



# From Rags to Riches: Venezuela's Downward Spiral

– Taylor Valley, 24 August 2017



In a recent press release the U.S. Department of State declared Venezuelan President Nicolas Maduro a dictator and his illegitimate National Constituent Assembly elections to be an “assault on **democracy.**” By now it is well known that Venezuela is in economic and political crisis, but labeling the Maduro government as a dictatorship marks a new phase in this ongoing conflict. Venezuela, once South America’s richest country is now embroiled in chaos marked with food shortages, street protests, and general unrest. In less than twenty years time, Venezuela lost it all, and honestly, the tale of Venezuela is neither unique nor surprising.

## **The Bolivarian Revolution**

Venezuelan president Hugo Chavez came to power in January 1999 on a platform of constitutional reform and economic improvement. Chavez’s “Bolivarian Revolution” worked to strengthen socialism, increase spending on welfare, and nationalize key

industries. The massive welfare expansion was primarily funded by the country's rich oil reserves, which increased in productivity during Chavez's tenure. Chavez's popularity was starkly divided; while the champion of the poor worked to eradicate illiteracy and expand access to affordable food, Venezuela's middle and upper classes saw the president as an increasingly power-hungry, populist caudillo.

Opposition to the president was fierce and is best exemplified by the 2002 coup that ousted the democratically-elected Chavez for two days (Read more: [The Nation](#)). In the end, the people rallied behind Chavez, his presidency was restored, and this new era was marked by crackdowns on political opposition and the strengthening of security forces.

### **The Price of Oil**

Despite opposition, oil riches have ensured Chavez's status as a larger-than-life figure in the country. Venezuela has the largest proven [oil reserve](#) in the world. At one point [41%](#) of its GDP came solely from oil revenues. While oil made Venezuela incredibly wealthy, Chavez's policies towards the commodity became the country's tragic downfall.

Venezuela fell under the resource curse. The oil wealth made it more profitable for Venezuela to import goods from abroad than invest in nascent industries. Without adequate investment into the domestic economy, Venezuela was unable to effectively modernize leaving the country dependent on imports and vulnerable to fluctuations in the oil market.

Oil was the Venezuelan economy, [The Atlantic](#) notes that "the year Chavez took office, oil made up 81 percent of Venezuela's exports. By 2009, that figure had reached about 95 percent." The ubiquity of oil, however, masked the complicated relationship between the industry and the government. Early into his presidency, Chavez began to pass legislation that placed greater restrictions on foreign companies and demanded even more royalties from oil giants. By 2007, Chavez delivered his final blow to the business when he nationalized oil and drove out behemoths like [Exxonmobil](#).

While still a profitable sector, the degradation of the oil industry made it impossible to sustain Chavez's vast social welfare programs and revealed many of the fragilities embedded in the economy. Venezuela also suffered from high inflation spurred in part by strict **currency controls** and widespread corruption. Additionally, the generally poor business climate forced many legitimate companies into the shadow economy. Chavez's policies were driving dollars out of Venezuela and without sufficient savings to cushion the economy, Venezuela teetered on economic default.

### **Enter Maduro**

When President Nicolas Maduro took office in 2013 after the death of Hugo Chavez, he channeled his predecessor's charisma to gain support from the people. One year later, the world oil price collapsed and no amount of *chavismo* could keep protesters off of the streets. By late 2014, the lack of modernization became painfully evident when the government struggled to import enough food into the country.

For the past three years food and medical shortages have become the norm. In public hospitals, the **death rate** for babies under two months has increased one-hundred fold from 0.02% in 2012 to over just over 2% in 2015. The crime rate has taken off and—forget about going out at night—muggings and kidnappings have become increasingly common. The domestic situation has become so undesirable under Maduro that the emigration rate has increased from **100,000** people per year, the average since Chavez's coming to power in 1999, to almost 200,000 in 2016. As the economic situation has declined, the reliance on the military and security forces have increased. **The Washington Post** notes that, "More than 100 Venezuelans have died and thousands have been detained in four months of anti-government street protests," since April 2017.

### **Turn to Authoritarianism**

The most recent spike in the conflict began with the fraudulent elections of the National Constituent Assembly. The elections came on the heels of a controversial

decision to dissolve Venezuela's only legitimate parliamentary body the National Assembly. Without the National Assembly there are no checks on Maduro's power making his presidency a *de facto* dictatorship. On [July 30th](#), protesters flooded the streets of Caracas to demand Maduro's resignation, opposition leaders were arrested in their homes in the middle of the night, and Venezuelans were increasingly using the "A" word to describe Maduro's less-than-democratic regime.

President Trump has stated that he is not ready to rule out a [military option](#) in Venezuela, but has not expressed a sincere interest in this path. China and Russia, as large trade partners, also share considerable interest in Venezuela's economic future. Maduro, however, refuses to accept outside humanitarian aid. The socialist leader likely sees any foreign interference as an attempt to provoke regime change and has even gone as far as to [ban](#) charity from the Roman Catholic Church.

Authoritarian or not, the humanitarian crisis in Venezuela continues. People are dying of malnutrition, electrical blackouts are recurrent, and refugees are flooding into neighboring Brazil. The fate of Venezuela is integral to the entire welfare of South America. Economic collapse has led to an uptick in organized crime, threatens the tenuous peace in Colombia, and could make Venezuela a hotbed for transnational arms, drug, and human [trafficking](#).

On Friday August 18th, the pro-government National Constituent Assembly held its first session amid protests. With supreme rule over the government the assembly easily passed one of the first items on its agenda—securing arrest warrants for remaining opposition leaders. This is not a democracy. Venezuela's turn to authoritarianism is alienating countries and companies alike at a time when the country is desperate for aid and hard currency. Overall, the situation in Venezuela is dire and the potential spillover effects of the crisis are alarming. The people of Venezuela need assistance and it's time for the international community to come together and focus on ways to alleviate the suffering.

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