

LESSONS FROM ECONOMIC REFORM IN THE VENEZUELAN DEMOCRACY*

Brian F. Crisp
University of Arizona

The relationship between capitalism and democracy has been a focal question in political science for years. Compelling arguments have been advanced on all sides of the debate. Democracy promotes capitalism. Capitalism promotes democracy. The two are correlated but are caused by other variables, including everything from a given country's political culture to its position in the world economy. Now the recent turn toward neoliberal economic strategies in Latin America has revitalized the question of whether any one form of capitalism is more compatible with democracy than others.

Guillermo O'Donnell (1973) pointed out that the breakdown of democratic regimes across South America in the 1960s and early 1970s was associated with the need to deepen import-substitution industrialization. Deepening or vertical integration in the direction of producers' goods was necessary to overcome the stagnation resulting from the "easy phase" of import-substitution industrialization, which had focused on nondurable consumer goods. Democratic governments were apparently unable to hold down consumption and encourage sufficient capital accumulation to accomplish this transition. Yet the bureaucratic authoritarian regimes that followed them also exhibited internal contradictions (O'Donnell 1979, 285–318). The emphasis on domination to the exclusion of consensus entailed hostility toward traditional mediating institutions such as unions and political parties. This failure to seek consensus fueled pressures for democratization.

More recently, Carlos Waisman (1992) identified two types of capitalism that he labeled "autarkic" (the import-substitution variety) and "competitive" (akin to the model being promoted by neoliberal reform-

*I would like to thank José Antonio Cheibub, Michael Coppedge, Michael Francis, Daniel Levine, Guillermo O'Donnell, Juan Carlos Rey, Kurt Weyland, and the *LARR* editors and anonymous reviewers for their comments on earlier drafts. I would also like to acknowledge the support of the Helen Kellogg Institute for International Studies at the University of Notre Dame, which provided me with the time to complete the first draft of this article.

ers). According to Waisman, the social system and political relations that characterize competitive capitalism are more compatible with liberal democracy because economic actors, capitalists and workers, are not trapped in zero-sum fights for rents guaranteed by the state.

The case of Venezuela, however, shows that democracy and autarkic development can in fact be compatible. But the unique social structure and political actors associated with this economic strategy have required corporatist forms of participation within the democratic context. The actors created and favored by autarkic development were given access to government decision making via bureaucratic institutions in the decentralized public administration, and they used their privileged political position to fortify their economic standing. Government revenue in Venezuela was spent to subsidize organized labor, large industrial manufacturers, and large agricultural enterprises.

Once democracy and autarkic development were made compatible, the mobilization and institutionalized participation of rentier groups made any change in development strategy difficult.¹ The second administration of Carlos Andrés Pérez (1989–1993) attempted orthodox neoliberal policy changes in 1989. Pérez freed the exchange rate, removed price controls, reduced government subsidies on gasoline, eliminated most tariff barriers, encouraged foreign investment, and privatized various public enterprises. To make the array of changes, Pérez had to abandon the traditional consultative mechanisms that had been central to Venezuelan democracy. Despite some macroeconomic success, Pérez presided over public riots that were bloodily suppressed and two coup attempts. He was removed from office in 1993, and orthodox neoliberal policy was rejected by the government until mid-1996.

The train of events in Venezuela indicates that democratic political stability can be compatible with an autarkic form of capitalism and that an effort to switch to competitive capitalism can be destabilizing. Thus no universal affinity may exist between a type of capitalism and a democratic regime type. But such a conclusion does not imply that further specifying the question about the relationship between democracy and capitalism is not a fruitful research path. Rather, political scientists need to specify further types of democracy in addition to types of capitalism.

1. For Waisman, rentier classes are those whose "survival depended on the maintenance of market restrictions" (1992, 505). Governments adopt policies (including high protective barriers) that encourage manufacturing. As a result, most representatives of labor and business become committed to producing for the highly protected domestic market and cannot survive without continued government intervention.

DEMOCRACY AND THE ADDITIONAL PROMOTION OF AUTARKIC DEVELOPMENT

Rentier classes are hypothesized to be inimical to democracy because they require special protections that other sectors will not tolerate and because they will become locked in pitched battles with one another over rewards controlled by the state. Yet this has not been the outcome in the current Venezuelan democracy, which was established in 1958. Leaders of strong nationally organized parties were able to work with church, military, business, and labor-union elites to establish a democratic regime that has proven to be one of the most resilient in Latin America. The party system has gone through a number of changes. It evolved slowly into a predominantly two-party system with Acción Democrática (AD) on the Center-Left and the Christian Democratic Comité de Organización Política Electoral Independiente (COPEI) on the Center-Right, with possible diffusion recurring after 1993. Candidates from three different parties or electoral groupings have been elected to the highest office in regularly scheduled elections.²

In addition to their participation through electoral politics, interest groups have had access to government decision making through "consultative politics." The decentralized public administration in Venezuela shows the scope of state intervention, the participation of organized groups in this decision-making process, the different roles played by the state, and the government spending patterns that have resulted. Consultative politics as carried out in the Venezuelan decentralized public administration illustrates that democracy can be made compatible with an autarkic development strategy by assuring economically protected groups of direct access to the policy-making process and the petroleum-generated rents distributed by the state.

The Extent of State Growth

States maintain a large presence in the economy during autarkic development, and penetration of the state by key economic groups becomes a means of solidifying their support for the given regime type. For example, in Venezuela in 1982, government-owned enterprises were responsible for 29.4 percent of the gross domestic product (GDP). In 1985, despite talk of privatization and pressure from the International Monetary Fund (IMF), nonfinancial state-owned enterprises were still contributing 29.6 percent of the country's GDP. In 1984 the government employed 22.5 percent of the work force. In January 1990, the Oficina Central de Coordinación y Planificación (CORDIPLAN) counted 400 entities in the decentralized public

2. Until 1993 only candidates representing the AD and COPEI had won the presidency. Former COPEI President Rafael Caldera won the 1993 election with the backing of Convergencia, Movimiento al Socialismo (MAS), and several small parties.

administration, although this count was probably not comprehensive. Legally, the decentralized public administration is divided into institutions governed by public law and institutions governed by private law. Originally, all state institutions were governed by public law, meaning that they were under the strict control of the central government and were not designed to operate for profit. As the state moved into new economic roles, this distinction broke down. The state created entities governed by private law, which could operate for the profit of the state as a whole but not for any particular officials (Brewer-Carías 1976, 115–35).

The institutions governed by public law (which will be studied in greater detail here) remain more subject to administrative controls by the government agencies that created them, and their field of activity is more tightly proscribed in their decrees of creation (Caballero Ortiz 1984, 123). Public-law entities made up 19 percent of the bureaucratic agencies created by the Venezuelan democratic government between 1958 and 1990 (Kornblith and Maingón 1985; CORDIPLAN 1990; Brewer-Carías 1976; Caballero Ortiz 1984). The 68 public-law bureaucratic institutions created during the democratic period are listed individually in appendix 1. The AD set up about three-quarters of these bureaucratic institutions (it held power 68 percent of the time), but this disparity is explained by the first Pérez administration. If Pérez's first term is excluded, the two COPEI presidents actually created more entities on average than did AD presidents.

The lack of systematic variation according to the party in power indicates the general acceptance of a large state presence. The AD is considered left of center and COPEI right of center on the Venezuelan political spectrum, but governments from both parties agreed on the need to create entities in the decentralized public administration. Throughout the democratic era, the question was not state versus private interests but the state pursuing goals and spending government revenues on behalf of private interests. The direct participation of interest groups in governing these bureaucratic agencies illustrates how interest groups or particular socioeconomic sectors used the state to protect themselves from foreign and domestic competition.

The "Capture" of the State

An extensive state bureaucracy is often equated with state autonomy and a lack of concern for interests expressed by civil society. The growth of the Venezuelan bureaucracy indicated just the opposite. Virtually every one of the bureaucratic agencies just noted provides an opportunity for organized groups to participate in government decision making. The governing boards of these agencies are typically composed of both government officials and the representatives of interest groups. In this way, interest groups or socioeconomic sectors are assured that the gov-

ernment will pursue policies, including development strategies, to their liking. They use these positions to determine how policies are executed but also to influence politicians more generally.³ Rentier groups created by autarkic development require a privileged position in policy making. The decentralized public administration operating in Venezuela provides these socioeconomic sectors with constant access to public officials and funds in the democratic context.

The members of the governing boards of entities in the decentralized public administration can be divided into government officials, representatives of economically defined interest groups, and interest groups that are not economically defined.⁴ The extreme centralization of this form of participation and decision making in the national executive branch is key to understanding how the interests of groups created by autarkic development and promoting it are protected within the democratic context. Government officials accounted for only 53 percent of the almost 650 positions on the governing boards of entities in the decentralized public administration (see table 1). National-level officials accounted for almost 90 percent of the 342 government officials who participate. Of those, 96 percent (or 292) come from the executive branch. National executive-branch officials from the centralized public administration and other entities in the decentralized public administration share almost equally in governing the decentralized public administration itself. Rentier groups would be outnumbered by any of a variety of interests at the polls. In addition, the diversity of existing interests and the crosscutting cleavages that would characterize any individual's participation would dilute the support for important substitution-industrialization policies. But the governing boards of the decentralized public administration are isolated in the executive branch, where all officials except one are appointed rather than elected. Moreover, the single elected official is not eligible for immediate reelection and therefore the president's accountability is immediately called into question.

The importance of access to the executive branch is enhanced by other institutional characteristics of Venezuelan democracy. Given the high degree of party discipline, the Venezuelan Congress has not developed a committee structure that would allow members to consult with groups, study issues, or draft detailed legislation. Rather, a great deal of legislation is initiated by the executive branch. In addition, the president's authority to issue decrees often allows the executive to bypass congressional consideration altogether. Venezuelan presidents can even set aside

3. On how interest groups' participation is institutionalized in the consultative commissions that draft most legislation, see Crisp (1994).

4. I could not classify a number of participants, usually because they were designated by name only, with no particular affiliation listed. These participants constituted 16 percent of all the members of governing boards in the decentralized public administration.

TABLE 1 *Participants in the Governing Boards of the Decentralized Public Administration in Venezuela, 1959–1989*

Category	Number	Percentage
Government officials	342	52.9
Economically defined groups		
Business	66	10.2
Professionals	34	5.3
Labor	90	13.9
Noneconomic groups	11	1.7
Unclassifiable participants	104	16.1
Total	647	100.1

constitutional guarantees and govern in these areas by decree. For example, many of the economic rights provided by the constitution have been restricted or suspended for all but about a year and a half during the entire democratic era. Moreover, five Venezuelan presidents have been delegated even wider-ranging decree authority by the congress (Crisp n.d.). As a result, participation in the executive branch through the decentralized public administration can lead to direct influence because the president can act virtually unilaterally on any group's desires.

The marginal role played by noneconomically defined groups in daily politics is illustrated by their meager participation in these governing boards. On examining the economically defined interest groups that participate in governing the decentralized public administration, it becomes evident how autarkic development has created privileged groups and how the Venezuelan democracy has been designed institutionally to incorporate them. Groups guaranteed a role in making government policy are domestic capitalists, usually represented by the *Federación de Cámaras y Asociaciones de Comercio y Producción (FEDECAMARAS)*; middle-class professionals, usually represented by one of several professional societies; and workers, usually represented by the *Confederación de Trabajadores de Venezuela (CTV)*. These groups used their access to the state to promote an autarkic development strategy and to pressure the state to continue pursuing these policies until the late 1980s—despite a decade of serious economic decline, international pressure to change, and drastic reforms in other countries. To see the significance of this participation and the degree to which autarkic development was pursued, it is necessary to examine how government spending has been distributed through the decentralized public administration.

Spending Patterns

The privileged participation afforded rentier classes by the nature of Venezuelan democracy led to patterns of government spending that re-

inforced these groups and enhanced their interest in defending the regime type and its development strategy. In an autarkic development strategy, state intervention takes a variety of forms, only one of which is government spending. But the significance of government spending has been heightened in Venezuela because of the vast revenues accruing to the state from petroleum exports. As a result, the Venezuelan state has found itself in the peculiar position of being a distributor rather than a redistributor of resources.⁵

The decentralized public administration has become the primary conduit for disbursing these funds to Venezuelan society. During the democratic era, the positions of the centralized and decentralized public administrations have virtually reversed themselves. In 1960 the central government accounted for 70 percent of government spending and the decentralized public administration for 30 percent, but by 1980 the figures had flipped to 33 percent and 67 percent respectively (Kornblith and Maingón 1985, 40). The growing importance of the activities of entities in the decentralized public administration and the amount of funds available to the government indicate the necessity of understanding who participates where and to what ends. Business and labor have been able to institutionalize their positions in government decision making and thus make certain that government revenue is spent on their behalf. What is more, the tendency to spend money increasingly through the decentralized public administration placed it beyond the control of the congress that passes the national budget each year. Many of these entities have the ability to borrow money and to make and spend their own revenues. Hence participation in their governance has yielded a great deal of discretionary power (García Araujo 1975, 8–15).

Asdrúbal Baptista and Bernard Mommer (1989) have shown that the government distributes petroleum income via four different mechanisms or instruments: its current spending account, overvaluation of the currency, low tax rates, and public and private investment. Current expenditures for constructing and maintaining a physical and administrative infrastructure lead to increased public employment but also to greater demand for private-sector products and services. The overvaluation of the currency represents a transfer in the sense that the government is making imported goods cheaper. Because of the uncompetitive nature of goods produced in Venezuela as a result of the overvalued currency, industrialization is pursued by producing for the domestic market (import-

5. Some scholars assume that petroleum revenues make Venezuela “exceptional” to the point that comparison with other Latin American regimes is fruitless. This position is untenable for a number of reasons. In terms of the argument presented here, although it is true that Venezuela’s development strategy utilized petroleum revenues, political mechanisms—not sheer money—made the development strategy compatible with democracy. This compatibility held up in Venezuela even when petroleum revenues were not phenomenal. More-

substitution industrialization). The tax rate on the nonpetroleum economy has remained fairly constant since the 1930s at about 10 percent. Using comparative data, Baptista and Mommer demonstrated that while national development is typically funded by an increased tax burden, in Venezuela petroleum revenue has substituted for this source of income. Finally, the Venezuelan government also distributes petroleum revenues through public and private investment. Public investment in state-owned enterprises transfers resources to society, but the government also transfers money through private investment by supporting credit institutions.

With the growth of the petroleum industry, imported foodstuffs became increasingly affordable, and as a result, both labor and investment left the countryside. The government attempted to bolster agricultural output by offering financing for agricultural enterprises (while maintaining an overvalued currency that made imported foodstuffs not subject to tariff barriers relatively cheap). A brief look at the list of public-law entities in the appendix reveals that they play a large part in the attention devoted to agriculture. Some like the Consejo Nacional de Azúcar (which includes representatives of sugar growers, refiners, producers, and laborers) are designed primarily to advise the government on particular policy matters. But like many of the *fondos*, the Consejo Nacional del Azúcar also provides grants-in-aid as well as technical advice. Two such support organizations are the Fondo Nacional del Café and the Fondo Nacional del Cacao, which include representatives of the organized producers in the two sectors as well as a representative of the Federación Campesina Venezolana (FCV).

The exclusively credit-granting institutions on the list include the Fondo de Crédito Agropecuario (FCA), Instituto de Crédito Agrícola y Pecuario (ICAP), and Banco de Desarrollo Agropecuario (BANDAGRO). For these three entities, the government-created Comisión de Estudio y Reforma Fiscal (CERF) estimated conservatively the "sacrifice of public income" by calculating the amount of interest that could have been earned with the same resources had they not been loaned at preferential rates (see table 2). In 1980 these "sacrifices" equaled almost 5 percent of all social spending by the public sector (CERF 1987, 301).

More broadly, the CERF estimated "sacrifice of public income" by all institutions via various instruments that include preferential credits, forgiveness of debts, and tax incentives. Table 2 lists the total quantity of public income lost as well as the percentage of income lost through each of the three instruments. In 1980 official help to the agricultural sector was 19 times greater than net private investment, some 1.5 percent of all spending by the public sector. In 1975 accumulated "sacrifice of public income" to

over, petroleum revenues certainly have not led to democratic rule in most other oil-exporting countries.

TABLE 2 *Sacrifice of Venezuelan Public Income for the Benefit of the Agricultural Sector, 1960–1980 (in Millions of Bolívares)*

Year	Preferential Credits	Forgiveness of Debts	Tax Incentives	Total
1960	22.4 (30.9%)		50.1 (69.1%)	72.5 (100%)
1962	37.8 (36.5%)		65.7 (63.5%)	103.5 (100%)
1964	46.3 (28.2%)		118.1 (71.8%)	164.4 (100%)
1966	55.1 (28.8%)		136.4 (71.2%)	191.5 (100%)
1968	60.7 (25.9%)		173.4 (74.1%)	234.1 (100%)
1970	67.9 (19.4%)		282.3 (80.6%)	350.2 (100%)
1972	91.6 (24.0%)		290.3 (76.0%)	381.9 (100%)
1974	161.3 (18.4%)	292.8 (33.5%)	421.2 (48.1%)	875.3 (100%)
1976	395.1 (29.1%)	403.4 (29.7%)	558.2 (41.2%)	1,356.7 (100%)
1978	542.8 (38.4%)		870.3 (61.6%)	1,413.1 (100%)
1980	687.1 (34.5%)		1,305.3 (65.5%)	1,992.4 (100%)

Source: Comisión de Estudio y Reforma Fiscal (CERF), *Análisis de los efectos económicos y sociales del gasto público en Venezuela* (Caracas: República de Venezuela, 1987), pp. 306–7.

agriculture since 1959 equaled 105 percent of the GDP from agriculture that year. Moreover, between 1959 and 1980, almost 90 percent of the “sacrifice of public income” to agriculture each year went to large rather than small and medium-sized producers, a highly concentrated transfer of wealth. Yet despite all these transfers between 1959 and 1980, agriculture’s share of GDP grew only 0.6 percent, from 5.1 percent to 5.7 percent.

The Venezuelan government has also made significant transfers to industrial investors. It promoted, financed, and protected industry and participated directly in manufacturing to support and complement the private sector. Most of the state-owned enterprises engaged directly in production are not governed by public law and therefore do not appear in the appendix. But many of the agencies that support private manufacturing less directly are listed. In addition to the credit institutions and tax incentives like those represented by transfers to the agricultural sector, for manufacturing one must account for much more complex and indirect forms of support. For example, many of the transfers to agriculture are actually transfers to manufacturing concerns because the large producers are agro-industrial companies with investments in both agriculture and manufacturing. Likewise, current-account expenditures that subsidize consumption constitute indirect supports for domestic producers (CERF 1987, 316–17).

A first step to perceiving government support for manufacturing is to examine manufacturing’s overall role in the economy and rates of public investment. Table 3 shows manufacturing as a proportion of GDP and also the role that public funds played in industrial investment. Although manufacturing’s role in the Venezuelan economy has not been extraordi-

nary and did not change much, government support for industrial investment has always been high, and it increased after the petroleum booms in the 1970s. Investment funds come through a number of sources, such as the six regional development corporations listed in the appendix, all of which include representatives of FEDECAMARAS and the CTV on their governing boards. The list also includes many fondos and credit institutions that are similar to those in agriculture, such as the Instituto de Comercio Exterior, the Fondo de Financiamiento de las Exportaciones, and the Fondo de Crédito Industrial. Most notable is the Fondo de Inversiones de Venezuela (FIV), which was created to lend and invest the petroleum profits that accrued during the two booms in the 1970s.

As in the agricultural sector, the beneficiaries of these transfers are highly concentrated. As the CERF final report observes, the overwhelming hallmark of the Venezuelan economy is that the industrial development bloc of big business has been able to maintain rigid monopolies and oligopolies thanks to government support for investment, protection from foreign competitors, and the limiting of domestic competitors (CERF 1987, 325, 327). Public funds constituted more than half of all investment in 1969, and by the mid-1970s, they had reached almost 90 percent. Capital that the domestic economy could not absorb ended up overseas or was spent unproductively. The results were rates of profit among the highest in the world but also a vicious cycle in which tariff protection and deepening import substitution became increasingly expensive. Petroleum rents allowed for investment beyond the normal level of capital absorption, an outcome that accelerated development of productive forces while tolerating low productivity. Overinvestment was occurring by the end of the 1960s and intensified as a result of the oil booms in the 1970s. Consequently, those in the private sector rationally limited the use of their own capital (Baptista and Mommer 1989).

The final rentier sector to be analyzed is organized labor. As with the other beneficiaries of autarkic development, the state's role in protecting workers' interests has taken other forms in addition to government spending. For example, the *Ley contra Despidos Injustificados* gave a tripartite commission (of government, business, and labor representatives) the authority to overturn firings and to require double severance payments from employers (see the appendix). This body endeavored to protect workers in the formal sector from unemployment regardless of market indicators. The most obvious form of transfer to organized workers is public employment. In 1950 only 6.7 percent of the workforce were government employees. By 1971 the figure had reached 19.1 percent, and 24.4 percent by 1981 (Sabino 1988, 171). Relative to other mechanisms, increased demand for labor and higher wages via government employment have been less significant components of transfers to workers since the late 1960s (Baptista and Mommer 1989, 24–25). Also, the subsidies and

TABLE 3 *Manufacturing in the Venezuelan Economy and Industrial Investment during Autarkic Development, 1960–1980 (in Millions of 1968 Bolívares)*

Year	Manufacturing as a % of GDP	Public Investment + Government Funds Direct to Private Industry	Public Investment + Govt. Funds Direct to Private Industry as a % of Total Investment
1960	14.1%	788	71.5%
1962	13.3%	298	28.6%
1964	12.6%	289	26.3%
1966	11.8%	304	23.7%
1968	11.4%	805	43.3%
1970	11.6%	613	32.7%
1972	12.6%	2,534	64.3%
1974	12.9%	1,852	58.7%
1976	13.7%	5,171	86.4%
1978	13.7%	5,882	—
1980	14.6%	17,036	—

Source: Comisión de Estudio y Reforma Fiscal (CERF), *Análisis de los efectos económicos y sociales del gasto público en Venezuela* (Caracas: República de Venezuela, 1987), p. 325.

credit provided to private businesses partially translate into an increased demand for labor and the ability to pay higher wages.

A less direct effect has been the impact of petroleum income on real salaries. Between 1936 and 1978, real salaries grew at a rate exceeding the rate of increase in productivity, indicating a rent component to salaries. The boost to real salaries allowed Venezuelan workers to buy goods that they otherwise could not have afforded (Baptista 1985, 232). But the rent component of salaries has remained fairly steady, despite soaring government revenues and foreign borrowing (Baptista and Mommer 1989, 25–27).

The Banco de los Trabajadores de Venezuela (BTV) deserves special mention here. The BTV was created in 1966 by the government during the administration of Raúl Leoni (1964–1969). Its board of directors consists of twenty-seven representatives of workers and workers' entities and six government representatives (see the appendix). With government support, the BTV grew enormously in the 1970s and became one of the main channels through which government revenue was redistributed to the working classes (see table 4). Government deposits as a proportion of all deposits ranged from 49.6 percent in 1969 to 89.4 percent in 1974. The BTV created various enterprises and established a virtual financial empire under the control of the Confederación de Trabajadores de Venezuela (López Maya, Gómez Calcaño, and Maingón 1989, 159–61).

Partly as a result of poor management and corruption, the BTV overextended itself financially. In November 1982, the COPEI government of Luis Herrera Campins intervened, taking over its management for an unspecified amount of time. The government did so because failure of such

TABLE 4 *Source of Deposits in and Destination of Loans by the Banco de los Trabajadores de Venezuela, 1968–1975 (in Millions of Bolívares)*

Year	Individual Deposits	Government Deposits	Loans to Individuals	Loans to Private Businesses
1968	1.8 (34.5%)	3.42 (65.5%)	2.2 (44.0%)	2.8 (56.0%)
1969	6.32 (50.4%)	6.22 (49.6%)	5.6 (38.6%)	8.9 (51.4%)
1970	8.81 (47.2%)	9.84 (52.8%)	9.2 (38.5%)	14.7 (61.5%)
1971	8.25 (27.3%)	21.97 (72.7%)	24.5 (65.7%)	12.8 (34.3%)
1972	7.85 (24.7%)	23.96 (75.3%)	23.8 (65.9%)	12.3 (34.1%)
1973	15.05 (18.4%)	66.88 (81.6%)	—	—
1974	26.98 (10.6%)	226.25 (89.4%)	—	—
1975	72.77 (22.9%)	244.53 (77.1%)	—	—

Source: Margarita López Maya, *El Banco de los Trabajadores de Venezuela: ¿Algo más que un banco?* (Caracas: Universidad Central de Venezuela, 1989), pp. 45, 49.

a large conglomeration would have jeopardized the rest of the economy. Opponents of the Herrera Campins government charged that the intervention was political because the government acted just days before legislation to ease the bank’s liquidity squeeze would have gone into effect. Organized business groups, particularly FEDECAMARAS, normally protest such government intervention vociferously. In this case, however, organized business groups feared that the CTV was using the bank to build an independent power base for expanded bargaining power in the decision-making process. An even worse scenario from the point of view of business was that the labor sector might simply opt out of this cooperative system and pursue its interests with its own resources while radicalizing its conflict with business (López Maya, Gómez Calcaño, and Maingón 1989, 173).

Representatives of organized labor participated in greater numbers than other economically defined groups in the governance of the decentralized public administration (see table 1). But if the members of the board of the BTV are excluded, business representatives outnumbered those of labor. In addition, when evaluating labor’s relative strength, one must keep in mind its difficulty in enforcing legislation that would have given it representation on all public governing boards. Finally, as the case of the BTV illustrates, labor has been hindered by party and business interests in any attempt to build its own financial base. These factors do not negate its numerical strength on governing boards, but they indicate labor’s difficulties in attempting to participate in governance on equal ground with private capital.

Combining Democracy and Autarkic Development

Autarkic development and political democracy can be combined without necessarily creating instability. The Venezuelan case shows that

democracy can be designed institutionally to accommodate the domestic business and labor interests that are part of an inward-oriented development strategy. The governing boards of entities in the decentralized public administration represent one mechanism by which these socioeconomic sectors participate in governmental decision making. Catherine Conaghan's work on Bolivia, Ecuador, and Peru in the 1970s indicates that military regimes are equally likely to expand the state and engage in autarkic development. But they do not necessarily create formal institutional linkages to ensure a steady exchange between business and the regime or to replace the other channels of access suspended by the breakdown of democracy (Conaghan 1992, 204).

Empirical data presented on the creation and composition of these agencies in Venezuela indicate that domestic business and organized labor were insulated from changing electoral patterns so that their interests would not be jeopardized by voters. Participation in the decentralized public administration is particularly important in Latin America because of its role in distributing revenues from state-owned extractive industries to the rest of the economy. The enormous Venezuelan state has in fact been captured by sectoral interests and used to distribute petroleum funds to large agricultural producers, manufacturing, and organized labor. The access to decision making entailed in a democratic system probably increased the level of transfers and protectionism. In other words, democracy may have exaggerated efforts at autarkic development.

Baptista and Mommer have estimated that overinvestment began to occur in Venezuela by the end of the 1960s (1989, 29). The nonpetroleum sector of the economy could not productively absorb the revenues being generated in the petroleum sector, and the oil booms of the 1970s worsened the situation tragically. Rising amounts of capital were transferred to agriculture, manufacturing, and workers. Government revenue was used to overvalue the currency and make borrowing cheap, which encouraged private-sector capitalists to accumulate debt without deepening the substitution of imports by investing in domestic industries. Monopolies and oligopolies assured a high rate of profit and made change unlikely. Worse still, the state itself borrowed heavily on the apparent assumption that the high petroleum prices would continue indefinitely. When the bottom fell out of the oil market in the 1980s, *capitalismo rentístico* came crashing down. Government revenue fell in real terms, and the amount available for transfer to rentier classes virtually dried up. By 1986, three-quarters of the government revenue from petroleum, which had been so important for subsidizing autarkic development, was being spent to service the public debt. The quantity of government revenue left fell to its lowest point relative to nonpetroleum gross national product in fifty years (Baptista and Mommer 1989, 23). Investment—public and private—stopped growing and began to decline.

Real salaries, which always had a rent component but had not benefited from the boom years, plummeted after the boom. The purchasing power of Venezuelan workers declined as a result of the labor-market situation and devaluation of the currency. Real wages were actually lower in 1989 than in 1968. The government of Jaime Lusinchi presided over this period of economic decline without making significant innovations in the substance of policy or the process of making it. In 1985 the fiscal budget boasted a surplus equal to 3 percent of GDP, but by 1988 it had a deficit equal to 9.4 percent of GDP. In 1980 the consolidated income of the public sector was 57 percent of GDP, but by 1992 it was only 23 percent (Naím 1993, 37). Yet the government continued to spend by depleting foreign reserves. This regime's ability to mask signs of imminent crisis is testified to by the fact that Lusinchi left office with an uncharacteristically high approval rating and his party's candidate won the 1988 elections. It was in this context that the Pérez administration attempted "*el gran viraje*" (the great turnaround) in 1989.

It could be argued that the economic decline and simultaneous political instability in Venezuela support the claim that autarkic development and democracy are incompatible. Several factors indicate that such causal logic is not this simple, however. First, democracy and an inward-looking development strategy had coexisted in Venezuela for thirty years, including some relatively lean years prior to 1974. Second, democracy in Venezuela has not broken down despite several years of difficult economic transition. Third, the Comisión Presidencial para la Reforma del Estado (COPRE) was undertaking incremental revisions to open the political system before the government spent several years spending as if the petroleum boom had never ended. Under the rubric of decentralization, COPRE accomplished such changes as some single-member congressional districts, direct election of governors (previously presidential appointees), and directly elected mayors. Thus it is possible for democracies to survive economic crises brought on by an autarkic development strategy.

Nor is it clear that military regimes can handle such crises any better or are any more likely to be market-oriented. John Sheahan has shown that some of the most extreme forms of protectionism and populist policies were practiced by authoritarian regimes in Argentina under Juan Perón and in Peru under Juan Velasco Alvarado (Sheahan 1987, 8). As befall civilian counterparts in Brazil, namely Jânio Quadros and João Goulart, economic difficulties contributed to the breakdown of the Argentine and Peruvian regimes. This evidence supports the innocuous conclusion that economic crises can be politically destabilizing, but it does not indicate that the combination of autarkic development and democracy is somehow uniquely unstable.

THE DIFFICULT SWITCH TO COMPETITIVE CAPITALISM

The formal definition of democracy has remained minimal because it is a highly malleable form of government. As data from Venezuela show, democracy can be institutionally structured to accommodate an inward-looking, highly protected form of development and the rentier classes generated by that strategy. Such a development strategy can also be pursued under other types of regimes (although they may not institutionalize the participation of rentier groups). Economic crises, apparently inherent in this strategy, have been associated with the breakdown of both democratic and authoritarian regimes. In other instances, such crises have been surmounted without changing the basic regime type. For example, a change in development strategy was accomplished in Peru after 1974 without leading to the breakdown of authoritarian rule. Likewise, political and economic reform efforts in Venezuela indicate that incremental political changes can precede economic crises and that economic development strategies can be modified without the breakdown of democracy. Yet despite the survival of its basic regime type, Venezuela has recently experienced both economic and political instability.

By the late 1980s, the Venezuelan economic system was undergoing a crisis, and the political system was showing signs of stress that included increased abstention from voting and declining popular support for traditional parties. But the extent of autarkic development and the institutionalization of the democratic decision-making process built to accommodate it made developing a new economic strategy or radically reforming the decision-making process seem unlikely. Yet the second administration of Pérez launched a coherent orthodox reform package. The program was not designed by the typical consultative means because had Pérez used the old policy-making mechanisms, a neoliberal package would not have been attempted due to its lack of a mobilized constituency. Pérez's decision-making style of surrounding himself with apolitical technocrats and academics left him with few allies among the old political elite. The Venezuelan case shows that democracy can be made compatible with autarkic development but that change away from that economic strategy may require decision-making processes that are not particularly participatory. In many Latin American countries, the executive branch has had to initiate a neoliberal program without significant consultation, an approach that can create political instability. Because of such instability, the new market-oriented development strategy could not be consolidated in Venezuela.

El Paquete

The reforms attempted by the Pérez administration constituted the consistent orthodox package being supported by international lending in-

stitutions and the U.S. government. The goals included macroeconomic stabilization, fiscal balance, trade liberalization, deregulation, privatization, and a social policy targeted at the most vulnerable sectors (Naím 1993, 49). Temporally, the package can be split into two parts: the short-term stabilization measures of 1989, and the medium-term structural adjustments. The Venezuelan government adopted a “shock strategy” in order to carry out its short-term stabilization measures as quickly as possible. It unified all exchange rates and left the *bolívar* free to float. This approach resulted almost immediately in a 170 percent upward adjustment of the exchange rate. It simultaneously eliminated price controls and removed caps on interest rates, which jumped from 13 percent to 35 percent. Government investment was virtually halted, falling from an amount equal to 3.2 percent of GDP in 1988 to 0.1 percent in 1989. The government also worked hard to restructure private and public foreign debt (Navarro 1994b, 12–13). The medium-term structural reforms were meant to reverse the old autarkic development strategy permanently. The autarkic system was so pervasive that Pérez’s advisors felt the need to attack every area of government activity. The Pérez team consequently sought to eliminate distortions in the foreign-trade regime, open up to private investment in all but a few sectors, privatize government enterprises, restructure other enterprises, improve delivery of social services, regulate the financial sector more efficiently, limit government borrowing permanently, raise the prices paid for energy, remove most of the subsidies from the overprotected agricultural sector, and reform the tax system (Naím 1993; Torres 1993; and World Bank 1993).

In macroeconomic terms, these reforms appear generally to have been a success. The GDP grew by approximately 6.5 percent to 10.0 percent per year in 1990, 1991, and 1992. Inflation peaked in 1989 at 84.5 percent but then declined steadily after that to 31.4 percent in 1992. Foreign reserves increased in 1989, 1990, and 1991, and the trade balance achieved a surplus from 1989 through 1992 (Lander 1994, 2). The Pérez administration’s package was praised by international sources for its coherence and rapid implementation

Politically, the reforms met with a great deal of opposition. Initial efforts at stabilization, starting with the elimination of price controls on public transit, sparked riots in major urban areas on 27 February 1989. The riots were put down forcefully, killing several hundred Venezuelans in the process. This outburst, however, never translated into any organized mobilization capable of expressing ongoing opposition or offering an alternative program. As a result, the administration continued with its program, believing it necessary for guaranteeing the country’s future economic stability. Then two coup attempts in February and November of 1992 helped galvanize opposition to the government and convinced civilian politicians that Pérez had to be removed from office if democracy was to sur-

vive. After refusing to resign several times, Pérez was finally relieved of his duties by the congress on 21 May 1993, after the Supreme Court determined that enough evidence existed to prosecute him on corruption charges.⁶ To understand how such radical economic changes were initiated and then derailed, it is necessary to return to an examination of the policy-making process and institutional routes for participation.

The Politics of el Gran Viraje

Radical changes in economic development strategy are unlikely in any context because the previous set of policies has probably generated its own constituency of privileged groups. These groups usually translate their economic status into some form of political influence. This tendency was pronounced in Venezuela, where the democratic system had been designed around insulating the interaction of rentier business and labor groups with party elites.

Because import-substitution industrialization creates its own mobilized constituencies, the state in many Latin American countries has had to assume a major role in starting the reform process. Consequently, the initiation of reform is usually associated with a concentration of authority in the executive branch and its independence from groups attached to the previous development strategy. Catherine Conaghan has shown that market-oriented regimes in Bolivia, Ecuador, and Peru (to some extent) disdained business efforts to influence policy making (1992, 218–21). Democratically elected market-oriented governments have operated according to the principle that “economic policy making should be ‘sealed off’ from pluralist politics” (Conaghan 1992, 218). The degree of autonomy available to the executive is a function of four factors: state administrative capacity, the regime type, existing political alignments, and electoral cycles and changes of administration (Haggard and Kaufman 1992b, 222–29).

State Administrative Capacity

Administrative capability is multifaceted, entailing the technical capacity to implement policy choices, the ability of reformers to control the rest of the bureaucracy, and the autonomy of bureaucrats from organized interests. Each of these three dimensions has played an important part in Venezuela. As the governing boards detailed in appendix 1 illustrate, the decentralized public administration was anything but autonomous from

6. Although Pérez was removed formally for corruption, his extremely unpopular policies and the instability they generated were the real causes of his ouster (Rey 1993). The Venezuelan Constitution has no provisions for impeachment, but a president being prosecuted on criminal charges can be removed from office by the congress while criminal proceedings are taking place.

private-sector interests. Pérez created few new agencies in 1989 because they were antithetical to a neoliberal economic philosophy and would have incorporated representatives of interest groups in their governing boards. In addition, Pérez named to the ministerial posts ultimately responsible for controlling the decentralized public administration a group of academics and technocrats without the typical political and party histories of former ministers (Navarro 1994b). This new group felt little allegiance to the existing sectoral interests or the traditional consultative decision-making process. Instead, they were almost anti-system and looked down on “the political class” and its historical use of corporatist structures. Pérez’s team bypassed the existing bureaucracy altogether, setting up parallel bureaucratic institutions when necessary. This approach eliminated the previously used consultative decision-making institutions and also saved the government from having to alienate highly organized public employees by engaging in civil-service reform (Navarro 1994b, 22).

Parallel bureaucratic structures were necessary also because it was unclear whether the reform-oriented technocrats and academics could control the rest of the bureaucracy. The very nature of the decentralized public administration in terms of the autonomous legal standing of many agencies had contributed to the crisis. For example, the ability of many entities to borrow money without central coordination of their activities had greatly enlarged the public debt. In addition, the government had no control over bureaucratic agencies charged with administering price controls. The enforcement system had become riddled by political patronage, and officials could no longer rely on its technical capacity to roll back controls gradually (Naím 1993, 54–57).

The need to create parallel bureaucratic structures to carry out the government’s program was a matter of autonomy but also one of technical capacity. The lack of technical capacity also helps to explain the extremely rapid pace of reforms. The Venezuelan government could not count on the technical ability of the decentralized public administration, nor could it afford time-consuming and politically costly civil-service reform. According to reformers, the shock approach was not the result of any philosophical belief that it was the appropriate strategy, politically or economically. Rather, the shock approach was forced on the government by the inability of the existing bureaucracy to coordinate a more gradual and sequential process.

Regime Type

It was originally assumed that authoritarian regimes could implement better the radically different measures entailed in an orthodox package and deal better with the protests they might engender. In reality, presidents of democratic regimes may be more autonomous and secure than military leaders (Haggard and Kaufman 1989, 533–39). In Venezuela,

for example, presidential autonomy from other institutional actors was important in allowing the president to implement the policies preferred by rentier groups. It was also important for Pérez's effort to break wholly with the autarkic development strategy and its proponents. Pérez, however, acted autonomously of not only the congress but also the interest groups that had traditionally penetrated the executive branch.

In terms of constitutional allocation of powers, the Venezuelan president lacks some of the legislative prerogatives of other chief executives, including a significant veto, the exclusive right to introduce particular kinds of legislation, and standing authority to issue legislative decrees (Carey and Shugart n.d.; Mainwaring and Shugart 1997). But the president's powers do allow the Venezuelan chief executive to implement a number of measures without significant congressional participation. For example, the president has the right to suspend or restrict constitutional guarantees and to then issue decrees on related matters. This power has been one of the primary mechanisms for intervening in the economy. The constitutional right to economic liberty (Article 190:6) protects Venezuelans from usury and unduly high prices. But it was restricted from the moment that the Constitution of 1961 was adopted. Presidents have used it to control prices, deal with the public debt, and fix the exchange rate. Pérez reestablished Article 190:6 in July 1991 but not before using it to remove price controls on most items and free up the exchange rate (Crisp n.d.).⁷ Nonlegislative decree authority was thus critical for the speed and coherency of the reform package. Without significant congressional involvement, the government proceeded to eliminate licenses and bans on 1900 items accounting for 77 percent of manufactured imports; lower the highest tariff barrier from 135 percent to 20 percent; eliminate restrictions on foreign investments for all sectors except petroleum, mining, and banking; restructure and reform many public agencies to make them more appealing candidates for privatization; develop parallel bureaucratic structures for delivering public services; and eliminate many agricultural subsidies (Navarro 1994b, 16–19).

Provisions that required congressional approval usually took the longest and ended up being diluted. Reformers in the president's cabinet reportedly considered the congress to be "the most important source of distortions and delays in the execution of the reforms" (Naím 1993, 49). For example, a new law designed to reinforce the independence of the Banco Central de Venezuela did not pass until the end of 1992, and laws regulating banks and credit markets were not approved until 1993, under the interim administration of Ramón J. Velásquez. The most contentious area of reform was revising the tax code, which was nearly stymied by the

7. Caldera suspended Article 190:6 completely in February 1994, reinstated it in June, and then resuspended it before the end of the month.

congress. Not a single tax reform was passed while Pérez was still in power. The income-tax bill that the administration sent to Congress in 1990 proposed a reduction in marginal tax rates but eliminated many loopholes, thereby increasing total government revenue. It was adopted only after Pérez left office, and although the congress lowered the tax rates, it increased the loopholes, thus making enforcement more difficult and lowering government revenue (Navarro 1994b, 26–27).

Political Alignments

Part of the variation left unexplained by regime type can be attributed to the more nuanced factor of political alignments (Haggard and Kaufman 1992b, 227). In some systems, class divisions are reinforced by the traditional political mechanisms (such as parties and elections), and as a result, reform efforts can polarize and inflame previously unstable relations between workers and owners. In other systems, parties may have a broader or crosscutting class base and be therefore better suited to implement controversial changes (Haggard and Kaufman 1992a, 326). In the case of Venezuela, both the AD and COPEI are relatively centrist multiclass parties, a situation that undoubtedly has minimized some of the conflict.

A particularly difficult question for the reformers was how to deal with organized labor. This sector was heavily involved in government decision making during autarkic development, especially when the AD (the party that had most effectively created unions) was in power, as was the case during the reform efforts. The administration abandoned the traditional consultative mechanisms for incorporating groups but also avoided arousing opposition from rentier sectors whenever possible. For example, civil-service reform was not attempted in large part because of the opposition it would have generated among organized state employees. In addition, organized labor was regularly “paid off” in order to get its tacit support for the reform package. For example, efforts at privatization required generous compensation for the unions of those laborers who would be affected (Navarro 1994b, 28).

Surprisingly, rentier business owners who lost subsidies or privileges as a result of the shift in development strategy were unable to form an effective opposition. They did not support Pérez’s package but were ineffective in opposing it, perhaps partly because of the rapid pace of reform. Business interests were left scrambling, trying to react to the changing economic environment that must have appeared to have been mandated by presidential fiat, given the use of the executive’s decree authority. Thus the administration achieved several early successes that did not engender the level of opposition expected. On the other side, export-oriented entrepreneurs never formed a significant force for supporting the reforms, and the government made no explicit effort to promote organization of any such group.

Electoral Cycles and Changes of Administration

Evidence indicates that governments facing upcoming elections are unlikely to embark on major and controversial reforms. New administrations, however, may use their early popularity to initiate major changes. Governments capitalize on the honeymoon effect and recent discrediting of the previous regime to initiate new policies, even those not clearly in the interests of their supporters (Ames 1988). During autarkic development in Venezuela, new administrations brought new policy initiatives, especially when the party in power changed. But as the consistent makeup of governing boards across administrations indicates, the major actors were fully incorporated regardless of which administration was in power, and therefore honeymoons were not periods of dramatic change.

Pérez had merely hinted at major changes during his 1988 campaign. Thus the changes his administration launched came as a surprise to most of those who had voted for him. The basic direction of the changes Pérez intended became clear only when he began to assemble his new cabinet and unveil his economic program in greater detail. The presence of academics, technocrats, and business representatives associated with market-oriented policy positions was obvious. Pérez was inaugurated on 2 February 1989 and on 14 February elaborated on the crisis confronting the country and announced his adjustment plan (Stambouli 1993, 120–21). Less than two weeks later, public riots and looting broke out as a result of shortages and hoarding. The military was called in to put down the disturbances and left hundreds of citizens dead in the streets. Clearly, Pérez's efforts to capitalize on his honeymoon and make rapid changes did not pay off. The events of 27 February cast an immediate shadow on his administration and guaranteed intense public scrutiny of his program. But because of the constitutional allocation of powers, the administration was able to forge ahead. Eventually, attempted military coups again called the legitimacy of the regime into question and heightened the desire to remove Pérez from office. Had Pérez been less concerned with capitalizing on his honeymoon, he might have implemented reforms more slowly (if the bureaucracy had had the technical capacity to do so) and articulated his program and its goals better so it would not have taken so many citizens by surprise.

The Venezuelan Constitution requires presidents to sit out two presidential terms (ten years) before seeking reelection. Pérez had been elected in 1973 and was reelected again in 1988. His age made it evident that this would be his last term, and he was greatly concerned with his place in Venezuelan history. The prohibition of immediate reelection and Pérez's fixation with his position in history fortified his resolve to stick with his program, believing that he would be vindicated in the long run even if he was vehemently opposed at the time. This long-term perspective, regard-

less of whether Pérez's perception of how he would be judged is right or wrong, is atypical of elites in democracies, who are usually focused on the next set of elections. Had Pérez been concerned with reelection, he might have moderated his policies more as his administration wore on. In particular, government spending and other efforts to lessen the burden on consumers might have been adopted as the upcoming elections neared.

The Initiation of Reform and Failure to Consolidate It

The reform package attempted by the Pérez regime was coherently orthodox and carried out rapidly. The "apolitical reformers" in the cabinet isolated themselves from links to traditional groups and the consultative mechanisms that characterized the decentralized public administration. Rather than use the captured bureaucratic structures of autarkic development, they established parallel agencies for a number of tasks. The president's autonomy in decreeing certain kinds of regulatory measures made it possible for him to move quickly, unhindered by lengthy congressional debates and public lobbying for policy modifications.

Yet the decision to eliminate the consultative mechanisms of the past showed the administration's recognition that it was likely to meet with stiff resistance. Nor did the government ever find a way to identify supporters of the reforms and mobilize them. As a result, the administration succeeded in gaining the temporary autonomy required to initiate change, but it failed to build alternative mechanisms of political participation that would give pro-market forces a privileged place in the political system for promoting consolidation of reforms. The president's decree authority was enough to take the reforms so far, but the constitutional allocation of powers required congressional participation in important matters like tax reforms. When the administration needed the cooperation of the legislative branch, its isolation and failure to incorporate pro-reform forces into a new policy-making process gave party elites little reason to withstand the popular reaction against reforms. Pérez's desire to rank well in history did not motivate other politicians. Although he was not concerned about the next set of elections, other civilian politicians became convinced that the democratic system would not last that long if they did not get rid of Pérez and his reforms.

In December 1993, Rafael Caldera was elected president as the candidate of Movimiento al Socialismo (MAS), Convergencia, and a number of minor parties.⁸ His platform was decidedly anti-neoliberal reform, and

8. Caldera, a founding member of COPEI, the Christian Democratic party, was elected president as the COPEI candidate in 1968 and served as its presidential candidate in several other elections. After not receiving the COPEI nomination for the 1993 elections, Caldera broke with the party and declared himself an independent candidate.

during the first two years of his administration, he endeavored to return Venezuela to its past. His economic policy was heterodox, if not populist, and his decision-making style featured a return to widespread consultation. The Caldera administration froze exchange rates, fixed prices, stopped privatization, and ran up enormous deficits. The country's economic situation continued to decline, worsening further after several banks collapsed in 1994. The administration appeared incapable of designing an economic program to confront the continuing slide.

Nothing was done to build mechanisms of participation likely to generate support for a more market-oriented development strategy. Instead, power was centralized further. The congress amended the consumer protection law to give the president the power to fix prices without suspending the constitution. It also passed an exchange-rate control law that enhanced the president's ability to intervene in the foreign-exchange market. And after much debate, the congress adopted the law of financial emergencies, which gave the president increased authority to intervene in the management of the nation's banks (although not as much as Caldera asked for).

Then in mid-1996, in a complete turnaround from his campaign rhetoric, Caldera announced that his administration had reached a structural-adjustment agreement with the International Monetary Fund. It is too soon to tell whether the Caldera government will carry out the program faithfully, or whether the first two years of his administration reflected a quasi-populist drift or a period of building consensus for orthodox reform. The initial introduction of reforms by Pérez and continued economic decline after Caldera's election have changed the context of reform and may make Venezuelans more supportive by default.

TYPES OF DEVELOPMENT STRATEGIES AND TYPES OF DEMOCRACIES

Democracy in Venezuela was made compatible with an autarkic development strategy by institutionalizing consultative channels that privileged the participation of rentier classes. They were given access to the policy-making process that was isolated from changing electoral results. Thus their relative dominance of the political system continued steadily from 1958 until the economic crisis that was exacerbated in 1989. Rentier business and labor groups used their penetration of the state to direct government spending to their own behalf. Massive transfers of oil-generated government revenues circulated money through the economy but did not lead to internationally competitive industries or agriculture. Instead, the isolated nature of participation by these groups allowed them to sustain these transfers of government revenue long after it was obvious that the Venezuelan economy was not absorbing the funds productively.

The political institutions and practices designed around this devel-

opment strategy then made the transition to competitive capitalism difficult. The economic system was completely dependent on various forms of government intervention, and the democratic system was designed to negotiate their continued functioning. The Pérez administration that came to power in 1989 could pursue economic reform only by isolating itself from this traditional political process. The same pattern has been repeated in other Latin American democracies as well.

Presidents surround themselves with “apolitical” technocrats and academics willing and able to forge ahead with a reform program that lacks a mobilized constituency. In the case of Venezuela, however, the neoliberal package created such animosity and instability that Pérez was removed from office before he could finish his term and consolidate his reforms. The relative difficulty in consolidating reforms in Venezuela may be the result of its democratic history. Because autarkic development was pursued in an open polity, constituents of the strategy became highly organized, mobilized, and incorporated.

Initiation of neoliberal economic reform is not merely a technical matter. It is intimately entwined with basic political characteristics. If analysts are to comprehend the nature of reform in Latin American democracies, we must systematically incorporate a detailed understanding of commonalities and differences in how groups participate in the policy-making process. What the Pérez administration failed to address was the incompatibility of the democratic process as constructed in Venezuela with the process of switching to competitive capitalism. Newer Latin American democracies may enjoy some advantage over Venezuela in solidifying reforms because the military regimes preceding them often demobilized rentier classes, especially labor, and eliminated institutionalized channels of participation.

One promising means of understanding relations between the state and civil society is the new institutionalist focus on the formal rules and structures of politics. This body of work has been particularly revealing regarding interbranch relations (see Mainwaring and Shugart 1997; Carey and Shugart n.d.). Careful attention to electoral systems helps explain the partisan composition of branches and the incentives of elected officials to respond to particularistic demands and constituencies. Focusing on constitutional allocations of powers that include decree authority, legislative initiative, and veto overrides sheds light on the particular mechanisms through which reform programs are likely to be implemented. But while case studies of interest-group roles in the economic reform process exist, no work has been done to conceptualize the institutional mechanisms that serve as conduits between policy makers and organized groups. As a result, researchers are left with anecdotal accounts of business and labor influence or else the role of particular socioeconomic sectors is omitted in

favor of technical discussions regarding the pace and sequence of economically rational policies.

To understand better the prospects for reform across countries, analysts must begin to distinguish among democracies according to the ability of particular socioeconomic sectors to participate in the policy-making process. Debates over implementations of structural adjustment are often carried on in apolitical vacuums, but their impact and likelihood of success will be better comprehended when the political context in which they were occurring is systematically incorporated into the analysis. In the process, we will learn a great deal about the relationship between capitalist development and democracy.

APPENDIX 1

Governing Boards of Public-Law Entities in the Decentralized Public Administration in Venezuela, 1959–1988

<i>Name</i>	<i>Date of Creation</i>	<i>Party and Administration</i>	<i>State Role</i>
Instituto Nacional de Cooperación Educativa	8/22/59	AD-Betancourt	Services
Instituto Nacional de Cultura y Bellas Artes	4/8/60	AD-Betancourt	Promoter
Corporación Venezolana de Petróleo	4/21/60	AD-Betancourt	Producer
Corporación Venezolana de Guayana (CVG)	12/29/60	AD-Betancourt	Producer
Administración del Parque del Este	1/20/61	AD-Betancourt	Services
Fondo de Investigaciones Agropecuarias	1/20/61	AD-Betancourt	Promoter
Corporación de los Andes	12/15/64	AD-Leoni	Promoter
Fondo de Crédito para la Adquisición de Maquinarias y Implementos Agropecuarios y Pesticidos	1/15/65	AD-Leoni	Promoter
Comité Coordinador para el Desarrollo del Sistema de Riego Río Boconó	2/9/65	AD-Leoni	Services
Comité Coordinador de Actividades Turísticas	2/10/65	AD-Leoni	Services
Banco de los Trabajadores	7/11/66	AD-Leoni	Services
Banco Nacional de Ahorro y Préstamo	9/7/66	AD-Leoni	Services
Feria Exposición de la ALALC	3/10/67	AD-Leoni	Services
Consejo Nacional de Investigaciones Científicas y Tecnológicas (CONICIT)	7/13/67	AD-Leoni	Promoter
Universidad Simón Bolívar	7/18/67	AD-Leoni	Services
Banco de Desarrollo Agropecuario	8/1/67	AD-Leoni	Promoter
Consejo Nacional del Azúcar	10/3/67	AD-Leoni	General
Universidad de la Región Centro Occidental	11/7/67	AD-Leoni	Services
Corporación de Desarrollo de la Región Zuliana	7/26/69	COPEI-Caldera	Promoter
Instituto de Comercio Exterior (ICE)	8/14/70	COPEI-Caldera	Promoter
Corporación de Mercadeo Agrícola	8/21/70	COPEI-Caldera	Promoter
Corporación de Desarrollo de la Región Nororiental (CORPORIENTE)	9/8/70	COPEI-Caldera	Promoter
Aeropuerto Internacional de Maiquetía	8/16/71	COPEI-Caldera	Services

<i>Government Officials</i>	<i>Business</i>	<i>Professional</i>	<i>Labor</i>	<i>Non-Economic</i>	<i>Undefined</i>
2	3	2	3	0	0
0	0	0	0	0	3
1	0	0	0	0	6
0	0	0	0	0	5
4	0	0	0	0	5
3	0	0	0	0	0
7	3	0	3	0	3
3	2	0	1	0	0
4	0	0	1	0	1
8	4	0	0	0	0
12	0	0	33	0	0
1	2	0	0	0	2
5	2	0	0	0	0
14	1	5	1	0	0
0	0	1	0	1	15
2	3	0	0	0	0
4	3	0	1	0	0
9	0	2	0	1	0
4	2	0	1	0	0
10	0	0	2	0	0
0	1	0	1	0	3
4	1	0	2	0	0
2	0	0	1	0	0

APPENDIX 1 (continued)

Governing Boards of Public-Law Entities in the Decentralized Public Administration in Venezuela, 1959–1988

<i>Name</i>	<i>Date of Creation</i>	<i>Party and Administration</i>	<i>State Role</i>
Corporación de Desarrollo de la Región Centro Occidental (CORPOCCIDENTE)	1/18/72	COPEI-Caldera	Promoter
Fondo Destinado a la Investigación en Materia de Hidrocarburos (FONINVES)	1/25/73	COPEI-Caldera	Services
Corporación de Turismo de Venezuela	6/21/73	COPEI-Caldera	Promoter
Comisión para Financiar la Zona Franca de Nueva España	6/26/73	COPEI-Caldera	Promoter
Fondo de Financiamiento de las Exportaciones	9/26/73	COPEI-Caldera	Promoter
Instituto Nacional de Parques	10/3/73	COPEI-Caldera	Services
Universidad "Simón Rodríguez"	1/24/74	COPEI-Caldera	Services
Universidad del Táchira	2/27/74	COPEI-Caldera	Services
Fondo de Inversiones de Venezuela	6/11/74	AD-Pérez	Services
Corporación de Desarrollo de la Pequeña y Mediana Industria (CORPOINDUSTRIA)	6/27/74	AD-Pérez	Promoter
Ley contra Despidos Injustificados	8/8/74	AD-Pérez	Regulator
Instituto Nacional de la Vivienda (INAVI)	5/13/75	AD-Pérez	Services
Instituto de Crédito Agrícola y Pecuario (ICAP)	5/13/75	AD-Pérez	Promoter
Fondo Nacional del Cacao (FONCACAO)	5/13/75	AD-Pérez	Promoter
Fondo Nacional del Café (FONCAFE)	5/13/75	AD-Pérez	Promoter
Consejo Nacional de la Cultura	8/29/75	AD-Pérez	Promoter
Fondo Nacional de Desarrollo Urbano	9/1/75	AD-Pérez	Promoter
Universidad Nacional Experimental de los Llanos Occidentales "Ezequiel Zamora" (UNELLEZ)	10/7/75	AD-Pérez	Services
Instituto Nacional de Puertos (INP)	12/16/75	AD-Pérez	Services
Fondo de Crédito Agropecuario	8/6/76	AD-Pérez	Promoter
Instituto Metropolitano del Aseo Urbano (IMAU)	8/17/76	AD-Pérez	Services
Universidad Nacional Experimental de los Llanos Centrales "Rómulo Gallegos"	7/2/77	AD-Pérez	Services

ECONOMIC REFORM IN VENEZUELA

<i>Government Officials</i>	<i>Business</i>	<i>Professional</i>	<i>Labor</i>	<i>Non-Economic</i>	<i>Undefined</i>
5	2	0	1	0	0
7	0	1	1	0	0
3	0	0	0	0	5
1	4	0	0	0	1
4	1	0	0	0	0
0	0	0	1	0	4
0	0	0	0	0	7
7	0	2	0	1	0
12	2	0	1	0	0
1	1	0	1	0	2
1	1	0	1	0	0
1	0	0	1	0	2
5	0	0	1	0	0
6	1	0	1	0	0
6	1	0	1	0	0
4	0	2	1	0	4
1	2	0	1	0	3
7	2	1	1	1	0
0	0	0	1	0	4
1	0	0	1	0	3
1	0	0	1	0	1

APPENDIX 1 (continued)

Governing Boards of Public-Law Entities in the Decentralized Public Administration in Venezuela, 1959–1988

<i>Name</i>	<i>Date of Creation</i>	<i>Party and Administration</i>	<i>State Role</i>
Universidad “Francisco de Miranda”	7/25/77	AD-Pérez	Services
Biblioteca Nacional	7/27/77	AD-Pérez	Services
Universidad Nacional Abierta	9/27/77	AD-Pérez	Services
Instituto de Previsión Social para el Personal del Cuerpo Técnico de Policía Judicial	12/27/77	AD-Pérez	Services
Instituto Postal y Telegráfico de Venezuela	1/27/78	AD-Pérez	Services
Fondo de Crédito Industrial	5/22/78	AD-Pérez	Promoter
Comisión para la Prevención de la Roya del Cafeto	7/28/78	AD-Pérez	Services
Comisión Coordinadora de la Seguridad Rural	9/24/80	COPEI-HC	Services
Fondo de Fomento Cinematográfico	1/16/81	COPEI-HC	Promoter
Fondo de Fomento de la Innovación Tecnológica	4/30/81	COPEI-HC	Promoter
Corporación de Desarrollo de la Región de los Llanos (CORPOLLANOS)	7/30/81	COPEI-HC	Promoter
Corporación de Desarrollo de la Región Central	12/22/81	COPEI-HC	Promoter
Instituto para el Control y la Conservación de la Cuenca del Lago Maracaibo	12/28/81	COPEI-HC	Regulator
Universidad de Guayana	3/9/82	COPEI-HC	Services
La Universidad Nacional Experimental “Rafael María Baralt”	3/15/82	COPEI-HC	Services
Universidad Pedagógica Experimental Libertador	7/28/83	COPEI-HC	Services
Comisión para Autorizar el Registro de la Deuda	3/20/84	AD-Lusinchi	Regulator
Fondo de Garantía de Depósitos y Protección Bancaria	3/20/85	AD-Lusinchi	Services
Comisión Especial de Licitación para la Adquisición de Jugetes, Uniformes y Zapatos	9/30/85	AD-Lusinchi	General
Comisión Especial para Realizar Licitaciones Públicas y Concursos Privados para la Adquisición de Jugetes, Uniformes y Zapatos	7/6/87	AD-Lusinchi	Services

ECONOMIC REFORM IN VENEZUELA

<i>Government Officials</i>	<i>Business</i>	<i>Professional</i>	<i>Labor</i>	<i>Non-Economic</i>	<i>Undefined</i>
4	0	2	0	1	0
1	0	0	1	0	3
10	1	2	1	1	3
7	0	0	0	0	0
2	0	0	1	0	2
0	2	0	1	0	4
4	1	0	0	1	1
3	2	0	0	1	0
4	3	3	1	0	1
15	3	1	0	0	0
11	3	0	4	0	0
19	4	0	8	0	0
24	1	0	1	0	4
10	0	2	0	1	0
8	0	3	0	1	0
10	0	1	0	1	0
3	1	0	1	0	0
2	1	0	1	0	2
6	0	0	1	0	0
6	0	0	1	0	0

APPENDIX 1 (continued)

Governing Boards of Public-Law Entities in the Decentralized Public Administration in Venezuela, 1959–1988

Name	Date of Creation	Party and Administration	State Role
Comisión Especial de Licitación para Realizar Concursos Privados y Licitaciones Públicas para la Adquisición de Jugetes, Uniformes y Zapatos	3/14/88	AD-Lusinchi	Services
Comisión para Organizar la Celebración del Bicentenario de Nacimiento de General en Jefe Santiago Marino	3/15/88	AD-Lusinchi	Services
Corporación Venezolana del Suroeste	8/23/88	AD-Lusinchi	Promoter

BIBLIOGRAPHY

AMES, BARRY

1988 *Political Survival: Politicians and Public Policy in Latin America*. Berkeley and Los Angeles: University of California Press.

BAPTISTA, ASDRUBAL

1980 "Gasto público, ingreso petrolero y distribución del ingreso." *Trimestre Económico* 47, no. 2 (Apr.–June):431–64.

1985 "Gasto público, ingreso petrolero y distribución del ingreso: Una nota adicional." *Trimestre Económico* 52, no. 1 (Jan.–Mar.):225–36.

BAPTISTA, ASDRUBAL, AND BERNARD MOMMER

1989 "Renta petrolera y distribución factorial del ingreso." In *¿Adios a la bonanza?*, edited by Hans-Peter Nissen and Bernard Mommer, 15–40. Caracas: ILDIS-CENDES and Nueva Sociedad.

BREWER-CARIAS, ALLAN R.

1976 "La distinción entre las personas públicas y las personas privadas y el sentido de la problemática actual de la clasificación de los sujetos de derecho." *Revista de la Facultad de Derecho*, no. 57 (Apr.):115–35.

1980 *Régimen jurídico de las empresas públicas en Venezuela*. Caracas: Centro Latinoamericano de Administración para el Desarrollo.

1985 *Instituciones políticas y constitucionales*. Caracas: Jurídica Venezolana.

CABALLERO ORTIZ, JESUS

1982 *Las empresas públicas en el derecho venezolano*. Caracas: Jurídica Venezolana.

1984 *Los institutos autónomos*. Caracas: Fondo de Inversiones de Venezuela.

CARDOSO, FERNANDO HENRIQUE

1986 "Entrepreneurs and the Transition Process: The Brazilian Case." In *Transitions from Authoritarian Rule: Comparative Perspectives*, edited by Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, 137–53. Baltimore, Md.: Johns Hopkins University Press.

CAREY, JOHN M., AND MATTHEW SOBERG SHUGART, EDS.

n.d. *Executive Decree Authority: Calling Out the Tanks or Filling Out the Forms*. New York: Cambridge University Press, forthcoming.

CERF (COMISION DE ESTUDIO Y REFORMA FISCAL)

1987 *Análisis de los efectos económicos y sociales del gasto público en Venezuela*. Caracas: República de Venezuela.

<i>Government Officials</i>	<i>Business</i>	<i>Professional</i>	<i>Labor</i>	<i>Non-Economic</i>	<i>Undefined</i>
8	0	0	1	0	0
7	0	2	0	0	0
1	0	0	1	0	5

CONAGHAN, CATHERINE M.

1992 "Capitalists, Technocrats, and Politicians: Economic Policy Making and Democracy in the Central Andes." In *Issues in Democratic Consolidation*, edited by Scott Mainwaring, Guillermo O'Donnell, and J. Samuel Valenzuela, 199–242. Notre Dame, Ind.: University of Notre Dame Press.

CORDIPLAN (OFICINA CENTRAL DE COORDINACION Y PLANIFICACION)

1990 *Registro de entes descentralizados*. Caracas: CORDIPLAN.

CRISP, BRIAN F.

1994 "Limitations to Democracy in Developing Capitalist Societies: The Case of Venezuela." *World Development* 22, no. 10 (Oct.):1491–1509.

1997 "Presidential Behavior in a System with Strong Parties: Venezuela, 1958–1995." In MAINWARING AND SHUGART 1997, 160–98.

n.d. "Presidential Decree Authority in Venezuela." In CAREY AND SHUGART n.d.

GARCIA ARAUJO, MAURICIO

1975 "El gasto público consolidado en 1974." *Resumen*, no. 103 (26 Oct.):8–15.

HAGGARD, STEPHAN, AND ROBERT R. KAUFMAN

1989 "The Politics of Stabilization and Structural Adjustment." In *Developing-Country Debt and Economic Performance: The International Financial System*, edited by Jeffrey D. Sachs, 533–39. Chicago, Ill.: University of Chicago Press.

1992a "Economic Adjustment and the Prospects for Democracy." In *The Politics of Economic Adjustment*, edited by Stephan Haggard and Robert R. Kaufman, 5–16. Princeton, N.J.: Princeton University Press.

1992b "The State in the Initiation and Consolidation of Market-Oriented Reform." In *State and Market in Development: Synergy or Rivalry?*, edited by Louis Putterman and Dietrich Rueschemeyer, 221–40. Boulder, Colo.: Lynne Rienner.

1994 "The Challenges of Consolidation." *Journal of Democracy* 5, no. 4 (Oct.):5–16.

KORNBLITH, MIRIAM, AND THAIS MAINGON

1985 *Estado y gasto público en Venezuela, 1936–1980*. Caracas: Universidad Central de Venezuela.

LANDER, EDGARDO

1994 "El impacto del ajuste neoliberal en Venezuela, 1989–1993." Paper presented to the Latin American Studies Association, 10–12 Mar., Atlanta, Georgia.

LIPSET, SEYMOUR MARTIN

1959 "Some Social Requisites of Democracy: Economic Development and Political Legitimacy." *American Political Science Review*, no. 53:69–105.

Latin American Research Review

LOPEZ MAYA, MARGARITA

1989 *El Banco de los Trabajadores de Venezuela: ¿Algo más que un banco?* Caracas: Universidad Central de Venezuela.

LOPEZ MAYA, MARGARITA, LUIS GOMEZ CALCAÑO, AND THAIS MAINGON

1989 *De Punto Fijo al pacto social: Desarrollo y hegemonía en Venezuela (1958–1985)*. Caracas: Fondo Editorial Acta Científica Venezolana.

MAINWARING, SCOTT, AND TIMOTHY SCULLY, EDS.

1994 *Building Democratic Institutions: Parties and Party Systems in Latin America*. Stanford, Calif.: Stanford University Press.

MAINWARING, SCOTT, AND MATTHEW SOBERG SHUGART, EDS.

1997 *Presidentialism and Democracy in Latin America*. New York: Cambridge University Press.

NAIM, MOISES

1993 *Paper Tigers and Minotaurs: The Politics of Venezuela's Economic Reforms*. Washington, D.C.: Carnegie Endowment.

1994 "Latin America: The Second Stage of Reform." *Journal of Democracy* 5, no. 4 (Oct.):32–48.

NAVARRO, JUAN CARLOS

1994a "Reforming Social Policy in Venezuela: Implementing Targeted Programs in a Context of a Traditional Pattern of Public Intervention." Paper presented to the Latin American Studies Association, 10–12 Mar., Atlanta, Georgia.

1994b "Reversal of Fortune: The Ephemeral Success of Adjustment in Venezuela between 1989 and 1993." Paper presented to the Governance and Successful Adjustment Conference, sponsored by the World Bank, 9–11 Nov., Caracas.

O'DONNELL, GUILLERMO

1973 *Modernization and Bureaucratic Authoritarianism*. Berkeley: Institute of International Studies, University of California.

1979 "Tensions in the Bureaucratic Authoritarian State and the Question of Democracy." In *The New Authoritarianism in Latin America*, edited by David Collier, 285–318. Princeton, N.J.: Princeton University Press.

1994 "Delegative Democracy." *Journal of Democracy* 5, no. 1 (Jan.):55–69.

PRZEWORSKI, ADAM

1992 "The Neoliberal Fallacy." *Journal of Democracy* 3, no. 3 (July):45–59.

REY, JUAN CARLOS

1993 "La crisis de la legitimidad en Venezuela y el enjuiciamiento y remoción de Carlos Andrés Pérez de la Presidencia de la República." *Boletín Electoral Latinoamericano* 9 (Jan.–June):67–112.

n.d. "Banco de datos." Unpublished database.

SABINO, CARLOS A.

1988 *Empleo y gasto público en Venezuela*. Caracas: Panapo.

SHEAHAN, JOHN

1987 *Patterns of Development in Latin America: Poverty, Repression, and Economic Strategy*. Princeton, N.J.: Princeton University Press.

SHUGART, MATTHEW SOBERG, AND JOHN M. CAREY

1992 *Presidents and Assemblies: Constitutional Design and Electoral Dynamics*. New York: Cambridge University Press.

STAMBOULI, ANDRES

1993 "An Evaluation of the First Year of the Government of Carlos Andrés Pérez." In *Venezuela in the Wake of Radical Reform*, edited by Joseph S. Tulchin, 119–24. Boulder, Colo.: Lynne Rienner.

TORRES, GERVER

1993 "La economía que podemos construir." In *Venezuela del siglo XX al siglo XXI: Un proyecto para construirla*, edited by Carlos Blanco. Caracas: Comisión Presidencial para la Reforma del Estado (COPRE).

U.S. DEPARTMENT OF STATE

1995 *Country Reports on Economic Policy and Trade Practices*. Washington, D.C.: U.S. Government Printing Office.

WAISMAN, CARLOS H.

- 1992 "Capitalism, the Market, and Democracy." *American Behavioral Scientist* 35, nos. 4-5 (May-June):500-516.

WORLD BANK

- 1991 *Venezuela Poverty Study: From Generalized Subsidies to Targeted Programs*. Washington, D.C.: World Bank.
- 1993 *Venezuela, Structural and Macroeconomic Reforms: The New Regime*. Washington, D.C.: World Bank.