. If the military did not want to touch their oil policy and they wanted to generate growth they had to wait for high prices and high volumes of production to generate this growth. But this was the time when the country paid dearly for this policy since the oil companies were able to extract enormous profits in that situation. What the policy represented was really a futile attempt to capture some of this wealth to direct it to other sectors. And in this the government had a difficult time because it did not control prices, nor did it determine production levels, nor did it desire to raise taxes. The sheer wealth of the country allowed the government to exercise this minimum-effort option at a considerable cost.

Of related interest but clearly beyond the scope of the present discussion are the findings concerning the fact that (1) Venezuela was, throughout the entire period, a reliable supplier of oil to the U.S.;[102] (2) that the oil companies were able to assimilate the higher taxes and labor costs, maintaining a high level of profits;[103] (3) that the companies adopted more aggressive tactics during the negotiations with authoritarian regimes; (4) that the companies shifted their tactics to a manipulation of prices, levels of production, and lower levels of investment in order to more effectively resist increasing governmental regulation; and (5) that under no streach of the imagination can the political economy of Venezuelan oil be conceptualized as a zero-sum game between the industry and the government—regardless of who was in power.

Our next logical step is to analyze what the adecos did with all their extra revenues.

VI

Defending his approach to budgetary research Wilkie maintained that the analysis of public expenditures can be conducted in political as well as social or economic terms.[104] I believe that Wilkie was basically correct in this observation and much of what follows is based on this belief.

In terms of the magnitude of its fiscal operations, the active state could be operationally defined as "a state that extracts large amounts of resources from its economic environment in order to maintain a high level of available public goods and services through public consumption expenditures." In one sentence, the active state could be defined as a state that does not practice fiscal conservatism.

An operational test of this definition is presented in Table 8. The test results are congruent with our previous findings concerning a more efficient maximization of revenue by the adecos which gave them a greater capability to promote the active state. This is reflected in the significantly higher levels of revenues and expenditures of the adeco regimes, and also in the significantly higher proportion of GDP accounted for by adeco expenditures. On the other hand, three indicators that measure the monetary outcomes of the overall fiscal effort of the state—budgetary balances, treasury reserves, and level of public debt—offer inconclusive evidence. Test data for these indicators suggest that, in Venezuela, the active state was not coterminous with significantly more deficit financing nor with lower treasury reserves although it accumulated a significantly higher level of public indebtedness. If fiscal conservatism is characterized—among other things—by no deficit financing and idle treasury balances, then these two types of regimes were similarly conservative. However, the data

TABLE 8

Overall Fiscal Performance of Venezuelan Regimes, 1938–68

Indicators	Means (A)	Means (D)	Standard deviations (A)	Standard deviations (D)	Value of F., test statistic	P <
Actual government revenue[1]	1,119.59	3,163,93	880.69	1,282.72	27.53	.005
Total central government expenditure[1]	1,063.06	3,178.21	810.10	1,277.03	31.42	.005
Budgetary balance[1]	57.24	— 27.93	256.26	214.62	.98	NS
Treasury reserves[1]	256.06	355.14	363.94	208.93	.97	NS
Outstanding public debt[1]	132.13	1,053.71	181.37	625.87	29.90	.005
Total central government expenditures as % of GDP[2]	16.39	21.69	2.00	2.41	27.74	.005

(A) Authoritarian regimes: 1938–1945, 1949–1957.
(D) Democratic regimes: 1946–1948, 1958–1968.
[1] Millions of bolívares. Deflated with the wholesale price index.
[2] 1949–1968.
NȘ = not significant.

do not belie that the adecos engaged in deficit financing; they only suggest that the adecos did not utilize this technique to any greater extent than the military did. The same applies to treasury balances. In conclusion, the test results largely confirm our hypothesis about the magnitude of the active state but we must now assess the problem of the type of active state that was promoted by these adeco regimes as evidenced by their patterns of budgetary expenditures.

But before we can do this, one more factor should be considered. That involves two important aspects of budget analysis: first, the question of the aggregation of expenditure categories and, second, the question of what constitutes a better measure of prorities.

Wilkie attracted some criticism for his decision to conduct his analysis of federal expenditures in terms of three major categories: administrative expenditures, social expenditures, and economic expenditures. These categories allowed Wilkie to discern the priorities of different Mexican regimes and to characterize the top priorities associated with a particular period of the Mexican Revolution. The literature suggests that although the type of aggregate categories created by Wilkie are at variance with those of other researchers—none of whom, by the way, utilize the same type of aggregation—this has become a widespread practice in budgetary research.[105] I believe that this is a viable approach and that, moreover, each category of public expenditure identifies an underlying arena of government policy. However, I also believe that in creating an aggregate categorization of these different expenditures the budget analyst should be aware of three relevant issues. First, Pryor has warned us that certain categories of public expenditures may be mutually exclusive, and that considerable information is lost in any type of aggregative approach.[106] For instance, in terms of the question of the similarity of policies being lumped together through an aggregation of the expenditures that support such policies, I believe it is erroneous to lump the expenditures of the Ministry of the Interior together with other types of administrative expenditures. This ministry performs a function of regulation of domestic political activity and, consequently, the nature of this function is very different from the administrative nature of the other ministries that can be assigned into this category. In short, the analyst should try to create truly homogeneous categories. Second, it would be useful to have an idea of the variance of each single category of public expenditures in order to determine how much such variance will contribute to the variance of a larger category. The reason is that different categories are likely to vary at different rates through time and it could be possible that, out of the six or seven categories comprising one larger category, only one or two individual categories may be making a significant contribution to the total variance of the larger category. Finally, one should always beware of not using categories that are far too different from the categories utilized by budgetary decision makers. For instance, a PPB (Planning-Programming-Budgeting) type of analysis should never be used in connection with budgetary systems that do not utilize PPB. In the case of Venezuela the *Contraloría Nacional*,[107] the *Banco Central*,[108] the Central Planning Office,[109] and the Treasury[110] have utilized the aggregate method since the early 1960s. However, previous regimes did not utilize this method and, evidently, their budgetary decision makers were not allocating their resources in terms of the criteria utilized by their more contemporary colleagues. This will largely prevent the use of aggregate categories in our analysis although I must stress the point that I do not condemn this approach as long as it is not overdone. On the other hand this inability to aggregate the categories of Venezuelan public expenditures will not curtail our ability to make inferences about the policy implications of the patterns of particular categories of expenditures.

The question of the impact of public expenditures appears to be, on first impression, a moot question. Budgetary expenditures tend to grow over time, so why worry about whether or not a particular regime outspent its predecessors? The answer is in three parts. First, there is considerable disagreement about what causes public expenditures to grow.[111] We could repeat our previous considerations about alternative models of policy analysis but the essential point here is that certain expenditures may not grow greatly over time and there may be cases when expenditures are cut back. Second, policy priorities are not only discernible through the percentage of the budget that is allocated to every single category, but also through the absolute amounts spent in such categories. It is quite possible, as shown below, that the *impact* produced by the absolute and per capita amounts spent in one category differ from the *outcome* represented by the percentage spent in the category. In other words, the differences in outcomes must not necessarily follow differences in impact, and vice versa. The implication is that analyses of the differences in impact cannot be lightly dismissed as a methodological overkill. Third, the active state—like any other product of human growth—is not irreversible or indestructible, and one regime may set out to destroy and/or nullify the impact of the policies of a previous regime. Finally, the analyst should never lose sight of the very important question of how much a particular regime has contributed, as a result of its own initiatives, to the outcomes and impacts of a particular category of public expenditures. Consider the case of the Nixon administration. This administration has spent—in spite of its own claimed efforts to phase them out—more money in social welfare programs than the Kennedy and Johnson administrations. And, would it not be ironic that one hundred years from now a budgetary analyst discovers that Mr. Nixon was the champion of welfare reform in the United States? The moral of this case is that regimes may create outcomes and impacts that are not a result of their own priorities. Because of these kinds of considerations it seems most appropriate to follow a manifold approach to the question of policy priorities. In more specific terms, this translates as the need to compare policy priorities in terms of absolute and per capital *impacts* as well as in percentage *outcomes*. It will expand on the distinction between *impact* and *outcomes* in the analysis that follows.

Priorities as Impact.—The greater impact of the budgetary policies of the adeco regimes is demonstrated by the test results presented in Tables 9 and 10. With minor exceptions the results indicate that when the effects of inflation and population growth —two causes of the growth of public expenditures—are accounted for, the adecos are still ahead of the military. Table 9 shows that the adecos spent more in twelve out of thirteen categories; the exception was the Ministry of Justice, the expenditures of which show no significant fluctuations between authoritarian and democratic regimes. In every conceivable category of administrative, social, and economic expenditures— to paraphrase Wilkie—the adecos spent more. Incidentally,the greater adeco expenditures in each of these categories suggest that any combination of the categories is likely to produce the same results. This means that, in this particular case, no additional knowledge would have been gained by the aggregative approach. On the other hand, we can make inferences concerning the greater impact of the "law and order" policies of the adecos as indicated by the behavior of the expenditures of the Ministry of the Interior. We could do the same with any other category of public expenditures for which there are statistically significant differences. In this sense, it is significant that the democratic regimes spent considerably more not only in categories suggesting an activist orientation in the areas of social and economic policy but also in areas of administrative policy as well. Thus, we observe greater adeco impacts in development, public works, education, welfare and health, agriculture, and communications but we also observe greater impacts in the treasury, foreign relations,

TABLE 9

Absolute Impact of Ministerial Expenditures of Authoritarian and Democratic Regimes in Venezuela, 1938–1968

Expenditure categories	Means (A)	Means (D)	Standard deviations (A)	Standard deviations (D)	Value of F., test statistic	P <
(1) Total ministerial expenditures:	982.35	3,291.88	693.12	1,301.84	39.96	.005
(2) Interior:	215.30	686.98	19.66	167.97	53.53	.005
(3) Justice	83.75	114.19	54.18	49.37	2.62	NS
(4) Foreign Relations:	9.49	22.63	4.98	8.33	29.59	.005
(5) Treasury:	93.24	376.22	74.50	221.36	24.56	.005
(6) Defense:	88.31	315.19	58.81	142.60	35.85	.005
(7) Development:	61.68	144.39	62.05	79.00	10.67	.005
(8) Mines and Hidrocarbons:	34.61	77.89	34.31	32.46	7.29	.025
(9) Public Works:	310.74	750.08	253.65	307.42	19.03	.005
(10) Education:	55.37	317.33	32.22	187.20	32.36	.005
(11) Welfare and Health:	57.13	243.14	40.12	116.65	38.01	.005
(12) Agriculture:	52.76	234.43	22.21	97.24	56.17	.005
(13) Labor:	13.44	29.27	3.43	13.21	12.21	.005
(14) Communications:	53.04	144.87	39.00	53.70	30.37	.005

(A) Authoritarian regimes: 1938–1945, 1949–1957.
(D) Democratic regimes: 1946–1948, 1958–1968.
NS = not significant.
All figures in deflated millions of bolívares.

and the like. In short, the active adeco state was active in all policy fields—including the control of domestic political activity, as indicated by greater impacts of the expenditures of the Interior Ministry.

When one looks at Table 10, the conclusions are largely the same: (1) no differences for the categories covering Justice, and Mines, and Hydrocarbons; and (2) significant differences suggesting greater adeco impact in all other categories. In other words, per capita adeco impact was also greater. But, so what? What is so significant about the fact that the type of regime that could spend more did, in effect, spent more? What is so significant about the greater impact of the adeco expenditures?

The adeco had more resources because they wanted more and made a greater effort to get more. They did not wait for nature to take its course; they did not wait for economic growth to automatically increase the revenues of the state; they did not wait for the oil production to increase—and generate a higher amount of taxes—as a result of the inscrutable designs of the oil industry. Sure, the adecos greatly benefited from all of these things, but, primarily, they had more resources *as a result of their initiative* to raise oil taxes and thus increase the share of the Venezuelan state in company profits. By doing this they were able to get more and, then, as a result of this, they were able to spend more. In summary, *the first priority of the adecos was to*

TABLE 10

Per Capita Impact of Ministerial Expenditures of Authoritarian and Democratic Regimes in Venezuela, 1938–1968

Categories	Means (A)	Means (D)	Standard deviations (A)	Standard deviations (D)	Value of F., test statistic	P <
(1) Total ministerial expense per capita:	184.53	421.07	98.22	115.65	37.95	.005
(2) Interior:	36.57	81.91	1.13	10.88	118.16	.005
(3) Justice:	18.76	18.00	12.13	14.12	.02	NS
(4) Foreign Relations:	2.00	3.00	.71	.68	15.90	.005
(5) Treasury:	17.41	48.29	10.56	25.54	20.68	.005
(6) Defense:	16.76	39.57	8.09	13.32	34.54	.005
(7) Development:	11.00	20.71	9.66	11.94	6.28	.025
(8) Mines and Hidrocarbons:	5.57	9.73	5.22	5.10	2.79	NS
(9) Public Works:	56.94	97.64	38.07	34.98	9.43	.005
(10) Education:	10.65	38.79	4.66	17.29	41.63	.005
(11) Welfare and Health:	10.65	30.21	6.06	10.55	41.91	.005
(12) Agriculture:	11.71	30.29	4.11	9.37	54.42	.005
(13) Labor:	2.33	3.79	.50	1.25	10.85	.005
(14) Communications:	9.94	19.14	5.57	6.24	18.80	.005

(A) Authoritarian regimes: 1938–1945, 1949–1957.
(D) Democratic regimes: 1946–1948, 1958–1968.
NS = not significant.
All means and standard deviations in bolívares.

spend more and, in order to meet this priority, they had to get more. They did not change the dependence of the Venezuelan economy in the meantime nor did they correct the inequities of dependent capitalism. Nor, for that matter, did they put the oil companies out of business. But in terms of the fiscal policies they implemented they were in a better position to create the active state in Venezuela and they did just that. Their incrementalist strategies suggest that they could have probably done considerably more—and that they deserve a lot less credit than they claim—but they did significantly more than the military. The military, after all, could have raised taxes to levels comparable to the adecos'—and in that case the results of these comparisons would have been very different—but they followed a different strategy and the result of that strategy was a slower rate of growth of public revenue and expenditures. The importance of this is that regardless of the discrepancies in priorities that may have existed between the two types of regimes, the greater impact—both in absolute and per capita terms—of the adeco regimes obliterate any other interpretation of the question of priorities. In other words, regardless of their own preferences and priorities the military could not attach a significant impact to any of them. After all, priorities are not only a question of percentage *outcomes*—that is, the shares allocated to particular categories—but also a question of increases in magnitude. A shift in *outcome* without a shift in *impact* is not a significant shift at all. Finally, the active state is not merely a state that shifts oucomes away from administrative expenditures—as Wilkie has suggested[112]—but one that generates a high level of resources for these priorities; one that supports these priorities with considerable financial resources. And irrespective of the implications that this interpretation may have for budget analysis the findings suggest that, unlike its Mexican counterpart, the Venezuelan active state was democratic.

Priorities as Outcomes.—Probably the most startling result of our analysis of the differences in priorities between the two types of regimes is produced by the data of Table 11. Following the Wilkie strategy of comparing priorities through percentage outcomes of total expenditures, we find significant differences only in connection with four categories. In terms of this approach, there are only four areas for which the differences between the percentages of the budget allocated to the individual categories by the two types of regimes are statistically significant. The categories in question are: Foreign Affairs, Education, Welfare and Health, and Communications. The first category could not be more innocuous; the other three are more attractive from a policy priorities standpoint. The higher shares of expenditures for education and health and welfare of the adecos could be utilized to underline the social welfare orientation of these regimes. However, although the shares are significantly higher, the size of the differences is small. On the other hand, the higher proportion of expenditures in communications by the military regime are very much the result of a national railroad plan and a crash program of highway construction by the Pérez Jiménez regime.

But, all in all, these results are disappointing in that only four of the twelve

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categories of expenditures that were compared in terms of their percentage outcomes indicate any significant differences in priorities between the two types of regimes. The results suggest that of all policy changes that must have occurred in Venezuela in the transition from military rule to democratic politics there were only four cases, four policy arenas, in which these changes were accompanied by changes in percentage outcomes. A more cynical and possible interpretation is that only four changes really took place. One could try to rationalize these findings exaggerating the importance of the four categories for which significant differences were found; indeed, three of the four categories suggest changes in priorities in fairly relevant areas of social and economic policy—greater concern with human development on the part of the adecos and greater concern with the development of the physical infrastructure on the part of the military. While this is also possible I would prefer to contrast the findings of the priorities-as-outcomes analysis of Table 11 with the findings of the priorities-as-impact analysis presented in Tables 9 and 10. And I would like to compare these results in terms of the following considerations. First, the result of the priorities-as-outcomes analysis are congruent with the findings of Pryor, the conclusions of the Anderson study of Spain, and my own findings concerning the Cuban case. If the findings are reliable they would offer additional evidence that there are not significant differences between the budgetary priorities of authoritarian and democratic regimes. This is one distinct possibility and the findings of the priorities-as-outcomes analysis are offered as such.

TABLE 11

Percentage Outcomes of Ministerial Expenditures of Authoritarian and Democratic Regimes in Venezuela, 1938–1968

Categories	Means (A)	Means (D)	Standard deviations (A)	Standard deviations (D)	Value of F., test statistic	P <
(1) Interior and Justice:	20.59	19.62	5.11	2.77	.40	NS
(2) Foreign Relations:	1.32	.75	.43	.23	19.38	.005
(3) Treasury:	9.30	11.38	1.99	4.57	2.88	NS
(4) Defense:	9.41	9.20	1.09	1.21	.26	NS
(5) Development:	5.15	5.53	2.40	3.69	.12	NS
(6) Mines and Hidrocarbons:	1.85	2.00	1.54	.92	.07	NS
(7) Public Works:	27.06	23.23	9.29	4.34	2.00	NS
(8) Education:	6.13	8.96	.80	2.87	15.25	.005
(9) Welfare and Health:	5.64	7.02	.63	1.27	15.47	.005
(10) Agriculture:	7.50	7.14	3.58	1.11	.13	NS
(11) Labor:	.87	.91	.09	.19	.29	NS
(12) Communications:	5.39	4.69	.51	1.11	5.43	.05

(A) Authoritarian regimes: 1938–1945, 1949–1957.
(D) Democratic regimes: 1946–1948, 1958–1968.
NS = not significant.

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A second possibility is that the dichotomous scheme utilized throughout the analysis—the distinction of authoritarian versus democratic—creates some measurement biases through its operationalization. More specifically, the dichotomy largely ignores the differences between individual regimes. This being the case the aggregation of operational indicators by regime type may introduce distortions as a result of the lumping together of regimes which undoubtedly meet the criteria of the general type but nevertheless contribute widely divergent values to the aggregate measures of the type. For instance, the López Contreras and Medina regime tended to diminish the means of all the measures of impact concerning authoritarian regimes as a result of their very low values in all of those categories. I am convinced of the need to compare Latin American authoritarian and democratic regimes so that we may be able to more fully understand their more relevant differences. But I also recognize that this type of distinction ought to somehow incorporate the uniqueness of the regimes that are utilized in the comparison. In terms of these findings and the question of the comparisons of policy priorities it is possible to use more discriminating techniques which are not only capable to determine whether any differences exist between any number of comparison groups—as analysis of variance does—but also to identify which groups are different from which. I have utilized one such technique—multiple range tests—to replicate the comparisons of the foregoing analysis and I plan to report the results of this replication—none of which contradicts those presented here —in the near future.

A third and final possibility is that the analysis of priorities-as-impact is a more reliable approach to the question of differences in priorities. In our case, this would mean that the small number of differences in percentage outcomes is only an artifact of the variations in magnitude of the categories which, in some cases, may not be echoed by significant shifts in percentages. The important question at this point is whether budgetary decision makers and other participants in the budgetary process think in terms of absolute amounts or in terms of percentages or both. It seems that one or the other type of data may be more convenient at a particular time when arguments about increases and cutbacks are being made. However, when it must be decided how to allocate the available resources the decision is ordinarily made in terms of absolute amounts—although it may be later justified in terms of percentages. On the other hand, on the side of the analytically relevant considerations about policy priorities, the most important of these considerations is to determine the contribution, the impact, that a particular regime made on society through its budgetary policies. And what is more significant, that two different regimes dedicated the same proportion of their budgetary resources to a particular program or that one spent nearly twice as much as the other in the program? This is why I refer to percentages as *outcomes* because they are, after all, a result of decisions made with a calculus of absolute amounts, and this is why, in this particular case, I believe the results of the priorities-as-impact analysis to be the more significant ones.

VII

Ministerial expenditures do not account for all public expenditures in Venezuela. [113] According to available descriptions of the Venezuelan budgetary process the Law of Public Finance is only concerned with the budgets of the central government, excluding the budgets of state and municipal governments and those of the autonomous institutes and state enterprises. However, the states derive most of their revenue from the federal budget through the *Situado Constitucional*, which amounts to between 12.5 and 15 per cent of the estimated ordinary revenues of the federal government.[114] The Law excludes the incomes and outlays of the autonomous institutions from being considered public revenues and expenditures but many of these institutions receive considerable grants and contributions from the federal government, which then become a part of the budgetary expenditures of the ministry through which the funds are relayed.[115] A deeper probe into the expenditures of these institutions deserves separate treatment but because of the fact that many of these institutions were created fairly recently it may not be possible to contrast the policies of the central government with respect to these institutions under the two types of regimes.

Another aspect that obviously has been neglected in this study is the question of the presidential and executive budgets. Available accounts suggest that Venezuela lies somewhere between the American and Mexican cases. Actual practice seems to include presidential dominance over the design and execution of the budget, selective congressional opposition, and sufficiently frequent auditing. Yet there is no denying that the process is as politicized in Venezuela as it is elsewhere.[116]

The time factor is also tremendously important and it can increase the complexity of the budgetary process as was suggested in the preliminary remarks. In the United States some of the expenditures authorized are not disbursed during the fiscal year and there are also additional appropriations and rectifications that vary the originally authorized outlays. In Venezuela, according to the *Contraloría*, fairly substantial amounts of the 1964 and 1965 budgets had not been committed by the end of their respective fiscal years. A total of Bs. 154 million of the Bs. 7,202 million 1964 budget,[117] and Bs. 153 million of the Bs. 7,582 million 1965 budget had not been committed to any particular purpose by the end of the fiscal year.[118] This fact suggests that even when actual expenditures are utilized, a residual portion of the budget cannot be included in the analysis. Moreover, the assumption that actual expenditures are always a better type of data may not be appropriate in many cases. Impoundments, transfers in time, categorical transfers, and changes in the schedule of payments for services and capital expenditures may considerably obscure the question of how much was really spent in any given year.[119] In any case, it must be understood that one is *always* dealing with estimates in budget analysis.

VIII

In a previous study this writer sought to demonstrate that, in Latin America, some authoritarian regimes do not follow a policy of fiscal conservatism and that, as a consequence of this, they are able to promote the active state better than democratic regimes. Those results were particularly distressing because, at that time, I had made the implicit assumption that democratic regimes would better promote the active state and that they would create welfare-oriented active states.

In the present case the results partially confirm my previous assumption but a number of not so minor nuisances remain. First, the democratic regimes also had a greater impact on the regulation of domestic political life. Through their expenditures in the Ministry of the Interior, these regimes were able to regulate the domestic political process to a greater extent than the military. This obviously reflects the response of the adecos to the subversive and violent tactics of the Venezuelan left but, recent events in Uruguay suggest that democratic regimes are mutually exclusive with extensive use of political repression—no matter how justified. Second, although the analysis indicates that the adecos spent more it is not at all means certain that these increased resources were well spent. This point generates a lot of controversy among Venezuelan scholars and a final verdict is not available yet. Finally, the analysis indicates that the adecos were able to maximize their petroleum income without altering the capitalist economic framework of dependent Venezuela; in this respect their performance leaves room for improvement and it is by no means certain that the active state and the foreign control of the industry can coexist peacefully.

In closing I would like to bring up one of the comments made about my previous work in this area in the sense that I was making a case "against" and not "for" budget analysis.[120] Although I entirely disagree with such an assessment I do not hide my reservations about the potentialities of budget analysis. It belongs in the area of public policy analysis and it should be treated as such. This does not deny its usefulness for aspects of the policy making process. Ongoing research will clarify some of these purposes of historical periodization, but budgeting being a policy making process, its conceptualization and operationalization are as complex as those of any other questions but it will not be able to give budget analysis greater analytical capability unless a combination of rigorous methodology and intellectual skepticism is utilized.

NOTES

1. See Gabriel Almond, *et al.*, (eds.), *Crisis, Choice and Change* (Boston: Little, Brown and Co., 1973).
2. James W. Wilkie, *The Mexican Revolution: Federal Expenditure and Social Change in Mexico since 1910*, paperback, rev. ed. (Berkeley and Los Angeles: University of California, 1970).
3. Thomas E. Skidmore and Peter H. Smith, "Notes on Quantitative History: Federal Expenditure and Social Change in Mexico Since 1910," *Latin American Research Review*, 5:1: 71–85 (Spring, 1970).
4. *Ibid.*
5. Wilkie, *op cit.*, 17.
6. Policy analysts recognize this, and the number of scholars who find themselves having to say something about budgeting indicates how widespread this recognition is. A few examples: John C. Donovan, *The Policy Makers* (New York: Pegasus, 1970); Louis Fisher,

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President and Congress, Power and Policy (New York: The Free Press, 1972), and Thomas Dye, *Understanding Public Policy* (Englewood Cliffs, N.J.: Prentice-Hall Inc., 1973).

7. Notably Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown and Co., 1964) and Ira Sharkansky, *The Politics of Taxing and Spending* (Indianapolis and New York: Bobbs-Merrill Co. Inc., 1969).

8. Although I would not suggest this as their only emphasis, Charles Schulze and his colleagues have chosen the title *Setting National Priorities* for their critical annual evaluation of the U.S. budget as proposed by the Administration (Washington, D.C.: The Brookings Institution, 1971–1973).

9. Dye, *op cit.*, Ch. 2.

10. See Robert A. Dahl, *Polyarchy, Participation and Oppposition* (New Haven: Yale University Press, 1971).

11. Juan J. Linz, *Notes Towards a Typology of Authoritarian Regimes*, 20–21 (unpublished, delivered at annual meeting of the American Political Şcience Association) (Washington, D.C., 1972).

12. For an example concerning policy-making criteria in the Soviet Union see Robert Abrams, "The Lieberman Reforms." In: James B. Christoph and Bernard E. Brown (eds.), *Cases in Comparative Politics*, 2nd ed. (Boston: Little, Brown and Co., 1969).

13. Andrew S. McFarland, *Power and Leadership in Pluralist Systems*, 16 (Stanford, Calif.: Stanford University Press, 1969).

14. *Ibid.*, Ch. 1.

15. Joel J. Schwartz and William R. Keech, "Group Influence and the Policy Process in the Soviet Union," *American Political Science Review*, 62:3 (September 1968).

16. Ongoing efforts that, as of the time of this writing, have not yet been published and I am aware of include Barry Ames and Edward Goff, "A Longitudinal Approach to Latin American Public Expenditures;" Kenneth M. Coleman and John Wanat, "Models of Political Influence on Federal Budgetary Allocations to Mexican States;" and Margaret Daly Hayes, "Ecological Constraints and Policy Outputs in Brazil: An Examination of Federal Spending Patterns" (all unpublished, delivered at the annual meeting of the American Political Science Association) (New Orleans, 1973). Also worth mentioning are two interesting manuscripts, Steve Sinding's "The Impact of Political Participation on Public Expenditures: The Case of Chile;" and John J. Bailey's "Public Expenditures in Colombia: Disjointed Incrementalism in a Dependent Polity." With the exception of Bailey's work—and my own —the direction of the budgetary research of these authors is toward the explanation of budgetary performance in terms of economic linkages and political system performance. Their main technique has been correlation analysis and I would characterize their explanatory efforts as predominantly successful.

17. Charles Anderson, *Politics and Economic Change in Latin America* (Princeton, N.J.: D. Van Nostrand Co., 1967), especially Ch. 3.

18. Philippe C. Schmitter, *Interest Conflict and Political Change in Brazil* (Stanford, Calif.: Stanford University Press, 1971).

19. Eldon Kenworthy, "Coalitions in the Political Development of Latin America," In: Sven Groennings, *et al.*, (eds.), *The Study of Coalition Behavior* (New York: Holt, Rinehart and Winston, 1970).

20. I am referring to Markos Mamalakis, "The Theory of Sectoral Clashes," *Latin American Research Review*, 4:3 (Fall, 1969), and his further elaboration in "The Theory of Sectoral Clashes and Coalitions Revisited," *Latin American Research Review*, 6:3 (Fall, 1971).

21. *Political Leadership in the Cuban Republic, 1944–1958* (unpublished Ph.D. dissertation, University of Florida, 1971).

22. *Ibid.*, Chs. 9–11.

23. *Ibid.*, Ch. 5.

24. Wilkie, *op. cit.*, Ch. 4.

25. Baloyra, *op. cit.*, 100–112.

26. Frederic L. Pryor, *Public Expenditures in Communist and Capitalist Nations*, 285 (Nobleton, Ontario: Irwin-Dorsey Ltd., 1968).

27. Charles Anderson, *The Political Economy of Modern Spain*, 182 (Madison, Wisc.: The University of Wisconsin Press, 1970).

28. Skidmore and Smith reject the concept that actual economic policy-making reflects ideology and, consequently, they question most of Wilkie's interpretation; *op. cit.*, 76. This, I believe is largely incorrect because Wilkie was standing on fairly solid ground concerning the policy priorities of the Cárdenas regime which reflected the ideological inclinations of Cárdenas' group. Of all Mexican regimes examined by Wilkie, Cárdenas' was both the more ideological and the one that more effectively exerted its priorities through budgets. This case saves the plausibility of Wilke's original approach but it hardly justifies its general applicability.

29. *Op.cit.*

30. *Ibid*, 18.

31. I come to this conclusion folowing Domingo A .Rangel, *Los andinos en el poder* (Mérida, Venezuela: Talleres Gráficos Universitarios, 1966); Rafael Gallegos Ortiz, *La historia política de Venezuela* (Caracas: Imprenta Universitaria, 1960) and Juan Bautista Fuenmayor, *1928–1948, veinte años de política* (Caracas: n.p., 1968) among others. Contrary evidence and arguments are available from the military presidents themselves. See Eleazar López Contreras, *Gobierno y administración, 1936–1941* (Caracas: Editorial Arte, 1966) and *El triunfo de la verdad* (México, D.F.: Genio Latino, 1949). Medina's defense of his oil policies may be found in his (posthumously published) *Cuatro años de democracia* 77–87 (Caracas: Pensamiento Vivo, 1963).

32. Again from Linz, *op.cit.*, 7–8, and the evidence and arguments provided by Robert J. Alexander, *The Venezuelan Democratic Revolution* (New Brunswick: Rutgers University Press, 1964); David Eugene Blank, *Politics in Venezuela* (Boston: Little, Brown and Co., 1973); Edwin Lieuwen, *Venezuela* (Oxford University Press, 1961); John D. Martz, *Acción Democrática* (Princeton, N.J., Princeton University Press, 1966); David J. Myers, *Democratic Campaigning in Venezuela* (Caracas: Fundación La Salle, 1973), and Juan Carlos Rey, "El sistema de partidos venezolanos," *Politeia* 1:1 (1972). Forceful counter-arguments challenging the validity of these views are available in Frank Bonilla, *El fracaso de las élites* (Caracas: CENDES, 1972); Domingo A. Rangel, *Los mercaderes del voto* (Valencia, Venezuela: Ediplan, C.A., 1973); and José A. Silva Michelena, *Crisis de la democracia* (Caracas: CENDES, 1970).

33. The procedural distinction between polyarchies and other types of regimes has been emphasized by Dahl, notably in his *Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956), and in his *Polyarchy*.

34. This is the basic empirical distinction that I found between the power structures of the Auténtico and Batista regimes. A formal model of these structures appears in Baloyra, *op.cit.*, 287–302 and, more recently, in Enrique A. Baloyra, "Comparing Political Regimes," *International Interactions* 1:1 (1973).

35. Linz, *op.cit.*, n. 12.

36. By political regime I mean "a set of political interactions between political leaders and political elites, and between them and lower participants." In the light of this definition, it is clear that no two regimes are alike.

37. The López Contreras regime was the more traditional of the three with Medina's being the most progressive and the only one which engaged in limited mass mobilization. By any available standard, the Pérez Jiménez regime was the most repressive of the three.

38. An alternative would be to conduct a month-by-month analysis of expenditures with an eye on the more relevant economic indicators. This procedure would increase the number of degrees of freedom but it would not increase the reliability of the test statistics because of the tentative nature of the monthly figures advertised by budgetary agencies. On the other hand, this alternative lacks a theoretically-valid justification, and it would make the accounting and disbursement practices of the budgetary agency the most important sources of variation. For reasons of space I will only utilize the comparison-by-type approach. Comparisons by regime will be the subject of a forthcoming report.

39. Enrique A. Baloyra, "Budget Analysis: Methods and Issues with Application to Venezuela," 4 (unpublished, delivered at the annual meeting of the American Political Science Association) (New Orleans, 1973).

40. Şkidmore and Smith, *op.cit.*, 73–75.

41. Op.cit., xxvi-xxvii.

42. *Op.cit.*,74–75.

43. For an excellent illustration of how this concern can be brought to bear on budgetary research see Hayes, *op. cit.*, 3–4, 9–13.

44. Banco Central de Venezuela, *La economía venezolana en los últimos trienta años*, 18 (Caracas: Italgráfica, 1971).

45. *Ibid.*

46. On the question of Venezuelan economic dependence see Federico Brito Figueroa, *Venezuela contemporánea: país colonial* (Caracas: Teoría y Práctica, 1972); José Antonio Mayobre, *Las inversiones extranjeras en Venezuela,* (Caracas: Monte Avila, 1970); Do mingo F. Maza Zavala, *Venezuela, una economía dependiente* (Caracas: Universidad Central de Venezuela, 1964), and Domingo A. Rangel, *Capital y desarrollo*, 3 vols. (Caracas: Universidad Central de Venezuela, 1969–1971).

47. Excluding the voluminous work of Juan Pablo Pérez Alfonso, with which we will deal below, the more interesting economic essays include Tomás E. Carrillo Batalla, *La evalu ación de la inversión del ingreso fiscal petrolero en Venezuela* (Foro Petrolero 5, Caracas: Universidad Central de Venezuela, 1968); Héctor Malavé Mata, *Petróleo y desarrollo económico de Venezuela* (Caracas: Pensamiento Vivo, 1962); Pedro E. Mejía Alarcón, *La industria del petróleo en Venezuela* (Caracas: Universidad Central de Venezuela, 1972); Francisco Mieres, *El petróleo y la problemática estructural venezolana* (Carcas: Universidad Central de Venezuela, 1969); and Pedro Tinoco, *Análisis de la política petrolera venezolana* (Federación Venezolana de Cámaras y Asociaciones de Comercio y Producción, XXII Asamblea Anual, Valencia, 1966). With the exception of Tinoco's, all of the above essays conclude (1) that the share of the Venezuelan state in the profits of the industry is still too low, and (2) that the state should complete its takeover of the industry before the 1984 deadline on actual concessions expires.

48. These and all other macro-economic and fiscal data were deflated with the wholesale price index. Since 1938, the Dirección General de Estadística y Censos Nacionales has been computing this index which is based on 82 commodities and articles available in major Venezuelan markets. The Dirección considers this the more reliable index of inflation in Venezuela.

49. Anderson, *Politics*, 64–65.

50. This lower level of investment was very much a reflection of the oil companies' decision to reduce the levels of their net investment capitals in the country. The outcome—if not the intent—of his decision was to make it more difficult for the adecos to continue the trend of their oil policies. The 1964 devaluation of the bolívar and the 1966 accord on service contracts constitute reliable evidence that the adecos were hurt by the maneuver and that they had to adopt a more conciliatory stance towards the industry.

51. Well described by M.A. Adelman, *The World Petroleum Market*, 103–190 (Baltimore and London: The Johns Hopkins University Press, 1972). This is a well-written, technical treatment of the subject by a leading oil economist.

52. The political implications of this manipulation, as they affect the dependent producing countries, have been drawn by Harvey O'Connor, *World Crisis in Oil*, Ch. 1 (New York: Monthly Review Press, 1962).

53. The development costs of the industry in Venezuela are discussed and calculated by Adelman, *op.cit.*, 58–61, and Appendix II.

54. See Abdulhady H. Taher, *Income Determination in the International Petroleum Industry* (London: Pergamon Press, 1966), for a discussion of the most critical areas of this question.

55. As an illustration of this I can offer the lack of reliable statistics concerning company incomes in Venezuela prior to 1947, the year in which they had to start to supply this information to the Venezuelan government.

56. The "netback" is simply "the price realized at a distant point of sale, less the transport cost, or less the sum of transport and refining cost, where the sale is of refined products." Adelman, *op.cit.*, n. 140. Companies try to maximize their netbacks and, as a result of this, netbacks have come to determine which supplier will sell to which market.

57. Posted prices are either (1) the maximum prices at which refiners—say in the U.S. Gulf Coast—will buy crude, and/or (2) the minimum prices at which suppliers of crude or derivatives will sell. Due to vertical integration of the major international oil companies —the famous "seven sisters"—and to the discount rates given to company affiliates, the "majors" could always manipulate posted prices in their favor, through artificially low posted prices for exports, in order to decrease income estimates and lower the tax claims of the host country, once that country's government has linked tax rates to posted prices and has a vested interest in maintaining high prices. See the lucid, non-technical discussion by J. E. Hartshorn, *Politics and World Oil Economics*, 133–140 (New York: Praeger, 1962).

58. Companies usually claim that this is why the question of "incentives" is so important in order to stimulate production. Former minister Pérez Alfonso believed that the companies would find a return of 15 per cent an acceptable minimum. This compares favorably with the next aggregate returns of the industry—as reported by the industry—in the United States. This rate had a 1925–1968 average of 10.1. See American Petroluem Institute, *Petroleum Facts and Figures, 1971*, 513 (Washington, D.C.: American Petroleum Institute, 1971).

59. Edwin Lieuwen, *Petroleum in Venezuela*, 80 (Berkeley and Los Angeles: University of California Press, 1954).

60. *Ibid*, 76–79. It should be mentioned that the law introduced two innovations; (1) the state was authorized to enter any phase of the oil business, and (2) the president was authorized to negotiate the formulae for the determination of the value of Venezuelan crude.

61. Aníbal Martínez, *Chronology of Venezuelan Oil*, 69 (London: George, Allen and Unwin, Ltd., 1969).

62. *Ibid*, 67.

63. *Ibid*, 68.

64. Lieuwen, *op.cit.*, 82.

65. Mejía Alarcón, *op.cit.*, 109.

66. Lieuwen, *op.cit.*, 82.

67. *Ibid*, 80.

68. Gallegos Ortiz, *op.cit.*, 202–203.

69. Martínez, *op.cit.*, 77.

70. *Ibid*.

71. Mejía Alarcón, *op.cit.*, 112–113 reprints the letter.

72. Rómulo Betancourt, *Venezuela, política y petróleo*, 152 (México: Fondo de Cultura Económica, 1956).

73. A leading authority on the subject estimates that, as of 1942, the companies were sitting on 7,062,139 hectares remaining from dictator Juan Vicente Gómez's concession. See Juan Pablo Pérez Alfonso, *Petróleo y Dependencia*, 11 (Caracas: Síntesis Dos Mil, 1971). Pérez Alfonso argues, with considerable evidence to support him, that the companies were making a token offer to release a considerable amount of the land they held—most of which was already useless to them—as an indication of good faith and the fact that they were willing to make "sacrifices" in order to reach a compromise.

74. Betancourt, *op.cit.*, 154.

75. Betancourt talks about 6,561,769 hectares granted by Medina: *op.cit.*, 179. Pérez Alfonso put the figure at 9,020,507; *op.cit.*, 11. Finally, Gallegos Ortiz offers some data from which the figure of 7,336,000 may be derived; *op. cit.*, 205.

76. Former development minister Néstor Luis Pérez pointed at the time that missing from the 1943 Law was not only the buoys and lights tax of the 1938 Law, but also three sections deleted from the 1938 draft which mysteriously disappeared while the bill was in transit between Congress and the Executive Mansion. These sections dealt with national participation in ownership, the creation of a Venezuelan refinery, and the companies' obligation to pay in gold when the state so desired. See Betancourt, *op.cit.*, 161–62. See also Juan Pablo Pérez Alfonso, *El pentágono petrolero* (Caracas: Revista Política, 1967), 102–06.

77. For Medina's counter-arguments see Medina, *op.cit.*, 77–78.

78. *Op.cit.*, 235.

79. *Ibid*.

80. *Ibid*, 236.

81. Pérez Alfonso, El pentágono, *op.cit.*, 105.

82. Betancourt, *op.cit.*, 236–237.

83. Martínez, *op.cit.*, 85.

84. Lieuwen, *op.cit.,* 107.

85. On December 31, 1945, the regime decreed an extraordinary levy on company earnings which netted the government an additional Bs. 89 million (Martínez, *op.cit.*, 84). The regime also amended the 1943 Income Tax Law by its Decree 212 which was approved by the 1947 Congress. This amendment made the income tax system somewhat less regressive by lowering the rate for wages and salaries, and increasing the tax rate on capital gains to

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26 per cent for all corporate incomes above Bs. 28 million. On November 12, 1948, a new income tax law was passed. The 50–50 profit sharing system was formalized at that point. Article 31 of the Law strengthened this by creating an additional 50 per cent for extractive industries provided that their income, after ordinary taxes, exceeded government revenue. Martínez, *op.cit.*, 91.

86. Martínez, *op.cit.*, 93.

87. Walter Dupouy, *Industria petrolera de Venezuela, IV, Algunos efectos económicos y sociales* (Conferencia dictada ante la Facultad de Ciencias Económicas y Sociales de la Universidad Central de Venezuela, mimeo, Caracas, 1959).

88. *Ibid*, 4.

89. Betancourt, *op.cit.*, 648.

90. As quoted by Betancourt, *ibid*, 685.

91. *Ibid.*

92. Martínez, *op.cit.*, 118, 122.

93. Pérez Alfonso, *Petróleo y dependencia, op.cit.*, 33–34.

94. Martínez, *op.cit.*, 124–128.

95. *Ibid*, 128–132.

96. *El desarrollo económico de Venezuela*, 25–30 (Caracas: Imprenta Nacional de Venezuela, 1961).

97. Fred D. Levy Jr., *Economic Planning in Venezuela*, 10 (New York: Praeger, 1968).

98. Martínez, *op.cit.*, 133–140.

99. For a review of industry arguments and lamentations about the effects of the Betancourt and Leoni policies, see the August 15 issues of *World Oil*, especially 1961: 109; 1965: 102–103; 1966: 108; 1967: 56; and 1968: 85–86. Compare the tone of these articles with the following ones relating to the oil policies of Pérez Jiménez: Robert E. Spann, "Boom in Venezuela," 239–241 (July 1, 1951); the interview with Venezuelan ambassador Antonio Martín Araujo in September, 1951; "Venezuela Will Deal—But not at any Cost," 308–310 (June, 1952); Jenkin Lloyd Jones, "I Saw American Enterprise and Oil Helping Build a Nation," 242–246 (March, 1953); the interview with Venezuelan oil minister Edmundo Luongo Cabello, published in May 1954; then a blitz of pro-concession articles: August, 1954–1956; and Warner L. Baker, "Wise Use of Oil Income Gives Venezuela Bright Outlook," 177–182 (July, 1957), all of which are also from *World Oil.*

100. Martínez, *op.cit.*, 145.

101. It should be pointed out that, after all, the oil companies did not exactly go broke during the adeco regimes.

102. This was a concern frequently voiced by the State Department.

103. The companies got the best of everything. With high prices and the U.S. Treasurey accepting tax credits from overseas production taxes, with generous allowances for royalty payments that were "expensed" before the computation of taxable income, and with a newly-found common interest with the host governments—namely, high prices—the oil companies could not lose. The adecos could have raised the formula of the 50–50 even more without the companies losing any money on it. See the discussion in Hartshorn (*op.cit.*, ch. 12) concerning the behavior of the industry with respect to taxes, which should be read in its entirety.

104. James W. Wilkie, "On Methodology and the Use of Historical Statistics," *Latin American Research Review*, 5:1:87–91 (Spring, 1970).

105. In their 1971 study Schulze and his colleagues, Hamilton and Schick, broke down their overview of the administration's budget into the following categories: national defense, space, income maintenance, education-health-manpower, housing and community development, physical resources, interest, other net outlays, and sale of assets. See *Setting . . . the 1971 Budget, op.cit.*, 12. Two years later, Şchulze, Fried, Rivlin, and Teeters in their overview of budgetary priorities, utilized the following categories: defense-space-foreign affairs, older income maintenance programs, major Great Society programs, commerce-transportation-natural resources, President Nixon's new initiatives, net interest and other programs. (*Setting . . . the 1973 Budget, op.cit.* 11).
The World Bank report to the Venezuelan government utilized a lesser economic emphasis in its categories: political-administrative, economic and financial, socio-cultural, transfers to regional entities, public debt, and Catholic Church, *op.cit.*, 599. A somewhat different classification was elaborated in the Cuban report: See, International Bank for Reconstruction and Development, *Report on Cuba* (Baltimore: The Johns Hopkins Press, 1951). Finally, I have done some flirting with these categories myself: regulative-productive, regulative-political, human resources, administrative, and debt service. See Baloyra, "Political Leadership," *op.cit.*, 98.

106. Pryor, *op.cit.*, 69–70.

107. See *Balance de la Hacienda Públıca, 1969.*

108. *Informe económico, 1968*: 168–174.

109. Officina Central de Coordinación y Planificación, *Plan de la Nación, 1965–1968.*

110. Ministerio de Hacienda, *Memoria, 1968*: v-150. Also Dirección General de Presupesto, *Presupuesto por programas, 1968,* 2 vols.

111. For a discussion of some of the more common interpretations, see Alan Peacock and Jack Weisman, *The Growth of Public Expenditures in the United Kingdom* (Princeton: Princeton University Press, 1961). War has been a traditional cause of the growth of public expenditures in the United States. See Fisher, *op. cit.*, chapter 4.

112. Wilkie, *The Mexican Revolution*, 77–78.

113. See Tomás E. Carrillo Batalla, *El proceso presupuestario venezolano* (Caracas: Ediciones del Consejo Municipal del Distrito Federal, 1968). Also Jaime del Corral and Jaime Ferro, "La liquidación anual de los resultados de la ejecución presupuestoria en Venezuela," Part I, *Control fiscal*, 5: 32 (Julio-diciembre, 1964), and Part II, *Control fiscal*, 6, 33 (Enero-marzo, 1965).

114. Levy, *op. cit.*, 29

115. *Ibid.*, 29–30.

116. *Ibid.*, 33–46.

117. *Control fiscal*, 5:32:57 (Julio-diciembre, 1964).

118. *Control fiscal*, 6:33:62 (Enero-marzo, 1965).

119. These are some of the more frequent tactics utilized by the American executive. See Fisher, *op.cit.*, 11–32.

120. Personal communication from a *Latin American Research Review* referee.

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