1

A

49477

0-215-01620-5

National Library
of CanadaBibliothèque nationale
du CanadaCANADIAN THESES
ON MICROFICHETHÈSES CANADIENNES
SUR MICROFICHE

NAME OF AUTHOR/NOM DE L'AUTEUR S. Bruce Campbell

TITLE OF THESIS/TITRE DE LA THÈSE An Inquiry into the Wealth of Peripheral Capitalist Nations:
the Case of Venezuela.

UNIVERSITY/UNIVERSITÉ Carleton University

DEGREE FOR WHICH THESIS WAS PRESENTED/
GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE M.A.

YEAR THIS DEGREE CONFERRED/ANNÉE D'OBTENTION DE CE DEGRÉ 1979

NAME OF SUPERVISOR/NOM DU DIRECTEUR DE THÈSE Steven Langdon

Permission is hereby granted to the NATIONAL LIBRARY OF
CANADA to microfilm this thesis and to lend or sell copies
of the film.

The author reserves other publication rights, and neither the
thesis nor extensive extracts from it may be printed or other-
wise reproduced without the author's written permission.

*L'autorisation est, par la présente, accordée à la BIBLIOTHÈ-
QUE NATIONALE DU CANADA de microfilmer cette thèse et
de prêter ou de vendre des exemplaires du film.*

*L'auteur se réserve les autres droits de publication; ni la
thèse ni de longs extraits de celle-ci ne doivent être imprimés
ou autrement reproduits sans l'autorisation écrite de l'auteur.*

DATED/DATE

Dec 31 1980

SIGNED/SIGNE

PERMANENT ADDRESS/RÉSIDENCE FIXE

114 Ossington Avenue,Ottawa, Ontario, K1S 3B8.

National Library of Canada
Collections Development Branch

Canadian Theses on
Microfiche Service

Bibliothèque nationale du Canada
Direction du développement des collections

Service des thèses canadiennes
sur microfiche

NOTICE

The quality of this microfiche is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us a poor photocopy.

Previously copyrighted materials (journal articles, published tests, etc.) are not filmed.

Reproduction in full or in part of this film is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30. Please read the authorization forms which accompany this thesis.

**THIS DISSERTATION
HAS BEEN MICROFILMED
EXACTLY AS RECEIVED**

AVIS

La qualité de cette microfiche dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de mauvaise qualité.

Les documents qui font déjà l'objet d'un droit d'auteur (articles de revue, examens publiés, etc.) ne sont pas microfilmés.

La reproduction, même partielle, de ce microfilm est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30. Veuillez prendre connaissance des formules d'autorisation qui accompagnent cette thèse.

**LA THÈSE A ÉTÉ
MICROFILMÉE TELLE QUE
NOUS L'AVONS REÇUE**

Ottawa, Canada
K1A 0N4

An Inquiry in to the Wealth of
Peripheral Capitalist Nations:
The CASE OF Venezuela

by

S. Bruce Campbell

(C) August 1979 by S. Bruce Campbell

A thesis submitted to the Faculty of
Graduate Studies and Research in partial
fulfilment of the requirements for the degree of
Master of Arts
in International Affairs

The Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario
Canada

1979 08 01

The undersigned hereby recommend to the Faculty
of Graduate Studies and Research acceptance of this thesis,
submitted by Bruce Campbell, in partial fulfilment of the requirements
for the degree of Master of Arts.

John H. Sigler, Director,
The Norman Paterson School of International Affairs

S. Langdon,
Supervisor

Abstract

This thesis provides an analysis of peripheral capitalism in Petroleum-Venezuela and how its historical development has determined current social phenomena-marginality and inequality. Differences between development at the Centre and Periphery are examined, as well as the nature of their interrelations. Structural characteristics, commonly held to be obstacles to economic development are shown, in the Venezuelan case, to be necessary conditions or corollaries of development. Venezuela's development is examined in the context of two contradictions: 1) the appropriation and distribution of petroleum surplus by the state, and 2) the process of modern industrial development which together have disrupted internal markets and production systems, have reproduced and/or aggravated external dependence, marginality, and imbalances of wealth and power. Understanding of these contradictions is closely linked to relations of social classes. Attention is given to the effects of the mid-Seventies, OPEC stimulated, oil wealth inflow.

TABLE OF CONTENTS

Chapter 1

Framework of Analysis

Boundaries	8
Dynamics: Structure, Process and Mechanisms	16

Chapter 2

Laying the Foundations: The Rule of Gomez

The Setting	40
Sowing the Seed: The Gomez - Oil Company Alliance	48
New Oil Wealth - The Domestic Impact	57
The Decline of Agriculture	61
Urban Production - The Artisan and Capitalist Modes ...	68
From a Producing to Importing Society	71
The Balance of Trade	
The Changing Locus of Dependence	73
The Nature of Petroleum Wealth	74
The State	77

Chapter 3

Consolidation: The Ascent of Petroleum Venezuela

State Oil Surplus: Accumulation & Distribution	90
Demographic Change	100
The Fifties: Culmination of the Transition	103
Adjustment of Agriculture	108
Artisan Decline	117
Concluding Remarks	119

Chapter 4

The Maturing of Peripheral Capitalism: Democracy and Import Reproduction

Post War Manufacturing: The Stage is Set	129
Import Reproduction: Outline of the Structure	134
The Role of the State	138
The Role of the Multinational Corporations	144
Documentation: The First Decade	150
Petroleum Surplus Revisited	164
Income Distribution	167
Selected Markets: Automobiles and Housing	180

Chapter 5

Venezuela in the Seventies: A New Phase?

The International Context	199
The New Oil Wealth - The Internal Impact	207
The Fifth National Plan	218
Employment and Marginality	233
Economic Independence	248

Postscript	269
------------------	-----

Preface

The idea for this thesis grew out of research into some of the international "spin-off" of the 1973-74 OPEC price hike, especially its effects on the poorer nations of the Third World. When Lynn Mytelka, my teacher and friend, suggested studying the impact of new wealth, within an OPEC country, Venezuela was the obvious choice. Venezuela was an "old" and, still, major oil exporter and unlike some Middle East producers there appeared to be a "realistic" ratio between revenues and population. The existence of a democratic government led me to speculate that possibly the windfall was being utilized in generally "beneficial" ways. Furthermore, it would allow me to fulfil a longstanding desire to improve my understanding of Latin America. Finally, the task of gaining even a superficial knowledge of the Spanish language and culture seemed infinitely more surmountable than either the Arabic or Persian.

I did not feel that I could legitimately pursue this inquiry without some first-hand experience of what was happening in Venezuela. The financial barriers to this endeavour were overcome by generous and "very soft" loans from my friend Jim Sloan; my mother and late father (whom, I might add, were very encouraging of my efforts). The

emotional prospect of a six-month separation from my family was a far more difficult obstacle.

In Venezuela there were many for whose help I am grateful. Antonio Padron who provided me with a working base at the Centro de Estudios Romulo Gallegos; Rafael Kries and Victor Petzolt, research fellows at the Centro, who supplied me with useful contacts and valuable discussion; Osvaldo Sunkel and Hector Silva Michelena who pointed me in the "right" directions; John Pate who pointed me in other directions; and Martin Orapeza whose insights and hospitality I treasure and whose work in the ranchos of Caracas, which he shared with me, was a highlight of my visit.

My time in Venezuela was too short. Nevertheless, it gave me an indispensable feeling for the ferment and frenzy of the Venezuelan condition. It also facilitated the necessary gestation of ideas, which, three laborious years later, became this manuscript. Finally, it gave me a working knowledge of Spanish which opened a whole set of doors which would, otherwise, have been inaccessible.

In Canada, I am indebted to Ken Hatt who supplied me with a much needed office; to my supervisor, Steven Langdon, who, between election campaigns, provided useful comments and criticisms of earlier drafts; to Elena White whose critical reading of the draft I deeply appreciate; and most

of all to Ilse and Pam, my dear companions, Ilse whose point of view is impeccably beautiful and Pam, whose superlative preparation of the manuscript was nothing short of heroic.

And finally, to the family cat, Frodo, whose indifference throughout my ordeal leaves me no alternative but to burden him with responsibility for all intellectual and translation errors and omissions.

Chapter 1

Framework of Analysis

Boundaries

This investigation provides an analysis of Peripheral capitalism as it applies to 20th Century Venezuela. It proceeds from a conviction that the most prominent aspect of social reality in Venezuela - economic and political inequality and marginality - cannot be understood separately from an inquiry into the structures and mechanisms which sustain Peripheral capitalist development.(1)

Venezuelan economic development(2) can be divided, analytically, into two dimensions - space and time - each of which may be further divided into three categories.

Commencing with the space dimension, one can isolate within the Venezuelan context: 1) characteristics which apply to capitalist development as a whole; 2) those which apply to Peripheral capitalist development in Latin America; and finally 3) those characteristics which apply specifically to Peripheral capitalism in Venezuela.

The impact of the capitalist system which emerged in the wake of the European industrial revolution has been deeply felt throughout the world. Its penetration into, and interaction with, a wide variety of pre-existing systems, has produced manifold social, economic and political hybrid

forms. Nevertheless, certain aspects of the capitalist process seem to permeate all these forms. Firstly, the cumulative, uneven and cyclical nature of development. Secondly, the spontaneous tendency toward concentration of ownership and/or control of productive forces, economic surplus and ultimately, power, within a progressively smaller segment of the population. And finally, the tendency to increasingly homogenize, on a global scale, consumption patterns and methods of production for those individuals, groups, and regions which are "part" of the capitalist system; and to isolate those individuals, groups and regions which are not part of the system.

The second set of characteristics that one can isolate in Venezuela involves the distinction between the "Centre" and the Latin American "Periphery" of the capitalist system.(3) The main feature of Peripheral capitalist countries is dependency. The situation of dependency implies that these countries are passive receptors of "stimuli" emanating from the Centre. For historical reasons, the Centre possesses the means of technological creation which enable it to control the nature and direction of capital accumulation for the system as a whole. Expansion, insofar as it does occur on the Periphery (and for Venezuela, growth has been rapid for the last two

generations), does so only in response to events and actions originating at the Centre. Thus, the process of industrialization in a Peripheral country does not possess an autonomous source of generation, but relies on impetus from the Centre. Such impetus implies a capacity to create and/or adapt to technological innovations which increase productivity and release an economic surplus. It is this surplus which becomes the crucial foundation of the process of capital accumulation. In Peripheral capitalist countries, the dependency situation implies that capital accumulation is ultimately dependent on technology imports from the Centre.

The situation of dependency, as I have defined it, characterizes the relationship between one nation, or group of nations, and another. However, this relationship has deeply affected and shaped the internal economic, social, political and cultural structures of the Peripheral members. The specific character of the impact of Centre-Periphery interaction in the Venezuelan case will be described later.

At this point I would like to emphasize that the resulting structures have occurred, ultimately, because the Centre has bestowed upon a small upper class or bourgeoisie(4) (which contains diverse elements including agricultural, financial, commercial, industrial and state) the

economic-technological-military "keys" to political power. This power has enabled these groups to pursue their broad interests as a class, notably the accumulation of material wealth. The distinction between pursuit of wealth and pursuit of power often becomes redundant. They become one and the same.

The power of this small upper class, conferred largely through a particular relationship with the Centre, has corrupted it (the class) in as much as all considerations of general welfare, or the common good, have been subordinated to the goal of maintaining, strengthening and perpetuating its own power and position as a class. The specific form of the structures (economic, political, social and cultural) which maintain and support the status quo, are a function of the way the bourgeoisie (in the context of its generally subordinate role within the global capitalist system) has chosen to generate, appropriate and accumulate economic surplus.(5)

Another feature of Peripheral capitalist expansion in Latin America, one that follows from its dependent status, is the accentuated reproduction of contradictions, tensions and irrationalities which exist at the Centre. Hence: income distribution is more highly skewed; productivity imbalances among technological, functional and geographical

sectors are far more acute; economic and political marginalization is far more visible and affects a majority of the population; maintenance of the existing order, even in "democratic" countries like Venezuela, requires a relatively much larger and more repressive internal legal-military apparatus than its counterpart in the Centre.

Finally, the state in Peripheral capitalist countries plays a relatively larger and more active role in the process of capital accumulation than its counterpart in the Centre. This can be measured crudely in the ratio of government spending to GDP, of public sector employment to total employment, of state investment to total investment, of state ownership of production to national private ownership, etc., which in the Periphery, are much higher. As relationships with the powerful Centre nations have intensified, the state has become the logical focus of bourgeoisie "resistance" to Centre Domination. The state, with varying degrees of success, depending on its bargaining leverage, has been able to affect the precise nature of interactions with the capitalist Centre and has in some cases achieved modest reductions in the overall amount of economic surplus appropriated abroad. Rarely has it made any genuine attempts to fundamentally alter its subordinate or dependent role in the global system, because this link,

as mentioned earlier, is a vital cornerstone of the upper class' power and control within the country.

This "Faustian" pact with the Centre is obscured in various ways. For example, official government ideology, one of independent national economic development or economic autonomy and self determination, is blatantly contradicted by a structure of policies and measures which tacitly endorses the Peripheral capitalist model. Furthermore, a foreign "bad guy" can serve the state very effectively as a scapegoat in propaganda campaigns which aim to divert and deflate mass protest movements.

The aforementioned set of characteristics which apply to the Latin American Periphery are very clearly manifested in Venezuela's economic development. In addition, certain traits distinguish it from the rest of Latin America. In other words, one can isolate characteristics of Peripheral development which are specific to Venezuela, or are apparent in only a few Latin American nations.

The most striking feature has been the extraordinary speed of economic expansion since the beginning of the petroleum era and the concomitant emergence of contradictions, tensions, and irrationalities. Economic growth has maintained an unequalled pace over the last 58 years, rarely falling below 8% per annum. In two

49477

06-213-01620-5

National Library of Canada
Bibliothèque nationale
du CanadaCANADIAN THESES
ON MICROFICHETHÈSES CANADIENNES
SUR MICROFICHE

NAME OF AUTHOR/NOM DE L'AUTEUR S. Bruce Campbell

TITLE OF THESIS/TITRE DE LA THÈSE An Inquiry into the Wealth of Peripheral Capitalist Nations:
the Case of Venezuela.

UNIVERSITY/UNIVERSITÉ Carleton University

DEGREE FOR WHICH THESIS WAS PRESENTED/
GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE M.A.

YEAR THIS DEGREE CONFERRED/ANNÉE D'OBTENTION DE CE DEGRÉ 1979

NAME OF SUPERVISOR/NOM DU DIRECTEUR DE THÈSE Steven Langdon

Permission is hereby granted to the NATIONAL LIBRARY OF
CANADA to microfilm this thesis and to lend or sell copies
of the film.

The author reserves other publication rights, and neither the
thesis nor extensive extracts from it may be printed or other-
wise reproduced without the author's written permission.

L'autorisation est, par la présente, accordée à la BIBLIOTHÈ-
QUE NATIONALE DU CANADA de microfilmer cette thèse et
de prêter ou de vendre des exemplaires du film.

L'auteur se réserve les autres droits de publication; ni la
thèse ni de longs extraits de celle-ci ne doivent être imprimés
ou autrement reproduits sans l'autorisation écrite de l'auteur.

DATED/DATE

Dec 31 1980

SIGNED/SIGNE

PERMANENT ADDRESS/RÉSIDENCE FIXE

114 Ossington Avenue,

Ottawa, Ontario, K1S 3B8.

as mentioned earlier, is a vital cornerstone of the upper class' power and control within the country.

This "Faustian" pact with the Centre is obscured in various ways. For example, official government ideology, one of independent national economic development or economic autonomy and self determination, is blatantly contradicted by a structure of policies and measures which tacitly endorses the Peripheral capitalist model. Furthermore, a foreign "bad guy" can serve the state very effectively as a scapegoat in propaganda campaigns which aim to divert and deflate mass protest movements.

The aforementioned set of characteristics which apply to the Latin American Periphery are very clearly manifested in Venezuela's economic development. In addition, certain traits distinguish it from the rest of Latin America. In other words, one can isolate characteristics of Peripheral development which are specific to Venezuela, or are apparent in only a few Latin American nations.

The most striking feature has been the extraordinary speed of economic expansion since the beginning of the petroleum era and the concomitant emergence of contradictions, tensions, and irrationalities. Economic growth has maintained an unequalled pace over the last 58 years, rarely falling below 8% per annum. In two

National Library of Canada
Collections Development Branch

Canadian Theses on
Microfiche Service

Bibliothèque nationale du Canada
Direction du développement des collections

Service des thèses canadiennes
sur microfiche

NOTICE

The quality of this microfiche is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us a poor photocopy.

Previously copyrighted materials (journal articles, published tests, etc.) are not filmed.

Reproduction in full or in part of this film is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30. Please read the authorization forms which accompany this thesis.

**THIS DISSERTATION
HAS BEEN MICROFILMED
EXACTLY AS RECEIVED**

AVIS

La qualité de cette microfiche dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de mauvaise qualité.

Les documents qui font déjà l'objet d'un droit d'auteur (articles de revue, examens publiés, etc.) ne sont pas microfilmés.

La reproduction, même partielle, de ce microfilm est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30. Veuillez prendre connaissance des formules d'autorisation qui accompagnent cette thèse.

**LA THÈSE A ÉTÉ
MICROFILMÉE TELLE QUE
NOUS L'AVONS REÇUE**

Ottawa, Canada
K1A 0N4

generations, Venezuela changed from a predominantly rural country to a 75% urban nation. In less than 20 years, the traditional modes of production were superseded by the capitalist mode and relegated to a minor source of economic activity. The pattern of income distribution is among the most inequitable in Latin America. Productivity imbalances among economic sectors are extremely distorted. For example: the productivity of a man's labor in the petroleum sector exceeds that of a rural campesino by a factor of 75:1.

Ironically, the uniqueness of Venezuela's export commodity, which has been the basis of this remarkable expansion, has provided the country with a sufficiently large and steady "retained value", or surplus, to have mitigated the most acute social contradictions and tensions which have emerged. Indeed, for the last 19 years, the bourgeoisie has been able to maintain, unlike most Latin American countries today, a more flexible system of domination in the form of representative democracy.

Petroleum, unlike all other Third World primary export commodities, has not been subject to severe demand and price fluctuations. This has been due to oil's key role in modern industrial expansion which renders it strongly income-elastic. Consequently, Venezuela has been able to

maintain a steady and abundant flow of foreign exchange which has fostered a rapid and steady internal expansion, largely unhampered by typical Third World problems of foreign-exchange scarcity, inflation and broad swings in the rate of economic activity.

Another trait which distinguishes Venezuela from the Latin American Periphery, as a whole, is the manner in which the process of import-reproducing industrialization or "internationalization-of-production" has been taking place. In most of Latin America, especially in the larger nations, this process began in the 1930's as a result of the Great Depression which dried up foreign-exchange supplies. It occurred in a crisis period to reproduce a flow of luxury-type goods from the Centre which was suddenly cut off. A period of quasi-autonomous industrialization ensued, lasting until the "normalization" of international economic activity in the aftermath of World War II. However, certain political, technological and economic changes had altered the structure of both the capitalist Centre and the Periphery. For the Latin American Periphery, this meant penetration of multinational corporations in the form of partially, or wholly, owned subsidiaries, "denationalization" of domestic industry and the interlocking of productive structures and bourgeoisies.

Those in the Periphery played a middleman role facilitating the internationalization of the capitalist mode of production.

In Venezuela, this process also occurred, but in a somewhat different way. Certainly, an internal process of industrialization using organizational methods, production processes and equipment imported from the Centre, had been evolving at a steady pace since the 1920's and 30's (and its effect on pre-existing modes of production, especially in the 1940's and 50's were devastating). However, there was not the same pressure to reproduce a flow of imported manufactured goods experienced elsewhere in Latin America.

Again, this was related to the uniqueness of its export commodity. International petroleum demand and prices faltered only briefly during the Depression, quickly resuming their former levels. The devaluation of the U.S. dollar and the subsequent appreciation of the Venezuelan bolivar further enhanced import capacity. Thus, the plentitude of foreign exchange precluded the need to develop an internal import-substituting form of industrialization. World War II did give Venezuelan industry some impetus in this direction since the Centre had geared itself to wartime production. However, the reopening of Centre-Periphery channels after the War, once again provided most of the high

Those in the Periphery played a middleman role facilitating the internationalization of the capitalist mode of production.

In Venezuela, this process also occurred, but in a somewhat different way. Certainly, an internal process of industrialization using organizational methods, production processes and equipment imported from the Centre, had been evolving at a steady pace since the 1920's and 30's (and its effect on pre-existing modes of production, especially in the 1940's and 50's were devastating). However, there was not the same pressure to reproduce a flow of imported manufactured goods experienced elsewhere in Latin America.

Again, this was related to the uniqueness of its export commodity. International petroleum demand and prices faltered only briefly during the Depression, quickly resuming their former levels. The devaluation of the U.S. dollar and the subsequent appreciation of the Venezuelan bolivar further enhanced import capacity. Thus, the plentitude of foreign exchange precluded the need to develop an internal import-substituting form of industrialization. World War II did give Venezuelan industry some impetus in this direction since the Centre had geared itself to wartime production. However, the reopening of Centre-Periphery channels after the War, once again provided most of the high

income market for "luxury" manufactured goods. Only in more traditional areas of activity, specifically in areas where the technological requirements were relatively modest (e.g. beer, cement, tobacco and leather) did domestic industrialization, with the aid of tariffs, continue to flourish in the face of renewed competition from the Centre.

Two other factors, in addition to the high import capacity, contributed to retarding the shift to import-reproducing industrialization. Firstly, a pre-war reciprocity treaty with the United States gave American manufactured goods free access to the Venezuelan market, thereby diminishing domestic industrial investment returns in relation to those obtainable in commercial activities. Secondly, the high income market, although growing rapidly, had not reached a level where enough Venezuelan capitalists (or at least those in a position of influence) had perceived import reproduction's potential for domestic surplus appropriation. Nor were they perhaps aware of their own bargaining power, which stemmed from the overall purchasing power of the Venezuelan market and the power of the state to impose tariff protection.

Thus, the momentum of import-reproducing industrialization really began in earnest much later than it did in Mexico, Brazil or Argentina - in the late 1950's and

60's. It began not as a crisis reaction to events in the Centre, but rather as a systematic and deliberate effort of a government (Betancourt), committed to an ideology of "modernization". It took place with the co-operation (often reluctant) of national private and Centre interests. It began as an explicit tripartite alliance to consolidate the capitalist mode of production in Venezuela and although "denationalization" of domestic industry did occur, the emphasis was, from the beginning, on the deliberate interlocking of national and foreign productive structures and economic groups.

Another feature of Venezuelan development which separates it from other Latin American societies is the highly visible relationship between the state and the upper class, extending right back to initial oil company penetration. Because the source of wealth or economic surplus was concentrated in a single commodity - oil; because the ownership of oil was unambiguously stated in the constitution as belonging to the state; and because, clearly, the bulk of returned value from petroleum (today the share is well over 80%) has been channelled through the state, the state's relationship with the upper class has been clearer than elsewhere in Latin America. Granted, there has been much turmoil and tension within the

"petroleum state", but this has been more a reflection of intense rivalry within the upper class than any broadly based political struggle.

The state has been the main driving force in sustaining and expanding a high income market, in shaping the pattern of investment, in directly and indirectly financing the internal process of industrialization, and in taking an active part in that process by itself becoming a major producer.

The final distinguishing characteristic of Venezuelan economic expansion also lies in the special nature of its export commodity and its relationship with the "capitalist Centre". Venezuelan state representatives have become progressively more knowledgeable with respect to oil's role in the global system and more confident in their dealings with the oil companies. As a result, the state has grown in bargaining power and consequently in its ability to extract a progressively larger share of the surplus from the petroleum companies. Without exaggerating the size of this retained surplus (especially when compared to that appropriated by the companies), this growing bargaining power is contrary to the trend of relationships with foreign capital in other Latin American countries.

This bargaining power reached a new stage of

sophistication in 1960 with the formation of the OPEC cartel binding together Third World oil producing and exporting nations. (The idea originated with a Venezuelan, Perez Alfonso, and Venezuela played a crucial role in its realization). The implications of this event were somewhat delayed, but were felt with full force in the Centre 13 years later. OPEC successfully effected a five-fold increase in the price of oil; and shortly thereafter, Venezuela nationalized its oil industry.

These occurrences should not be interpreted as a major shift in the structure of Centre-Periphery relationships. However, the Centre's adjustment to the OPEC initiatives should not, on the other hand, obscure the fact that this cartel, in totally uncharacteristic fashion for the Third World, has been able to influence, if modestly, the direction of global capitalist expansion.

.....

For the purpose of analyzing Venezuelan economic development, I have outlined a spatial dimension within which three co-existing sets, or levels, of characteristics have been demarcated. It will also be useful, for this inquiry, to set out the broad features of that development along a time dimension consisting of three stages. The three stages set forth represent shifts in Venezuela's

relationship to the Centre nations during the 20th Century.

The first involves the penetration of oil companies in the 1920's and 30's and the establishment of Venezuela's new status in the international division of labor. This stage was in a sense the most fundamental. It marked the transformation of quasi-feudal, agricultural Venezuela, to the Venezuela of petroleum. The significance of this structural transformation, apart from the revolutionary increase in the level of income, was the imposition on a static semi-feudal mode of production and surplus appropriation based on a high level of direct exploitation of labor, of a dynamic capitalist mode which became progressively characterized by a high degree of indirect or relative exploitation. In other words, the dominant form of exploitation came, more and more, to be exploitation by exclusion (the pre-empting of manpower by machines) a phenomenon which has resulted in marginalization of the majority of the population.

The second stage proceeds roughly from the death of one dictator (Gomez, 1936) to the fall of another (Perez-Jimenez, 1958). During this period, huge increases in the retained petroleum surplus were achieved. The state consolidated its role as the prime vehicle for shaping the economic structure. For example, it channelled petroleum

income, thereby creating, in 25 years, a very "rich" high-income market. It also provided the vital physical infrastructure necessary for the growth of the Peripheral capitalist mode.

The last stage dates from the beginning of democratic government (1959) to the present. It represents a more "mature" phase of Peripheral capitalism (import-reproduction) and marks the ascendance of interests among the upper and middle classes, frustrated by the limits to capital accumulation and employment respectively, imposed by an economic structure which imported, in final form, a large portion of goods destined for the high-income market. The main stimulus came through the state (tariffs, credits, etc.). Multinational corporations, (either out of a desire to maintain their markets formerly accessible through trade, or seeing the possibilities in a protected income market for monopoly gains) came in large numbers. They entered into a variety of institutional combinations or forms with the state and national private capital, creating a productive structure interlocked (in a partial and dependent way) with that of the Centre.

This stage has recently culminated in an important new influx of oil revenue derived from OPEC bargaining power. Nationalization of oil and other mineral activities has

meant a newly significant role for the state as an active participant in the internal productive structure. It represents a deepening of ties with the Centre and Venezuela's emergence to a position of pre-eminence on the Periphery, along with Mexico, Brazil and Argentina.

Dynamics: Structure, Process and Mechanisms

Having established some of the broad analytical boundaries within which this analysis will proceed, I will now explicitly articulate a central hypothesis of the investigation.

Peripheral capitalism has flourished in Venezuela during the petroleum era. Development has indeed been rapid. Structural characteristics such as a highly skewed income, wealth and power distribution, a narrow market external dependence, extreme technological heterogeneity and productivity imbalances, etc., which are held by many to be obstacles to economic development, have, in fact, been necessary conditions or corollaries of development. They delineate essential features of capitalist development at the Periphery.

Venezuelan development will be examined in the context of two fundamental contradictions. They are interrelated and their existence can be explained only in regard to underlying relations of class power. That is to say, they

generate, or contain the potential to generate, struggles between the dominant classes (i.e. the upper and middle classes) and the rest of the population, who are dominated.(6) They exist in all Peripheral capitalist countries in Latin America, although their operation in Venezuela has been shaped by specific circumstances.

This inquiry will be concerned with clarifying these contradictions and some of their implications, analyzing and documenting their course over the last 60 years and making some concluding statements about the possible forms of regeneration, or reproduction, these contradictions may take and what possibilities, if any, exist for the resolution of these contradictions to the benefit of Venezuelan society as a whole.

The first contradiction involves a deliberate process in which the economic surplus derived from petroleum exports has been distributed through the state in a way that (given the structure of power) creates a narrow, but expanding, high income market. Up to a certain point, it was able to satisfy the demand for luxury manufactured goods through imports from the Centre. Once this market had reached a certain level (given a convergence of circumstances in Venezuela and in the Centre), it became feasible to engage in import-reproducing industrialization. This new phase of

internal production was inherently dependent on technology imports from the Centre, but was, nevertheless, sustainable as long as the structure which formed the high-income market continued to operate in the same way.

Since the state distributes the petroleum surplus (according to the interests of the groups who control it) directly to a minority of the population and because, for reasons which will be explained shortly, successive rounds of income creation and distribution become truncated, income remains within this small group. Therefore, a direct consequence of the way petroleum surplus is distributed is the maintenance, if not aggravation, of the concentration of income and power. Moreover, this process, as I will demonstrate, tends to reduce continually, possibilities for the creation of steady employment opportunities for the majority of the population.

The second contradiction originates in the process of industrial accumulation which has grown at a steady pace since the 1920's and 30's, gaining momentum in the 1940's and 50's, and, for reasons alluded to previously, took a "quantum leap" in the late 50's and 60's. This process, culminated in what will be referred to as the import-reproducing or "internationalization-of-production" phase. From the time of its emergence as the predominant

mode of internal production, it has become a major source of surplus appropriation and accumulation for the upper class. It marked Venezuela's entry into a more "mature" phase of Peripheral development.

The contradiction arises from the fact that this industrialization has, as a direct consequence, caused the widespread displacement of jobs in "traditional" occupations and by its very nature has severely restricted the creation of new employment opportunities. Thus by "repelling" employment and by producing goods (which were formerly imported) for an exclusive high income market, it has reinforced a highly concentrated distribution of income and has contributed to economic marginalization. This mode of industrialization also possesses characteristics which tend to increase the concentration of ownership and/or control of the means of production.

Having outlined these contradictions, I will now turn to a more detailed explanation of the mechanisms through which they operate.

As previously stated, the growth of national income was propelled by the growth in "returned value" or surplus from petroleum. This income took the form of payments by the oil companies (in international currency - usually dollars or sterling) to employees, in purchases of local goods and

services and in payment to the government in the form of taxes, royalties, concession rights and customs duties. The government income formed the bulk and dynamic segment of "returned value".

The growth of state petroleum income came from three sources: 1) the rapidly increasing demand for Venezuelan oil at the Centre which resulted from a sustained and brisk process of technology "advance", and capital accumulation; 2) a set of technological shifts within the oil industry which released a surplus out of all traditional proportions to existing costs; 3) a growing bargaining power within the Venezuelan state which was translated into a greater ability to tax and thereby appropriate a share of the petroleum surplus.

The mechanisms through which the state has distributed this surplus may be outlined as follows:

The first involves the state's role as an employer and consumer. It employs a large bureaucracy paying high incomes to its executives and technocrats and "substantial" incomes to its mid-level white collar employees. As a consumer it also purchases huge quantities of goods and services from the private sector, placing income in the hands of a confined group of merchants, entrepreneurs, technicians and professionals.

The second involves the state's role as an investor. Vast spending on physical infrastructure - transportation and communications networks, housing, utilities and other public works projects, has created fortunes for a handful of individuals and groups who have received state contracts, for industries which supply the contractors (e.g., cement and building materials) and for commercial groups who import the necessary equipment. By providing the infrastructure which created an integrated market and by providing certain basic inputs, the state has, in effect, subsidized the private sector, creating an environment for high return investment. Finally, through its financial agencies and its deposits in private banks, it has provided credit for the mode of commercial and industrial expansion described above.

State-distributed petroleum income, as we have seen, ends up in the pockets of a small group of individuals, firms, financial institutions, etc. They, in turn, act as consumers and investors giving rise to another round of income creation and distribution. This ongoing process finds its quantitative expression in the annual national income accounts. Though it may appear that successive rounds of income creation and spending move down through the general population, this is an illusion. This process occurs to a larger extent in Centre countries where a

majority of the population is integrated into the system.

In the Venezuelan Periphery, the process of income creation and distribution becomes truncated. First, a large part of economic surplus generated through the high-income market is appropriated and remitted to the Centre by the multinational corporations. Secondly, a high proportion of this surplus is consumed; either on luxury imports from the Centre or on goods from the import-reproducing sector. Neither activity distributes income to more than a small segment of the population. (The former to a few merchants and the latter to local capitalists and small number of employees in this very highly capital-intensive sector.) Thirdly, that portion which is invested is concentrated in construction projects which provided only chronic employment which is consequently low income and unstable, in real estate speculation and importing activities which do not diffuse income, and in a production process which is inherently employment-repelling.

Thus, successive rounds of income creation and distribution stay within a narrow sphere and to the extent that income goes beyond this sphere, it literally only trickles.

Isolating the role of the petroleum surplus as the driving force shaping economic development has illuminated

an important aspect of Peripheral economies such as Venezuela. The Centre determines the nature and pace of global capitalist expansion through technological advance and capital accumulation, factors which constitute the supply side of the economic equation. However, in the Peripheral sub-system, it is the source of internal demand (mainly government oil revenues) detached from internal supply and dependent on events in the Centre that acts as the dynamic of expansion. Thus, excluding the petroleum sector which has historically operated as a geographic extension of Centre "economic space", the basic principle of economic growth becomes reversed in the Venezuelan Periphery and "demand creates its own supply" is the new "law of motion".

.....

The process of growth and accumulation at the Centre of the capitalist system has taken place, in essence, as follows: The process ultimately depends on technological "progress". Competition among entrepreneurs Centres around technical innovations allowing them to produce the same, or similar, bundle of goods and services with less manpower and materials, or more goods and services with the same manpower and materials depending on what the market will bear. Given the collective power of labor in modern capitalist societies

to prevent huge downswings in their wages, competition among capitalists has sought to circumvent traditional conflicts by displacing labor. Ironically, it is this very labor which forms an important part of demand for capitalist production.

The technology-derived productivity increase allows the capitalist entrepreneur to appropriate an economic surplus because his unit costs have decreased and/or he has captured a larger share of the market. Part of this surplus is used for his own consumption, but being motivated toward expansion of production and augmenting power, he invests part of his surplus and may borrow additional funds to increase the size of his factory, to build new factories to produce his goods, or to engage in the production of different goods and services. These activities all create employment.

The process, then, is one of technological innovation leading to increased productivity which increases the capitalist's surplus and borrowing ability at the same time displacing labor and lowering effective demand. However, the investment of this economic surplus and borrowed funds creates other employment opportunities and raises effective demand.

There is a chronic short run tendency for the growth

rate of productive capacity from the capitalist's investment to exceed the growth rate of demand for the output. When this happens excess capacity arises, profits fall, debt increases, and further investment dwindles, creating unemployment and reducing effective demand. This precipitates a crisis which does not subside until the excess capacity is wiped out. Thus, capital accumulation proceeds by means of a series of cycles or crises.

The long term effect of this process of technological change and capital accumulation (which stems from the desire of the typical capitalist entrepreneur to increase economic power as near as possible to monopoly control and to extract as large an economic surplus as possible) is the tendency toward concentration of ownership and control of an ever more technologically prodigious means of production in progressively fewer hands. The consequence of this tendency has been a chronic weakness of effective demand and the stagnation of the capitalist system. The contribution of Maynard Keynes was to expose this contradiction in the capitalist system and demonstrate, with impeccable rigour, that this chronic weakness of effective demand due to the concentration of income and wealth was at the root of the Great Depression of the 1930's and that the government could be an effective tool in sustaining demand through spending

and redistribution of income.

The Industrial Revolution, as it occurred in the late 18th Century Britain was aptly termed, for technological change, productivity increases and capital accumulation manifested in the creation of the factory system, were occurring so rapidly that, in the words of Eric Hobsbawn, they were producing "such vast quantities at such a rapidly diminishing cost as to be no longer dependent on existing demand, but to create its own market".(7) In other words, the dynamism of expansion was coming from productivity which was creating the demand or market which heretofore did not exist.

Since that time, Centre expansion never experienced quite the same "release" of productive power though there have been surges of expansion at certain times in certain countries which do compare with the first industrial revolution.

Despite cyclical fluctuations and periodic crises, the process of technological change, capital accumulation and economic growth has been, since the industrial revolution, a continuous, evolutionary and organic process. Generally the market (demand) has been the conditioner of capitalist expansion and not revolutionary productivity jumps creating the markets through falling prices and/or rising incomes.

The search for new markets have been one of the main factors behind the capitalist system's prodigious international expansion (the other being the search for raw materials), initially via international trade and more recently through the internationalization of production.

It is well known that the reason for Centre expansion into Venezuela was petroleum. However, markets were also a strong motivating force in view of the rapidly increasing levels of income generated by retained oil wealth. Trade was the initial vehicle of exploitation of this market, but more recently, the confluence of historical circumstances has, in the case of Venezuela, initiated a process of "internationalization-of-production". It is this process which I will now describe.

The factors which distinguish this stage of Peripheral capitalist development in Venezuela are three-fold.

Firstly, competition among Peripheral capitalist producers, as in the Centre, revolves around the introduction of new technology which enables them to appropriate a surplus; but with some differences. The aim of this production is to redirect a high income demand which, up to this point has been oriented towards final luxury goods imported from the Centre. It would be impossible to reproduce this production without reproducing

the technology that created it; the two are inseparably linked. It is much more profitable to import, given the "cheapness" of such imports relative to the costs of creating an autonomous technology-generating or adapting infrastructure. Therefore, competition among domestic capitalists revolves around technology imports from the Centre.

Secondly, unlike industrialization at the Centre, import reproducing development in Venezuela has been a rapid, discontinuous and non-organic process. It has involved the superimposing from the outside of a more "powerful" technological mode on a weaker one creating within the domestic system huge productive and income imbalances. The productive structure is characterized by different co-existing technological levels in which the subordinates, lacking the access to the high income market, are progressively losing their ability to extract surplus and accumulate capital.

The third distinguishing feature stems from the independence of demand from domestic production. The destabilizing factor in Centre expansion was (as I have noted) the chronic tendency for economic surplus to outstrip the ability of capital accumulation to absorb labor, thereby weakening effective demand. In Venezuela, effective demand

is largely independent of the industrialization process. As long as the petroleum income flow remains steady and the state continues to channel it towards the concentrated high income market, stagnation due to insufficient labor absorption creating insufficient demand is not a problem. Demand is created outside the production process. As noted above, demand acts as an exogenous variable. In fact, the inefficiency of import-reproducing industry (which stems from the narrowness of the high income market and is manifested in high rate of idle capacity) is more than offset by the "richness" or buoyancy of demand and the ability of the producer to reap monopolistic gains.

The mechanisms through which import reproducing industrialization in Venezuela contributes to concentration of ownership and/or control of the means of production, income inequality and marginality are as follows:

Access of domestic entrepreneurs to sophisticated technology from the Centre is very restricted. Purchase of high technology on the open market would be, in most cases, prohibitively expensive, or just not for sale. The usual mode of penetration of this technology is through majority-owned subsidiaries of multinational corporations to whom the cost of this technology is practically nil, or through joint ventures involving various combinations of a

handful of large private interests, multinational corporations and the state.

The technology importer reaps quasi-monopolistic gains from being the sole, or privileged possessor of this technology. The combination of monopolistic position, tariff and non-tariff protection from imports, and an independently buoyant high income market allow the importer to reap a large surplus. This is possible despite the fact that this technology, which was designed for a much wider market, operates at a high level of idle capacity.

Given the chronic shortage of trained personnel to operate and manage this high technology mode of production and given the very high cost of training such a labor force, the tendency of technology importers is to obtain the most sophisticated technology requiring the least possible number of employees and making up the shortage by importing trained personnel from the Centre and from other Periphery countries.

Smaller firms operating at a lower technological level and/or not possessing sufficient market or financial power will not be able to import the sophisticated technology. Consequently, they may find themselves competing with the technology importers, if not via analagous goods, for the same high income basket. Many will be quickly forced out of

business causing a displacement of labor, most of which will not be re-absorbed given the rate and nature of capital accumulation in this mode of industrialization. Others will continue to exist at a "depressed" level with limited ability to appropriate surplus and accumulate capital.

As noted above, artisan production was disrupted and supplanted at an earlier stage of industrialization (during the 1940's and 50's) though it continues to subsist at a very low level of productivity, income and accumulation. Artisan production, because it is largely a one, two, or three-man operation, does not lend itself well to much of the technology coming from the Centre which is labor-saving. In addition, its products do not form part of the high income market whose tastes are shaped from the Centre. It lacks the financial resources and state support for technological innovation and capital accumulation. Many artisan enterprises were able to survive only by fundamentally altering their operation and becoming Peripherally attached to the "modern" sector: i.e., as repair shops and service depots for items such as appliances, shoes, cars, etc.

The state, as we have seen, distributes the petroleum surplus so as to create and regenerate an exclusive market, giving the necessary dynamism to the import-reproducing mode

of industrialization. It also distributes income so as to directly encourage this model: i.e. as a provider of infrastructure, basic services, credit and producer of basic inputs. It also provides non-income support to import-reproducing industrialization through a policy superstructure - a protective structure of tariffs, import quotas and licenses, and a high and freely convertible foreign exchange rate which enables cheap prices for imported technology; and through agencies which encourage the entry of Centre capital and technology. The state, then, is clearly the crucial nexus in the structure which maintains and regenerates Peripheral capitalism in Venezuela.

Footnotes

1. Among the authors and works which have most influenced my own understanding of Peripheral capitalism in Latin America are:

F.H. Cardoso	"Dependent Capitalist Development in Latin America" (1972)
"Industrialization, Dependency and Power in Latin America" (1972-73)
"Current Theses on Latin American Development and Dependency: A Critique" (1977)
Paul Baran	<u>The Political Economy of Growth</u> (1957).
Celso Furtado	<u>Development and Underdevelopment</u> (1964)
"The Brazilian Model" (1973a)
"The Concept of External Dependence in the Study of Underdevelopment" (1973b)
A. Gunder Frank	"Capitalism and Underdevelopment in Latin America" (1969)

- T. Dos Santos "The Structure of Dependence" (1971)
Imperialismo y Empréas
Multinacionales (1973)
- J. Galtung "A Structural Theory of Imperialism"
 (1971)
- R. Prébisch "Peripheral Capitalism in Latin
 America: A Critique" (1976)
- A. Quijano "The Marginal Role of the Economy and
 the Marginalized Labor Force" (1974)
- O. Sunkel "Transnational Capitalism and National
 Disintegration in Latin America"
 (1973)

2. To avoid the widespread confusion and misunderstanding that the manifold interpretations of the concept of development have come to connote, I have defined economic development in accordance with traditional usage, that is, as a process of capital accumulation and technical change which increases the material production of a society and changes the structure of the productive system itself.

This conceptualization does not exempt the inquiry from a moral position. On the contrary, my value bias lies in movement toward a society which truly embodies the values of equality, freedom and justice, in its

political, economic and social structures. On the other hand, acknowledging that this value framework permeates the study does not provide a license to dispense with thorough, self-critical and reasoned investigation.

3. The Centre-Periphery dichotomy is a widely used tool for conceptualizing the capitalist system. Also known as the metropolis-hinterland relationship, its origins lie in the Marxian paradigm. However, a number of "non-Marxian" scholars have adopted and incorporated the dichotomy into their own schools of thought in acknowledgement of the importance of this relationship. The Centre of the global system is situated, geographically, roughly within the nations of North America, Europe and Japan. Although when precise definition is required, there is much debate as to which nations constitute the Centre, or indeed if national boundaries are the "best" lines of demarcation for Centre and Periphery.
4. The concept of upper class or bourgeoisie applies to those domestic groups who own the vast portion of the means of production, as well as those who manage and thereby control the means of production even though they may not have a major stake in ownership. It also

includes a group which has in recent years emerged as a part of dominant faction of the upper class, the so-called state bourgeoisie, which Cardoso has defined as a "...social stratum that politically controls the state productive apparatus in spite of not having private ownership". (see F.H. Cardoso op. cit. 1977, p. 63)

5. The concept of economic surplus as utilized in this inquiry differs considerably from that employed in conventional economic accounting, which treats economic surplus as identical with declared profits, the rest being incorporated into "costs of production". Thus, the concept as I use it assumes declared profits to be only the tip of the iceberg. Admittedly the oil industry is unique in this regard in that revenues bear no realistic relationship to costs, however defined. Thus declared profits remain enormous. Nevertheless, channels were devised to hide profits in the guise of costs. The most important vehicle in this regard was the depreciation allowance which allegedly, compensated for dwindling resources by allowing for exploration expenditures. Thus, the term gross profits which I also employ with reference to the oil companies, recognizes depreciation as a legitimate source of

surplus. Additionally the companies were able to import already depreciated capital equipment, debiting their account books at enormously over-priced costs. Huge economic surpluses were also appropriated once the crude oil had left Venezuela, at each stage of transportation, processing and distribution phases. When referring to the share of the petroleum economic surplus remaining in Venezuela the terms "retained" or "returned value" are used interchangeably with surplus. Operationally, they refer to oil revenues appropriated through payments to the state, through wages to domestic oil workers and through oil company purchases of domestic goods and services. .

Elsewhere in this investigation, especially when referring to economic surplus appropriated by industrial multinationals, it is used interchangeably with "effective profitability" and refers to the numerous channels by which these profits are incorporated into production costs. These include: 1) over pricing of imported inputs (transfer pricing); 2) royalty payments on patents; 3) interest payments on loans from the parent company; 4) management consulting and servicing contracts with the parent.

6. A contradiction is a process which is inherently

destabilizing. That is to say, it creates a situation whereby a particular class is required to bear all of the burdens without a share of the benefits. This situation naturally contains the potential for class conflict. However, the existence of contradictions does not necessarily imply that they will inexorably be accentuated until a resolution takes place and the dominant class and the mode of production which constitutes its power base are removed. One characteristic of Venezuelan Peripherical capitalism at this particular juncture is that the dominated class includes a huge marginal population, disarticulated from the prevailing production process and therefore lacking a focus around which to mobilize its struggle. Furthermore, the plentitude of oil revenues at the disposal of the state allow it to distribute "sufficient" income into social assistance programs thereby mitigating "intolerable" accentuations in the contradictions, thus allowing their maintenance and reproduction (mass media propaganda is another means of obscuring the contradictions). Contradictions also generate conflicts within the dominant class itself. Nevertheless, it is safe to say that in the face of mass political movement, these conflicts would dissolve

into a unity of action.

It must be emphasized, in closing, that this inquiry does not contain any explicit analysis of the class conflicts that arise from the contradictions outlined.

7. E. Hobsbawn, The Age of Revolution, 1964, p. 50.

Chapter 2

Laying the Foundations: The Rule of Gomez

The Setting

During the second decade of the 20th century, foreign companies discovered huge supplies of petroleum in Venezuela. This event redefined Venezuela's relationship with the industrial nations of Europe and North America and caused deep internal transformations. The impact of petroleum on the present shape of Venezuelan society is of such magnitude that many scholars divide the country's history into two eras: "pre-petroleum" and "post-petroleum".(1) The investigation commences with an examination of the confluence of circumstances which generated the beginning of Venezuela's petroleum age.

For 400 years, Venezuela was more or less a backwater. Not possessing the precious metals of a Peru or Mexico, nor the agricultural richness of an Argentina, it held only marginal interest both as part of the Spanish empire, and later, as a member of the post-colonial international division of labor. Then, almost overnight, it became vital to the nations which dominated the international order. Technological developments had ordained access to oil as a

necessary prerequisite for industrial and military pre-eminence. The internal combustion engine revolutionized transport and warfare. Soaring demand for petroleum to drive cars, ships, tanks, planes, etc. set off an intensely competitive global search among governments and private companies.

The emergence of petroleum as a key commodity forced, in a very real sense, its "discovery" in Venezuela. Its existence had been known for centuries and it had served some useful, if modest, functions. The first Spanish explorers recorded oil seeps and pitch lakes, the products of which they utilized to treat their guns and caulk their boats. The vast subsoil reserves were not even suspected. Even if they had been accessible, they would not have been considered extraordinarily valuable. It would require another three centuries for the factors to germinate, which were to assign petroleum a primary economic role.

The most striking features of the "coming" of petroleum were its magnitude and its suddenness. Only eleven years after the first oil exports left the port of San Lorenzo for international markets (1917), Venezuela had become the world's number one exporter and number three producer. Production soared from 2 million barrels in 1922 (the first "boom" year) to 126 million barrels in 1928.(2) From 1917

to 1935, 1,148 million barrels of crude oil valued at 1.2 billion dollars (6,328 million Bs) were pumped from the subsoil.(3)

The upheaval which followed the penetration by the foreign oil interests was rapid and "painful". It pervaded every aspect of social, economic and political life and greatly accelerated the processes of historical change. A quasi-feudal, decentralized, agricultural society became a highly centralized political entity, tightly integrated with the global capitalist economic order. An enormous exodus from the countryside, within a lifetime, transformed Venezuela into an (80%) urban society. Economic growth rates climbed sharply, and steadily maintaining a practically unparalleled pace in the capitalist world. Access to petroleum revenue replaced land as the predominant source of wealth and power, henceforth conditioning the emergence of new groups, classes and institutions and the fading of others. A vastly increased ability to import fundamentally altered the structure of production and consumption causing severe distortions and imbalances among different sectors of the economy. The flood of Western attitudes, values and lifestyles in the wake of the "petroleum boom" penetrated and deeply influenced Venezuela's culture and the psyche of its people.

Venezuela, before petroleum, was a society of peasants and warriors. At the turn of the century, approximately 85% of the economically active population gained its livelihood from agriculture.(4) Politically, the country was decentralized and unstable. Civil wars raged, with little respite, throughout the latter half of the 19th century. Regional "caudillos", with their armies of campesinos and llaneros, vied for national ascendance, though no one was able to secure it for long.

Despite the struggle for independence and the egalitarian values embodied in the constitution of 1830, the social order remained feudalistic and authoritarian, as inequitable as during the colonial regime.(5) Land ownership, the predominant source of wealth and power, continued to be highly concentrated, although now in the hands of a small "criollo" class. Independence abolished slavery as the prevailing form of agricultural production, but replaced it with an equally repressive debt-peonage system. The peasant was tied to the landowner's estate (latifundia) via an ever-accumulating debt which he could not hope to pay off and which was passed down from generation to generation.(6) A repressive legal structure imposed heavy prison sentences for default of debt, thereby ensuring the stability and continuity of the system.

Thus, Venezuela, like the rest of newly independent Latin American nations, became part of the emergent 19th century division of labor, contributing primarily coffee and cacao. Its role continued to be a subordinate one; at the mercy of the vagaries of European supply and demand and consequent price fluctuations. Its export sector was dependent on European transportation networks, middlemen and financiers, all of whom appropriated a share of the economic surplus generated by export production. That which was left over went to a landowning few and those associated with the import-export trade.

The domestic impact was minimal. There was no social upheaval similar to that which accompanied the Industrial Revolution in Europe. "Latifundistic" agriculture remained as the basis of economic power. Imports were the luxury of a small minority. The overwhelming bulk of needs, food and non-food, were met through domestic production. From Independence until the first two decades of the 20th century, the economy remained stationary; the annual growth rate fluctuated around 0.3%. (7) Exports which amounted to 27 Bs per person in 1810 had only increased to 54 Bs per person a century later. (8) The average Venezuelan lived in much the same poverty as he had during the colonial era.

Foreign Direct investment in Venezuela consisted mainly

of German "commercial houses," which controlled the export sector, and British-owned railways and port facilities. In addition, Venezuela had floated substantial debt on the European money markets. Foreign interest in Venezuelan hydro carbons, until 1907, was confined to asphalt.(9) Proven oil deposits were more than adequate to meet demand among individual Centre nations, thus postponing the need to explore Venezuela's potential. Pennsylvania handled 90% of the world's production in 1880, under near monopoly by Standard Oil Company. It was not for another three decades that Royal Dutch Shell (the American company's arch-rival spawned in the global crisis of supply) would become interested in Venezuela.(10)

At the turn of the century Venezuela was ruled, if precariously, by the Andean caudillo, Cipriano Castro. He was a ruthless despot, but it was not his trait to which foreign investors objected. From their point of view, Castro was a stubborn nationalist and therefore not to be trusted. Moreover, his finances were chaotic. Failure to meet international debt claims of 161 million Bs had necessitated the appearance of British, German and Italian warships off the Venezuelan coast in 1903.(11) Frequent regional uprisings, a sign of the insecurity of his grasp on national power, further discredited him. But most adverse,

from the foreigners' perspective, ownership was not sacrosanct. Castro had expropriated General Asphalt's most lucrative holdings because of their alleged complicity in rebellious activity.(12)

A New York Times editorial of 1908 typified the displeasure of the Western Powers:

Castro and his revolutions are an obstacle to the commercial progress of the country...the best that could happen would be the accession to power of a Venezuelan Diaz (the reference being to the Mexican dictator of the day) sufficiently strong enough to maintain civil order...(13)

They found their "Diaz" in Castro's able general, Juan Vicente Gomez whose desire for power and wealth far exceeded his hostility to foreigners. He took power in 1908 with the blessing, if not the direct aid, of the United States government, which at the time was attempting to displace European pre-eminence in accordance with the precepts of the Monroe Doctrine.(14) Within a year Gomez had reorganized government finances and agreed on the terms of repayment of Venezuela's international debt. His powerful and loyal army had quelled opposition and subdued the regional power bases. He returned General Asphalt's expropriated holdings and invited in petroleum investors with a liberal concessions policy.

World War I, a mechanized war, secured petroleum's strategic importance. Expectedly, global rivalry for control of supplies intensified in the War's aftermath. Venezuela became a prime target for this renewed expansion of Western imperialism; not as a market for surplus production according to the Hobson-Lenin thesis, but as a potentially important supplier of one of the key raw material components of military-industrial expansion.(15)

The primacy given by governments to the scramble for oil is typified in the following memo from the Wilson Administration State Department (1919) to all its embassy and consular staff:

The vital importance of securing adequate supplies of mineral oil both for present and future needs of the United States has been forcibly brought to the attention of the Department. The development of proven fields and exploration of new areas is being aggressively conducted in many parts of the world by nationals of various countries, and concessions for mineral rights are being actively sought. It is desired to have the most complete and recent information regarding such activities...you...are instructed to lend all legitimate aid to reliable and responsible United States citizens or interests who are seeking mineral oil concessions or right.(16)

Sowing the Seed - The Gomez - Oil Companies Alliance

All the ingredients for a strong alliance were present in the Gomez - oil company relationship. Gomez needed the revenues to consolidate his rule, pay off his foreign debt and to accumulate personal wealth. The companies possessed the technological and financial resources necessary to tap Venezuela's promising mineral potential. They also possessed the international transportation and distribution networks through which petroleum could be marketed. Conversely, the companies needed state assent to exploit oil resources (whose ownership of the subsoil wealth was clearly enshrined in the 1830 constitution), as well as a stable financial and political climate, all of which Gomez could provide.

Thus a pact was made, if never specifically articulated, between domestic and foreign interests, to exploit Venezuela's petroleum: Gomez and his entourage, on one side, supported by the army and most of the ruling class;(17) and the companies on the other, supported by their respective governments. For all concerned the benefits were great. However, the companies were in a far stronger negotiating position as evidenced in the terms and conditions under which they operated and the enormous wealth they were able to take out of Venezuela during the Gomez

Sowing the Seed - The Gomez - Oil Companies Alliance

All the ingredients for a strong alliance were present in the Gomez - oil company relationship. Gomez needed the revenues to consolidate his rule, pay off his foreign debt and to accumulate personal wealth. The companies possessed the technological and financial resources necessary to tap Venezuela's promising mineral potential. They also possessed the international transportation and distribution networks through which petroleum could be marketed. Conversely, the companies needed state assent to exploit oil resources (whose ownership of the subsoil wealth was clearly enshrined in the 1830 constitution), as well as a stable financial and political climate, all of which Gomez could provide.

Thus a pact was made, if never specifically articulated, between domestic and foreign interests, to exploit Venezuela's petroleum: Gomez and his entourage, on one side, supported by the army and most of the ruling class;(17) and the companies on the other, supported by their respective governments. For all concerned the benefits were great. However, the companies were in a far stronger negotiating position as evidenced in the terms and conditions under which they operated and the enormous wealth they were able to take out of Venezuela during the Gomez

regime.

Only petroleum could offer the immediate revenue-creating possibilities of the magnitude Gomez desired. Only foreign interests had the means to exploit oil on the scale that would instantaneously fulfill its "potential". The choice for Gomez was either to attract intensive foreign oil investment or remain "poor". Although he could, and did, play the companies off against each other, (18) he had no other "assets" which could possibly give him the affluence that petroleum promised. Thus, he had to court the oil companies with alluring incentives.

The companies, for their part, had options. They were exploring for oil in many countries. Mexico and Argentina also looked like promising sources. Although there were fears that world petroleum supplies would not be able to keep pace with demand, there were no immediate shortages at the time that negotiations with Gomez were taking place.

The Venezuelans were almost completely ignorant of oil company activities as they were of the international petroleum market. Moreover, they did not have the technological or financial capacity needed to undertake large-scale petroleum exploration and development. Their bargaining position was further weakened by specific conditions which were present just prior to the formulation

of the 1922 petroleum investment code - the document which set the framework of company-country relations for the following 22 years: Firstly, none of the major oil fields had yet been discovered. Secondly, the United States' companies, which were just beginning to sound out Venezuela's potential, did not have significant investments. Royal Dutch Shell, which held most of the allotted concessions, chose, for various reasons, not to make the investment necessary for extensive exploration and development. This resulted in their concessions lying idle for the most part. Finally, the 1921 recession in the Centre took the pressure off demand and consequently improved the company's "waiting" ability.

The 1922 petroleum law was an interesting manifestation of interplay of goals and relative strengths as they affected the bargaining process. Gumersindo Torres, the lone voice of Venezuelan nationalism in the Gomez government, had drawn up tough petroleum legislation which passed through congress in 1920. It raised royalties and surface taxes on concessions and added an "initial exploitation" tax, that is, when drilling began. It limited the total exploitation area that could be held by one individual or company, shortened the time of concession titles, and allowed the companies only three years to select

and begin exploitation of parcels from their concessions.

The oilmen reacted strongly. They sent a delegation to persuade Gomez of the "unfairness" and "potential damage" of the law and threatened to boycott additional purchases of concessions. Gomez eventually acceded to company pressure by dropping Torres from his cabinet and agreeing to meet with the companies in order to draw up "more acceptable" legislation.

The 1922 law was the outcome of these deliberations. The President was given exclusive right (without the need for congressional approval) to grant concessions. Limits were removed on the number of concessions one individual, or company, could hold. The obligation to select and actually exploit parcels within three years was dropped. Exploitation contracts were lengthened to 40 years. The companies were under no obligation to refine petroleum domestically. In the words of Edwin Liewin, "the code was a liberal, clear, simple, workable statute...(containing)...low royalties, low rentals, no drilling regulations, a right of expropriation, broad customs duty exemption and no burdensome additional taxes..."(19) To the foreign petroleum investors, it was the best in Latin America, "an example of fair dealing between government and industry".(20)

The rewards to Gomez from his alliance with the foreign companies were immense. The mere fact that he was able to remain in power, virtually unchallenged for 28 years, a feat unparalleled in the history of post-colonial Venezuela, attests to the advantages of this relationship. Although the extent of his agricultural holdings has never been fully revealed, a 1932 land census estimated that he owned one-third of all agricultural land in Venezuela.(21) A rough estimate at the time of Gomez's death put his agricultural wealth alone (calculated in terms of cattle and buildings) at 127 million Bs.(22) In 1921 Gomez set up a private company, the Compagnia Venezolana del Petroleo, to market the sale of concessions on public lands to the oil companies. It served as a front for Gomez (who, as president, was not legally entitled to sell concessions) to siphon funds otherwise destined for the public treasury. Between 1923 and 1931 the CVP signed 300 concession contracts covering 7 million hectares.(23) Gomez, himself, managed to get 20 million Bs from this venture,(24) a figure which probably represents only the tip of the iceberg as far as the benefits from deals with the companies is concerned. Between 1922 and 1929, official documents record the free authorization of almost 200,000 hectares of uncultivated agricultural land and although they were

careful not to mention the beneficiaries of these grants, it was common knowledge that they were individuals closely associated with the Gomez regime.(25) The motive of the recipients was not cultivation, but rather the sale of concessions to the oil companies with the hope of petroleum beneath.

Venezuelan investments paid staggering dividends to the petroleum companies. During the years 1920 to 1935, they officially took 5,378 million Bs (about 1.2 billion dollars) from the subsoil(26) Only 25% of this amount (1,329 million Bs) actually entered the Venezuelan economy. Undoubtedly payment of bribes and kickbacks, which did not enter the balance of payment figures, was a further company expense. Nevertheless, it is safe to say that at least 75% (900 million dollars) of the value of Venezuelan crude oil exports remained with the companies.(27) Refined and marketed, their value increased many times.

Little intellectual effort is needed to link this reality with the 1970's pre-eminence of the oil companies within the community of transnational corporations. The phenomenal surplus appropriated from nations like Venezuela and the countries of the Middle East were the crucial building blocks of their empires.

By 1929, three out of 107 companies operating in

Table 2:1

Oil Companies: Internal and External Financial Flows 1925-35

Year	Value of Petroleum Exports (mill Bs)	Gov't Payments (mill Bs)	Gross Profits (mill Bs)	Gross Invest- ment (mill Bs)	Repatriated Profits (mill Bs) column 3 minus 4
1925	138	21	54	n/a	n/a
1926	247	18	145	200	-55
1927	281	21	159	203	-44
1928	467	46	297	147	150
1929	594	51	407	208	199
1930	634	47	447	117	330
1931	548	47	419	50	369
1932	532	45	421	44	377
1933	553	45	431	56	375
1934	609	52	470	48	422
1935	649	59	476	28	448

Sources: Derived from D.A. Rangel, Capital y Desarrollo, 1970, table, p. 190. The author's sources are: Estadística Mercantil y Marítima, Anuario Estadístico, 1955-56, Memoria de Fomento for the years cited, and A. Cordova, El Ingreso Nacional, 1920-36. For sources of petroleum export figures see Table 2:2

Venezuela accounted for 98% of oil production - Royal Dutch Shell, Gulf and Standard of Indiana. Standard of New Jersey had not yet made the investments and arrangements which were to make it the giant of the Venezuelan oil industry.(28) Shell was the largest producer, by virtue of the huge concessions obtained before 1917. The other two companies received their concessions during the twenties.

The oil companies functioned with very little impediment during the Gomez years. Their appreciation of this is typified in a statement of Henri Deterding, head of Royal Dutch Shell:

...I can certainly testify that in his twenty-six years of virtual dictatorship, General Gomez has consistently insisted upon fair play to foreign capital...(29)

They acquired direct or indirect control over 36 million hectares of land which they could exploit at will, balancing global needs with appropriate market prices.(30)

The companies were able to refine almost all of their oil on the nearby Dutch islands of Aruba and Curacao. Although they maintained publicly that the reason for this was the superior port facilities on the islands, it is generally agreed that the decision to refine outside of Venezuela was motivated by the fear of political instability and possible expropriation following Gomez's death. Only Shell maintained a refinery at San Lorenzo to handle

domestic needs (6% of crude oil production). It is also thought that Gomez tacitly approved the companies' refining policy since he feared the rise of independent power bases in western Venezuela far from Caracas.

By the time of Gomez's death, the elements in the equation of need had been solidly implanted in Venezuela, thereby ensuring the companies' indispensability and permanence. Petroleum revenues provided the basis for the continued stability of the network of internal dominance. They provided most of the funds for imports of luxuries, food and capital goods in an economic system already showing signs of serious dislocation. A large workforce (the public bureaucracy as well as the commercial and construction sectors) was completely dependent on the steady flow of oil revenues.

The Depression provided a good example of Venezuela's vulnerability to oil company activities. As drilling stopped in 1930, their imports of machinery and equipment fell to practically zero. Total imports as reflected in the balance of payments fell from 364 million in 1930 to 198 million Bs in 1931 (Table 2:4). Wages and salaries of petroleum workers fell from 80 million Bs in 1929 to 28 million Bs in 1932 (Table 2:2). The inflow of petrobolivares (returned value) fell from 154 million in

1929 to 81 million in 1932 (Table 2:2). And this, despite the fact that petroleum exports only fell slightly, from 594 million in 1929 to 532 million in 1932 (Table 1).

At the same time, the oil companies had, by virtue of their huge investments in Venezuela, deepened their commitment to maintaining the alliance of interests which gave them access to petroleum. Venezuela was now the world's third largest oil producer. As early as 1928, one-third of Shell's and Gulf's total output and one-half of Standard of Indiana's came from Venezuela.

The huge accumulation of foreign investments in the Venezuelan region (including the refineries of Aruba and Curacao) totalled in the 100's of millions of dollars. Its magnitude was forcefully brought out by Rangel in the following juxtaposition with the country's output:

The accumulation of capital which the (oil companies) undertook in Venezuela in the 1920's exceeded the value of our Gross National Product in any one of these years. (31)

Changing to alternate sources would be costly for the oil interests, and, furthermore, it would open up a substantial portion of the world's proven reserves to outside competition. These factors provided, in the years to come, the bargaining leverage that would give Venezuela a greater share in the division of oil money.

New Oil Wealth - The Domestic Impact

As mentioned previously, the proportion of income from oil exports that actually entered the Venezuelan economy was small in relation to that which was appropriated by foreign interests. However, in comparison to the size of the prevailing national income, the injections of hard "buying power" in the form of foreign currency were vast and its consequences "revolutionary". Between 1922 and 1935, 1,329 million petroleum bolivares entered the Venezuelan economy, a figure which was almost double Venezuela's Gross Domestic Product in 1922.(32) The presence of this new asset swelled government revenues 2-1/2 times.(33) Gross Domestic Product (constant prices) jumped 160% between 1925 and 1936, that is, an average of 16% per year.(33)

The direct recipients of petro bolivares were: the state which received almost half of these funds through taxes, royalties, customs duties and other indirect taxes; the petroleum workers who received 45%; and those who sold concessions, goods and services to the oil companies (mainly friends of the Gomez government) who received about 10%.(35)

State expenditures distributed income overwhelmingly in favor of a small upper class via granting of concessions, construction, contracts, loans, mortgages, credits and import licenses, through deposits in private banks and

salaries to high level civilian and military bureaucrats. The propensity of this minority was to conspicuous consumption of all manner of domestic and imported goods and services; from expensive villas, domestic servants and lavish parties, to American motor cars, French perfumes and visits abroad. They invested in activities which promised high and quick returns, primarily speculation in real estate and in the rapidly expanding importing activities.

State expenditures, via public infrastructure projects, also placed new buying power in the hands of a small but rapidly growing urban workforce. The consuming abilities of these groups were confined to basic needs - food, clothing, housing, furniture - and much of this expanded demand was met domestically. However, the "demonstration effect" was well as the weakness and inflexibility of the domestic production structure (especially agriculture) was shifting their consumption habits more and more towards imports.

The other major direct recipients of new petroleum wealth were the petroleum company workers. Their numbers were small, never exceeding 27,000 and averaging about 14,000 from 1922 to 1935.(36) In 1936, they constituted just over 1% of the labor force.(37) Nevertheless, their combined buying power during this period was a considerable 600 million Bs; i.e. averaging around 10% of the national

Table 2:2 The Internal Impact of Petroleum

Year	Value of petrol. exports (mill Bs)	Actual Inflow of petrol. revenue (re-turned value (mill Bs)	Returned value of exports	Gov't fiscal income from petroleum (mill Bs)	Gov't fiscal petrol income as % of re-turned value (mill Bs)	Wages and salaries of Petrol. workers as % of re-turned value
1922	16	20	127	8	40	10
1923	29	25	89	4	16	15
1924	66	48	73	6	13	24
1925	138	75	55	21	28	36
1926	247	88	36	18	20	48
1927	281	108	38	21	19	62
1928	467	144	31	46	32	62
1929	594	154	25	51	33	80
1930	634	152	24	47	31	67
1931	548	99	18	47	47	38
1932	532	81	15	45	56	28
1933	553	92	17	45	49	34
1934	609	105	17	52	50	46
1935	649	138	21	59	43	50

Sources: P. Brito Figueroa, *Historia Econ. y Social de Venezuela*. Tomo VII, (1973) pp. 396, 463
D.A. Rangel, *Capital y Desarrollo*, Tomo VI (1970), p. 137
L. Vallenilla, *Auge declinación y porvenir del Petróleo Venezolano*, (1973), p. 70.
Primary sources used by these authors include: *Memorias de fomento* 1922-35, Oil Company
Publications; *Anuario Petrolero* 1949; *Anuario Estadístico* 1955-56; A. Cordova - *El Ingreso Nacional de Venezuela*, 1920-36.

income. (38)

Much of the buying power in the petroleum camps was directed abroad. Demand for food, clothing, alcohol, etc. was met at the company store which stocked mainly imported items at high prices. Thus, consumption patterns and tastes altered - from rum to whiskey, from corn bread to wheat bread, from alpergatas (hempen shoes) to patent leather shoes. Some of this buying power trickled down through purchases of various domestic goods and services to those living in and around the petroleum camps, but not absorbed by the industry. In fact, a majority of those who came to the camps had to subsist on the periphery of petroleum activities - as waiters, street vendors, traffickers of contraband and other activities generated by the income surplus of the petroleum workers. This large reserve of unemployed or marginally employed, ironically, stimulated the growth of government employment, creating a "need" for police and military, as well as civilian personnel.

The disruption of the Venezuelan production-consumption structure which, until petroleum, had been largely integrated domestically, and its attachment to the far more powerful production-consumption structure of the industrial world had the following consequences:

It brought a huge and rapid increase in effective

demand, an occurrence which is normally the result of an expanding domestic productive capacity, but which in this case was the outcome of the depletion of a pre-existing asset which was being utilized almost exclusively in the Centre nations. A "revolutionary" increase in effective demand which gave immediate access to the products of the Centre precluded any pressure for change in the Venezuelan productive structure.

Notwithstanding the bedazzlement with western technology and culture among the privileged classes, it became much easier, more profitable, and less risky for domestic "entrepreneurs" to import goods from the Centre and sell them at a lucrative mark-up. This was true not only for goods where the skill and technology components and processes would be much more "costly" and "time consuming to recreate at home; but also it became more and more applicable to basic items such as food.

The Decline of Agriculture

Tales of riches in the petroleum camps as well as intensive government spending was causing the migration of hundreds of thousands of campesinos to the urban Centres in search of a better life. The effect of this exodus from an inflexible feudalistic agriculture structure (where wealth was held to be derived more from ownership of the land itself than from the produce of the land) was a progressive incapacity to meet the rapidly growing urban food needs. Even though domestic food prices rose considerably, it was still more lucrative for the landowner to either mortgage his land and/or invest its surplus in urban real estate speculation or commercial activities. The pressure for basic reorganization and revitalizing of Venezuelan agriculture never materialized since the excess output from a highly productive North American agriculture could be imported relatively cheaply. Most of the agricultural land, and certainly the best, was in export production, whose surplus depended on a high degree of exploitation of manpower as well as favorable prices abroad. Both the outflow of labor and the weakening of international prices (especially during the Depression) contributed to the stagnating and subsequent decline of the export sector. Coffee growers left their lands idle to become traders and

bankers.

The following indicators give a rough composite picture of petroleum's adverse impact on agriculture during the period 1920 to 1936. The agricultural workforce grew at slightly less than the rate of population growth, and it declined, as a percentage of the total workforce, from 72% to 58%. (39) After 1930 Venezuela became a chronic importer of corn, the main food staple of the majority of the population. Agricultural exports fell in value from 150 million Bs in 1913 to 85 million Bs in 1936. Not only was there a decline in value, but also in actual quantities produced - coffee from 84,000 metric tons in 1913 to 62,000 metric tons in 1936; cacao falling from 35,000 metric tons in 1920 to 16,000 metric tons in 1936. (40) More dramatic was their fall as a proportion of total exports; from almost 100% in 1913 to 10% in 1936 (Table 2:3). In 1922 agriculture contributed 252 million Bs or 35% of Gross Domestic Product; by 1935, although gross agricultural production had grown moderately to 329 million Bs, its proportion of GDP had fallen to 19%. (41)

Table 2:3

Agriculture vs Petroleum Exports

Year	Agricultural		Petroleum	
	Mill Bs	% of Total	Mill Bs	% of Total
1913	150	98%	3	2%
1919	256	99%	3	1%
1920	167	98%	3	2%
1921	122	91%	12	9%
1922	122	88%	16	12%
1923	128	82%	29	18%
1924	148	69%	66	31%
1925	193	58%	138	42%
1926	149	38%	247	62%
1927	163	37%	281	63%
1928	143	23%	467	77%
1929	185	24%	594	76%
1930	128	17%	634	83%
1931	104	16%	548	84%
1932	97	15%	532	85%
1933	64	10%	553	90%
1934	63	9%	609	91%
1935	62	9%	649	91%
1936	85	11%	683	89

Sources: F. Brito figueróa - La Historia Económica y Social de Venezuela, Tomo II, (1966), pp. 396, p. 463.
D.A. Rangel; Capital y Desarrollo, (1970), p. 137.

Coffee and cacao were the main export crops, together accounting for 90% of exports in 1920. Ten years later this figure had dropped to 15% and by World War II, it was an insignificant 4%.(42) Figures available from agricultural censuses on coffee productivity per hectare in Tachira, a major growing state, show a decrease from 500 kg per hectare in 1890 to 338 kg per hectare in 1936.(43) By 1936, 400,000 Venezuelans or 10% of the population were not living in the state of their birth.(44) This population outflow was concentrated in the Andean coffee growing states and was directed towards major urban centres, mainly Caracas and Maracaibo.

The deterioration of the coffee-cacao economy was like an inverse reflex of the rise of petroleum. As the campesino exodus gained momentum and new oil-derived investment opportunities opened up, coffee and cacao languished. Producers devoted less time and capital to technological innovations and direct exploitation as they were lured into urban activities. Export production began to revert to the feudal mode characterized by absenteeism, idleness and indirect exploitation.

It is true that the coffee and cacao producers as a class became alienated from Gomez and the rest of the privileged groups as the petroleum influx grew. They

watched helplessly as their pre-eminent power and their abundant labor supply were quickly eroded. They found few allies among the Gomez government or commercial groups who would support demands such as a 1926 petition asking that public works programs be stopped so that the campesinos would return to their fields.

Nevertheless, it must be emphasized that many of these same producers "were abandoning the haciendas and becoming traders, importers, public works contractors, bankers and speculators, aided by the petroleum revenue that swelled the national budget..."(45) Moreover, they were aided, in the process of transferring their wealth out of agriculture, by such government institutions as the Banco Agricola y Pecuario (BAP) which gave them credits and mortgages which far exceeded the value of their land.(46)

The Banco Agricola y Pecuario also hastened the outflow of rural wealth during the Great Depression. With the collapse of international markets, many producers found themselves unable to meet their debt commitments to the Bank. Ostensibly, as a measure to rejuvenate production, the Bank extended further credit on generous terms. However, many of the recipients used credits to establish themselves permanently in the cities, (47) By 1935, 74% of the mortgages held by the BAP was on land that had been

abandoned. (48)

The Depression was a turning point for the agricultural export sector. Due to oversupply and declining demand, coffee prices fell nearly 50% from 1929 to 1935. (49) The value of agricultural exports fell 66% during the same period (Table 2). Petroleum exports weakened only momentarily, quickly reassuming the pace set in the twenties. The returned value from both sectors, which had reached parity by the late twenties, turned in favor of the petroleum sector in the thirties and by 1936 accounted for 70% of the inflow of foreign currency (returned value). (50)

Ironically, Government revenues, largely derived from petroleum, enabled the BAP to underwrite the accelerated outflow of rural capital. Moreover, the resilience of petroleum exports caused the bolivar to appreciate significantly during the latter part of the Depression, greatly hurting the agricultural producers' ability to compete in world markets and making them dependent on government subsidies.

Thus the Depression acted as a catalyst, accelerating the process of agricultural decline and subordination. It was an inevitable process given the government in power, and the highly restricted social stratum it represented. Goals and priorities were invariably based on short term

self-interest and a notorious lack of foresight. The Depression however, in a sense, laid bare the vulnerability of the agricultural sector and sharpened the focus with respect to the "rational" course of future capital accumulation, that is, around petroleum and petroleum related activities.

Although petroleum was displacing agriculture as the main cornerstone of economic life, it did not break up the latifundistic structure of production. On the contrary, petroleum was strengthening this structure.

We have seen how the oil companies themselves acquired huge portions of some of the best agricultural land from which they expropriated inhabitants and which they held mostly idle. We have already outlined the vast agricultural holdings of Gomez and his family, and have briefly examined the decay of the coffee and cacao plantations.

The agricultural census of 1937 provides further documentation of this phenomenon. Firstly, of the land designated as suitable for agricultural production, 70% was reported idle.(51) Of the actively cultivated land, 37% was in coffee and cacao and 3% in cotton and tobacco. The remaining 60% consisted of small "conuqueros" producing the main domestic food staples, i.e. fruit, sugar, corn, caraotas.(52) In other words only 18% of the cultivatable

land of the country was used to meet food needs.(53)

Census statistics for the central-coastal region, the most densely populated (55%) and cultivated area of the country, showed an extremely high degree of landownership concentration.(54) Of 2.3 million hectares in private hands, 78% belonged to 1,300 owners (0.1% of rural workforce) - averaging 1,400 hectares per estate. The remaining 22% belonged to 35,000 medium and small owners. Taken together, just over 5% of the rural economically active population owned property, while 95% (651,000) had no land whatsoever, being either renters, sharecroppers or daylaborers.

Ownership of pasture and grazing land was similarly concentrated. Twenty million hectares was owned by 10,763 persons. However, 26% of these owned 94%, while more than half (small owners) owned a miniscule 0.2% of the designated grazing land.(55)

The following indicators of capital investment and productivity complete the picture of stagnant and strongly latifundistic agricultural structure in the wake of 14 years of petroleum penetration. Real investment in the petroleum industry during the years 1920 to 1940 was 4,858 million Bs. Non-petroleum investment was 1,634 million Bs, of which investment in agricultural machinery formed a miniscule 342 million Bs or 5% of total real investment.(56) In 1936,

annual productivity per person employed was 50,000 Bs in petroleum, 10,000 Bs in capitalist industry (Federal District) and 616 Bs in agriculture.(57)

Urban Production - The Artisan and Capitalist Modes

The initial impact of new petroleum derived purchasing power on domestic artisan production was positive. Petroleum workers, government employees, military personnel, construction workers and those employed in commercial activities, together created a substantial demand. For both cultural and financial reasons, only domestic artisan industry could fulfill needs for clothing, footwear, house construction, transportation materials, furniture, etc.

The ranks of urban artisans almost trebled - from 36,000 to 97,000 in the interval 1920 to 1936.(58) Not only were their numbers expanding, but also their tendency to import tools and equipment from abroad. In 1931 real investment in artisan implements was 41% of total non-petroleum investment.(59)

However, the petroleum revenues were, at the same time, generating processes which would ultimately cause the deterioration and marginalization of artisan production. The building of a huge network of roads was reducing geographical isolation and thus breaking down the small insulated regional markets on which artisan production

depended. This opened the possibility for concentrated, large scale production techniques. Furthermore, access to, and desire for Western technological innovations played a crucial role in the decline of traditional artisan production. The coming of the motor car to Venezuela eventually displaced a large sector of artisan production which centered around animal transportation - buggies, carts, saddles, bridles, etc. These workshops either went out of business or converted to car repair shops. The introduction of electricity gradually undermined artisanal candle-making.^(59a) Adoption of western construction materials and techniques (e.g. cement blocks and hollow bricks) supplanted much traditional construction technology. Similar changes were observable in textile, soap, food processing and numerous other industries.

Scantiness of available data makes it difficult to trace the process of industrial growth, beginning in the early petroleum era (1920-36), which would eventually see the replacement of the artisan-dominated production mode by a peripheral capitalist mode. We do know that a small core of capitalist industry, with nuclei in Caracas, Maracaibo and Valencia heavily influenced by foreigners, was in existence in the late 19th and early 20th centuries and that this core was showing signs of strengthening by 1936. The

industrial census of that year lists 8,000 "manufacturing" establishments. More than one half of these were located in the Federal District; and most were, in reality, artisan workshops. However, it records a growth of scale and concentration in certain areas of production, notably textiles, where ten enterprises (out of a total of 180) accounted for 50% of production.(60) Other areas showing similar signs were electricity, tobacco, cement and brewing industries. The technological dependence of the incipient Venezuelan industry on the Centre countries was manifested in the fact that it was the most important importer of capital goods outside of the petroleum sector during the period 1920 to 1940, forming 40% (111 million Bs) of non-petroleum capital goods imports.(61) It should be noted that direct foreign participation in Venezuelan industry (i.e. through subsidiaries) had not yet occurred to any significant extent, outside of the minerals sector. Manufacturing firms (mainly U.S.) unthreatened by domestic capitalists were content to supply the Venezuelan market through trade and Venezuelan middlemen.

From a Producing to Importing Society:
The Balance of Trade

At an aggregate level, a most insightful reflection of the country's rapidly dislocating economic structure appears in the balance of trade.

As Table 2:5 shows, a current trade surplus which existed from independence right up to the beginning of the 20th century suddenly (if we exclude petroleum exports and directly related imports) turned into an enormous deficit, of over one billion Bs in the first oil decade.

Table 2:4 sheds further light. Agricultural export production rose moderately in the twenties only to fall sharply during the Depression. The value of exports in 1935 was about half that in 1918, the first full year of petroleum exports. On the other hand, non-petroleum imports rose 400%, from 80 million in 1918 to a peak of 324 million in 1928, and were still over 200 million in 1936. What this reveals, in a very stark way, is that the enormous buying power acquired from petrobolivares was not having a stimulating effect on domestic production. The figures clearly show that agricultural production was waning. It can be readily inferred from the phenomenal import rise that a huge portion of new demand for goods was being directed abroad.

Table 2:4

Venezuela - External Trade (million Bs)

Year	Imports		Exports		Balance	
	Total	Excl. Petrol. Co.	Incl. Petrol.	Excl. Petrol.	Incl. Petrol. Exports	Excl. Petrol. Exports
1913	93			153		+6
1918	80			113		+33
1919	186			259		+73
1920	315			170		-145
1921	96		134	122	+38	+26
1922	101		138	122	+37	+21
1923	153	399*	157	128	+4	-25
1924	216		214	148	-2	-68
1925	304	254	330	193	+26	-111
1926	412	316	396	149	-16	-263
1927	363	215	444	163	+81	-200
1928	417	324	610	143	+193	-274
1929	453	314	779	185	+326	-263
1930	364	291**	762	128	+398	-236
1931	198	187	652	77	+454	-121
1932	143	133	628	96	+485	-47
1933	143	107	618	65	+475	-78
1934	160	97	672	63	+512	-97
1935	165	170	710	61	+545	-104
1936	212	203	768	-	+556	-

* I am assuming that in the 3 years 1922-24 oil company imports were 15% of total imports. This figure is probably conservative. Since figures were available this proportion has not fallen below 16% and has been as high as 41% of total imports.

** For 1930, I assumed that oil company imports were 20% of the total.

Sources: League of Nations: Memo on Int. Trade and Bal. of Payments, 1910-24, 1928, 30.
 League of Nations: Int. Trade Statistics, 1930-36.
 F. Brito Figueroa: Historia Económica y Social de Venezuela Tomo II, (1974), p. 396 and 463; derived from Anuario Estadístico, 1938, 1955-56.
 D.A. Rangel: Capital y Desarrollo, Tomo II, (1970), p. 22
 derived from Memorias de Pomento 1923-36, A. Gardova "El Ingreso Nacional de Venezuela, 1920-36, Anuario Petrolero 1949, Anuario Estadístico, 1955-56; 1943, Revista de Hacienda, 1937 (no. 6) and 1936 (no. 2); Ramón Veloz
Boon, & Finanzas de Venezuela

Table 2:5

Balance of Trade - 1830-1930
(Million Bs) (Excluding Petroleum)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1830-40	185	172	+12
1870-80	683	514	+168
1900-1910	758	513	+215
1920-30	1,481	2,524	-1043

Source: 1900-1910, 1920-30, based on Table 2:4

1830-1840, 1870-80, cited in S. de la Plaza: Venezuela País Privilegado?, (1973).

While the overall trade balance showed an astounding surplus in the first 16 years of petroleum, it must be remembered that the actual returned value from petroleum exports was proportionately low, and declining over the years. Petroleum was explored and developed by foreign-owned capital and technology, employing a small Venezuelan workforce. It was transported almost exclusively to foreign markets using foreign-owned transportation systems. The money entered the Venezuelan economy only when the companies made payments either to the government, (taxes, duties, royalties) oil company workers or for domestically provided services. Agricultural export production, on the other hand, was owned by nationals and thus a much greater portion of export earnings remained in the country (though Centre monopsony buying power and control of transportation networks contrived to appropriate a generous chunk of its economic surplus).

The trade figures corroborate the earlier explored cycle of causation in which an altered structure of investment opportunities made speculative and commercial activities more lucrative than industrial or agricultural investments; in which the building of a communication infrastructure in conjunction with a whole set of occurrences stimulated by oil money, was changing the demographic face

of the country and creating conditions which were facilitating the centralization of supply and demand; forces which were ideal for the penetration and domination by the concentrated and technologically advanced productive system of the Centre.

The Changing Locus of Dependence

An important change which accompanied the petroleum era in Venezuela was a shift in the locus of hegemony in the Centre - i.e. from Europe to the United States. The U.S. emerged from World War I as a major power in the international system, possessing a strong and dynamic industry, for which national boundaries were becoming a constraint. The War had taken its toll in Europe, and especially in Germany which handled most of Venezuela's trade. Thus, the United States was able to gain a foothold due to postwar economic disarray in Europe and began the restructuring of Venezuela's satellite status.

This change was dramatic and its manifestations were evident in both investment and trade. In 1912 the Americans had invested a mere 3 million dollars, or 7% of total foreign direct investment.(62) In 1938, while foreign investment had grown more than eightfold, U.S. investment had soared over 80 times now comprising 61% of the total.(63)

The composition of Venezuelan exports to the United States changed little from 1913 to 1938. Large domestic supplies and strict tariff regulations kept the flow of Venezuelan oil down. The U.S. based oil companies, whose operations were already becoming globalized, had sufficient markets in Europe to which they could direct their Venezuelan holdings. The change in the origin of Venezuelan imports, however, unequivocally demonstrates the changing nature of its satellite status. Imports from the United States jumped from 36% in 1913 to 60% of total imports in 1938, while exports to the United States remained constant at 30%. (64) More specifically, the United States supplied (in the latter year) 74% of Venezuela's machinery imports, 47% of iron and steel pipe, 94% of motor vehicles and 100% of its imports of wheat flour. (65)

The Nature of Petroleum Wealth

The accumulation of wealth in the first two decades of petroleum Venezuela was spectacular when compared with the previous 100 years of agriculture-based accumulation. However, there was a basic qualitative difference inherent in the nature of capital accumulation which distinguishes these two stages of Venezuelan history. This difference and its consequences have pervaded the analysis thus far. To conclude this section I would like to re-emphasize its

importance.

The traditional export economy, however sluggish and repressive, was the product of human toil and energy. Its wealth was limited, among other factors, by the plantation owners' ability to organize and exploit their labor supply in conjunction with existing technology, capital and land. In this sense, there was a certain autoreproductive quality and permanence in this wealth. The prosperity and development which petroleum brought, while enormous in terms of what it could buy for the few to whom it was accessible, was the outcome of a faustian pact with nature and the industrial nations to deplete the country's extremely rich mineral resources. As such, the fabulous wealth derived from petroleum was without a self-propelling base.

This reality was lost on those delirious with newly acquired opulence, as well as the vast impoverished majority for whom petroleum wealth had no concrete meaning. Few Venezuelans perceived the illusory nature of this wealth.

Mario Briceño Iragorri saw it in his novel, Los
Riberas:

We are a house invaded by termites. On the outside all looks well. Much is being built, they are making big highways with petroleum money. They will build tomorrow a large city until they exchange our Caracas for another, but the process is going on inside my son. The floor is sustained by air. The heart of the earth has been perforated and as petroleum is extracted a vacuum remains..."(66)

For Artur Uslar Pietri, petroleum was a divine gift turned into a minotaur;

We are exchanging petroleum for money, and we are not exchanging this money for new permanent wealth; rather we are exchanging it for bureaucracy, for entertainment, for advertising, for luxury imports, for perfumes from Paris, silks from Italy, radios from the U.S., trips abroad, embellishments, that is non-reproducing consumption goods...We are exchanging petroleum for toys.(67)

And elsewhere Pietri states:

...our capacity for producing wealth had decreased. Not only have we acquired the habits, but also the mentality of a parasite. No one is poorer than a parasite. He has nothing. His future belongs to the being which feeds him.(68)

The State

The consequences for Venezuela of its new role in the international division of labor were manifested, not only in the social and economic structure, but also in the political structure. As the locus of wealth shifted away from the land to oil, power increasingly centralized institutionally in the state. In the coffee-cacao economy, the retained surplus from export accrued directly to the growers and their bankers, and indirectly to the state via customs duties. This maintained a certain balance between the state and geographically more dispersed private sources of accumulation. Petroleum broke this balance and the state grew disproportionately.

The state, as guardian of the national patrimony, had legal entitlement to the country's mineral wealth. It was also the institutional embodiment of the interests and goals of the dominant faction of the ruling class. "L'etat c'est moi" would reflect aptly Gomez's absolute control over the state. As such, ^{Nevertheless} his interests were basically in line with those of the ruling class. As the major distributor of oil money, the state, which had been historically weak and unstable, acquired an awesome power and influence over all areas of Venezuelan life.

The government budget jumped from 64²¹ million Bs in 1917

Table 2:6

Growth of State Power

Year	Gov't Revenue (mill Bs)	Fiscal Income of Petroleum (mill Bs)	Petroleum Production (mill Bs/yr)
1917	72.1	0.2	0.1
1920	104.4	1.5	0.5
1921	64.8	2.2	1.4
1922	81.6	7.5	2.2
1923	88.8	3.8	4.3
1924	111.6	5.9	9.1
1925	147.6	20.9	19.9
1926	178.8	17.9	35.7
1927	174.0	21.4	60.4
1928	204.3	46.2	105.9
1929	256.4	50.5	136.1
1930	243.7	47.3	135.2
1931	188.9	47.0	116.9
1932	175.4	45.0	116.7
1933	169.6	44.8	118.2
1934	178.7	52.0	136.3
1935	206.4	59.3	148.5

Source: F. Tugwell: The Politics of Oil in Venezuela (1975) p. 182.

L. Vallenilla: Auge, Declinacia y Provenis del Petroleo Venezolano, (1973), pp. 70, 72.

to 256 million Bs in 1935 in spite of the Depression.(69)
Fiscal income from petroleum grew from 1.5 million Bs in 1920 to 60 million Bs in 1935 at which time it formed 30% of total government revenue. Custom duties on oil company activities were also a substantial additional source of revenue.(70)

State spending conditioned the pattern of capital accumulation - favoring urban commercial and financial activities to the detriment of productive activities. The internal logic of this policy, beside its (obvious affiliation with class interests, was not difficult to see. Practically all the state income derived from import-export activities - whether in taxes or royalties from petroleum companies, or customs duties on imported goods. A domestic income tax was non-existent and other revenue from internal production was minimal. Thus, public investment was oriented to those areas which would yield it the "highest return" and so enhance its power.

The state also generated new social strata and groups. For example, the expanded bureaucracy (more than fourfold (13,000 to 56,000) (72) between 1920 and 1936), added to the small but growing "middle" class. Its investment projects lured peasants to construction sites and dockyards creating a highly unstable stratum of temporarily or precariously

employed urban workers. The new affluence of the state, "financed" "nouveau riches" created an enormous demand for servants; the number of employed domestics tripled (35,000 to 108,000) from 1920 to 1936.(72)

Footnotes

1. It is not my intention to dilute the role of another watershed in Venezuelan history, namely the revolution which brought political independence from Spain. Insofar as it altered the locus of power and opened Venezuela to the international system, it created some of the necessary conditions for what was to take place almost a century later. Nevertheless, its influence on the social reality of the country was of a different order than the advent of petroleum. Although there is general concurrence as to the importance of petroleum, there is widespread disagreement as to the nature of its impact in terms of "net benefit" to the nation and its people.
2. L. Vallenilla, Auge, Declinación y Porvenir del Petróleo Venezolano, 1973, p. 70.
3. J.P. Perez-Alfonso, "Huniéndonas en el Excremento del Diablo", 1976, p. 22.
4. J.A. Silva Michelena, The Illusion of Democracy in Dependent Nations, 1971, p. 49.
5. Constitutions in Spanish America, writes Octavio Paz, "...merely served as modern trappings for the survival

of the colonial system. This liberal, democratic ideology, far from expressing our concrete historical situation, disguised "it, - and the political lie established itself almost constitutionally..." See O. Paz, The Labyrinth of Solitude, 1977..p. 122.

6. The landowner (latifundista) either contracted the campesino to grow crops (coffee, cacao, sugar, etc.) a large portion of which he appropriated and/or he obliged the peasant to work a given number of days in his fields. (There were also straight wage workers.) The small share of funds left to the campesino were always exceeded by rent, supplies, and other related payments. The difference was made up by contracting a debt with the landowner.
7. Silva-Michelena, op. cit, p. 49.
8. D.A. Rangel, El Proceso del Capitalismo Contemporaneo en Venezuela, 1968, p. 112.
9. A U.S. company, General Asphalt of Philadelphia, had a concession to exploit as early as 1854.
10. Shell began investment and exploration in 1913.
- 11., F. Brito Figueroa, Historia Económica y Social de Venezuela, Tomo II, 1966, p. 366.
- 12., E. Lieuwijn, "Petroleum in Venezuela", 1967, p. 9.
13. New York Times, Dec. 15, 1908, cited in R. Quintero,

Antropología del Petróleo, 1972, p. 44.

14. A week after Gomez siezed power, he solicited through his external affairs minister support of the United States government. A week later, three warships arrived at La Guaira carrying special envoy Rear Admiral W.I. Buchanan to negotiate the terms of their new relationship. Brito Figueroa, op. cit, p. 368.
15. It is worthy of note that interest in markets was not negligible as reflected in a U.S. Department of Commerce study in the early 1920's which looked into Venezuela's possibilities for autonomous industrial development. It concluded that the purchasing power of 70% of Venezuelans was so extremely low as not to be capable of supporting national industrial development. The likely inference drawn from these findings was that the Venezuelan market for U.S. exports, while not large, would not be threatened by domestic competition. (The study was cited in op. cit, Brito-Figueroa, p. 399.)
16. E. Lieúwin, op. cit, p. 19.
17. The major exception were the coffee growers who became progressively alienated from Gomez as the impact of petroleum affected their production.
18. A typical example of Gomez's talents in this regard was

2

A

his manipulation of Shell, Gulf, Standard of Indiana and Standard of New Jersey into buying concessions from the private company which he had set up. Fearing the illegality of the purchases, they refused to buy from Gomez's company; whereupon, he let it be known that he was negotiating with German interests for the leasing of huge concession areas. When the companies, fearing the competition buckled, the German bids strangely disappeared.

19. Op. cit, Lieuwin, pp. 27-29.
20. Ibid., p. 29.
21. The census was prohibited from releasing figures on Gomez's; M. Acosta Saignes, 1940, p. 206, cited in Brito Figueroa, 1966, p. 478.
22. Ibid. p. 483.
23. L. Vallenilla, Oil, The Making of a New Economic Order, 1975, p. 38.
24. Op. cit, E. Lieuwin, p. 37. His two principal associates received about one million Bs. from the CVP.
25. Op. cit, Brito Figueroa, pp. 474-75. According to the author certain "slips" in the 1929 Memoria of the Ministerio de Fomento confirm this.
26. See Table 2:2 for sources.
27. On the other hand, published figures probably

understated the real return to the oil companies because they tended to place posted prices of crude oil at levels below the market prices in Europe and North America. Furthermore, they often disclosed different prices to Venezuelan authorities and to European or U.S. customs officials. This practice was first uncovered by a U.S. Senate investigation into tariffs in 1930. Additionally, the companies were able to avoid paying many government taxes. Romulo Betancourt cites a classic example in the so called Law of Buoys and Lighthouses which placed a two Bs tax on every ton of petroleum which left Lake Maracaibo. "The companies got around the Gomez law in three ways: First of all, over the carrying capacity of their ships. The ships were not checked at any stage, and so the companies could declare a certain number of tons, without any danger of being proved to be lying, as they certainly were. Secondly, there was a clause in the law which stated that, if farm products were exported at the same time as the oil, no tax was due. So the companies put a few bunches of bananas or three or four goats onboard and did not have to pay the tax. Their third way of getting around it was to bring the oil out in small boats because at that time the Maracaibo sandbar was

still closed to ships with a drought of any size. They only trans-shipped the oil into big tankers at Carirubana to take it to the refineries, and so avoided paying the tax." R. Betancourt, Venezuela's Oil, 1978.

28. In 1929 Standard of New Jersey produced no oil for commercial use. Four years later, the U.S. Congress put a tariff on imports of Venezuelan oil. Standard of Indiana, which had no outlets for its oil outside the U.S., was forced to sell its Venezuelan concessions to Standard of New Jersey which had sufficient European outlets. Thus began its intense involvement in Venezuela.

29. Cited in Lieuwin, op. cit, p. 70.

30. Expropriation of whole communities by the oil companies with the consent, if not collaboration, of local authorities is illustrated by the following case which came to light after the death of Gomez. In 1926, the Distrito Bolivar in the state of Zulia was leased to Venezuelan Oil Concessions Co. (a subsidiary of Shell) for two Bs. per hectare with full knowledge that oil lay beneath. The company was authorized to expropriate all dwellings and to control new construction for the life of the contract. Over 2,000 families were dislocated by Venezuelan Oil Concessions Co. (Case cited in Brito

Figuerola, 1966, pp. 475-76.

31. Op. cit, Rangel, ~~1966~~ p. 121.
32. Rangel, Capital y Desarrollo, Tomo II, 1970, p. 182.
33. F. Tugwell, The Politics of Oil in Venezuela, 1975, p. 182.
34. Calculations by Rangel Op. cit, 1970 were based on; Banco Central de Venezuela, El Ingreso Nacional, editorial relampago Caracas, 1949; Anuario Estadística de Venezuela 1955-56; and A. Córdova, El Ingreso Nacional 1930-36". Calculations are at constant 1936 prices, see p. 149 and appendix, p. 401. This is markedly different from agricultural exporting Venezuela in which GDP remained more or less stationary throughout the 19th century, fluctuating only with coffee and cacao price swings on international markets.
35. (See Table 2:2) It is impossible to compute a figure for bribes and kickbacks. We can only say that they created large fortunes for Gómez and many of his colleagues and that significant amounts were deposited outside the country in Swiss or U.S. bank accounts.
36. Op. cit, Rangel, 1970, p. 209.
37. Op. cit, Silva-Michelena, 1971, p. 55. Sources are: A. Cordova and M. Garaicochea Inversiones Extranjeras y Desarrollo Económico, mimeo, Instituto de

Investigaciones de la Facultad de Economía, mimeo, UCV, 1966, pp. 52, 56. A Cordova, "Consideraciones acerca del Tipo de Desarrollo Alcanzado por la Economía Venezolana", Economía y Ciencias Sociales, abril-junio 1963.

38. Op. cit, Rangel, 1970, p. 244.
39. Op. cit, Silva-Michelena, 1971, p. 55.
40. League of Nations: "Balance of Payments and Foreign Trade Balance: 1910-24"; and "International Trade Statistics", 1930-36.
41. Op. cit, Rangel, 1970, p. 149.
42. Op. cit, Brito Figueróa, 1966, p. 265.
43. Op. cit, Rangel, 1970, p. 230.
44. Op. cit, Rangel, 1968, p. 159.
45. S. de la Planza, La Economía Minería y Petróleo de Venezuela, 1973c. p. 29.
46. The BAP was founded after World War I under pressure from agricultural exporters to fill the financing gap created by the collapse of the German commercial houses which had traditionally provided financing.
47. Op. cit, Silva Michelena, 1971, p. 54.
48. Op. cit, Brito Figueróa, 1966, p. 488.
49. Derived from figures presented in Rangel 1970 Op. cit, p. 233.

50. This, inspite of the fact that the "returned value" from petroleum as a percentage of petroleum exports was steadily deteriorating (from 73% in 1924 to 17% in 1930, while the returned value of agriculture was theoretically 100%).
51. S. de la Plaza, Venezuela: País Privilegiado, 1973(b), p. 115.
52. Ibid.
53. Ibid.
54. Op. cit, S. de la Plaza, 1973(b) p. 88 and Brito Figueróa, 1966 Op. cit, pp. 489-91.
55. Op. cit, S. de la Plaza, 1973(b), p. 116.
56. Op. cit, Rangel, 1970, pp. 163-65.
57. Ibid. p. 231.
58. Op. cit, Silva-Michelena, 1971, p. 55.
59. Ibid. p. 165
- 59a See page 89.
60. Op. cit, Brito Figueroa, 1966, p. 506.
61. Op. cit, Rangel, 1970. p. 71.
62. Op. cit, Brito Figueroa, 1966, pp. 434-35.
63. Ibid.
64. N. Roosevelt, Venezuela - A Place in the Sun, 1940, p. 78; Brito Figueroa, Op. cit, 1966, pp. 396, 472-73.
65. Op. cit, Roosevelt, p. 78.
66. M. Briceno Irigorro, 1957 Ediciones Independientes p.

415.

67. A. Uslar Piétri, De Una a Otra Venezuela, 1949, pp. 25-26.

68. Ibid. p. 44.

69. Op. cit, Vallenilla, 1973, p. 71.

70. It is interesting to note that customs duties could have provided the state with much more revenue - "...in the seven years leading up to 1930 exemptions from customs duties reached a total value of 219 million bolivares, while only 187 million bolivares had been collected by the government in taxes from the oil companies..."

Lieuwin calculated that, in 1929, combined oil company-derived government revenue was about half of total government revenue. Op. cit, Lieuwin, 1967, p. 54.

71. Op. cit, Silva-Michelena, 1971, p. 55.

72. Ibid.

59a. In noting these changes my intention is not to imply that artisan production was "superior" to the imported capitalist mode, or that western technology did not bring any benefits to the Venezuelan people. Rather, it is to stress that among other things the new structure displaced many individuals engaged in traditional producing occupations without creating, for them, very significant income and employment opportunities. These changes were integral parts of a historical process whose current manifestations include the economic marginalization of the majority of the Venezuelan population.

Chapter 3

Consolidation: The Ascent of Petroleum Venezuela

State Oil Surplus: Accumulation & Distribution

The previous chapter dealt with the transformation from an agricultural to a petroleum-based economy closely linked with the international system. It examined new configurations of power, interests and alliances. It investigated the disruption and decline of export and domestic agriculture; the flood of manufactured goods from the Centre; the introduction of capitalist techniques of production; and the dislocation of the existing productive structure. It explored the beginnings of the human exodus from the countryside to the oil camps and commercial and administrative centres. Finally, it documented the growth of state power: its emergence as the focus and expression of the new social hierarchy; its mechanisms for collecting and distributing petroleum income, for influencing and shaping patterns of investment, industrialization and trade.

The present chapter continues the examination of the historical development of Peripheral capitalism in Venezuela, from the death of Gomez (1936) to the fall of

another dictator, Perez-Jimenez, in 1958.

The petroleum economy, firmly implanted under Gomez, induced important societal changes during the subsequent fifteen years. Petroleum revenue continued to grow by leaps and bounds commensurate with the expanding needs of the Centre and with Venezuela's ability to retain a greater share of the petroleum surplus. Distribution of this wealth through the mechanisms of the state continued to comply with the broad interests of the upper class. At the same time, new opportunities for a small middle class of bureaucrats, professionals, technicians and small entrepreneurs were created. Dramatic alterations in the demographic and economic face of the country were brought about: large-scale migrations to a few urban centres, the supplanting of pre-capitalist or artisan modes of production, and their replacement by techniques and methods imported from the Centre.

Gomez's death prompted a shift in the domestic political process and in Venezuela's dealings with the oil companies.

Although political control remained with the Tachira military clique, it was more responsive to civilian pressures for a "democratization" and "demilitarization" of the state. The young intellectual dissidents whom Gomez had

exiled (the so-called Generation of '28) were allowed to return and to engage in limited political activities. Unions were legalized as was their right to strike. Official investigations were held which publicly exposed the corruption of Gomez his manipulation of the state treasury and his murky dealings with the oil companies.

Government relations with the companies became more assertive compared with the timidity of the previous regime. Companies were ordered to make back payments for certain "transgressions" under Gomez. In 1938, despite strong company opposition, royalties were increased, as were exploration taxes and initial exploitation taxes. In 1942 an income tax was introduced and a year later a new petroleum code was legislated.

The 1943 Hydrocarbons Law mirrored, nevertheless, the continuing hegemony of the companies. It was secretly drafted by President Medina in collaboration with the oil companies. Though government revenue-generating ability was increased, foreign oil interests were guaranteed, continued access (for 40 years) to concessions obtained under Gomez. In 1944 a round of concessions sales was contracted, larger than the total of all previously awarded. It gave the government huge additional revenues. It gave the companies most of the concession arrangements and rights under which

they operated until nationalization in 1976.

In 1945, a group of military officers and civilian politicians led by Romulo Betancourt overthrew the Medina regime and formed a junta which was committed to setting up a democratic government. The new administration was nationalistic and hostile to the oil companies. Its first act was to impose an "excess-profits-tax" to increase the government's share of oil revenue. Three years later, the newly elected democratic government introduced the 50-50 principle through which it levied an "additional tax" of 50% on net company profit which exceeded total government revenue in a given year. Although nationalization was never considered a serious alternative in government circles at the time, measures were taken to increase Venezuela's independence in the international petroleum market.(1) Taking part of the royalties "in kind" and selling directly on the international market at higher prices than to oil companies had the effect of escalating the reference prices for crude oil. Furthermore, steps were taken to replace the concessions system and to set up a national petroleum company.

During the first stage of the petroleum boom (1922-35) era, which ended with Gomez's death, approximately 1.3 billion petroleum bolivares entered the Venezuelan economy.

Both petroleum returned value and government income directly obtained from petroleum exports jumped sevenfold during this period (Table 2:2). From 1925 to 1936 GDP grew at an average annual rate in excess of 14%. (2) From 1918 to 1936 imports jumped 2-1/2 times (Table 2:2).

It has already been noted that both the absolute amount and proportion of petroleum revenue remaining in Venezuela was relatively small when compared with subsequent decades. At least 75% of the value of petroleum exports was appropriated by the oil companies (Table 2:2). Government income directly obtained from the petroleum industry was only 8% of exports (Tables 2:2 and 2:6). From the beginning of this period, total returned value as a percentage of petroleum exports dropped steadily and in 1935 was only 21% of exports (Table 2:2).

Petroleum production, which was 407,000 barrels per day in 1935, rose to almost 1.5 million barrels per day by 1950. (3) Venezuela's share of the market grew as did the unit price per barrel; from 0.93 U.S. dollars in 1940 to 2.12 U.S. dollars in 1950. (4) Consequently, the value of petroleum exports which was 649 million Bs in 1935 had multiplied by a factor of 5.4 to 3,473 million Bs fifteen years later (Table 2:2 and 3:2).

The oil companies continued to appropriate a huge portion of this income. Gross profits (that is net declared profits plus depreciation "costs") leapt threefold, from 476 million Bs in 1935 to 1,390 million Bs in 1950 (Tables 2:1 and 3:1). However, government income from petroleum grew proportionately at a much faster rate, from less than 100 million Bs in 1935 to 1,021 million Bs in 1950 (Tables 2:6 and 3:2). In relation to oil company profits, government revenue grew from 17% to almost a level of parity in 1950 (Tables 2:1, 2:6, 3:1, and 3:2).

Clearly, the growth of government income was the dynamic component in growth of total returned value. The number of petroleum employees and their aggregate wage payments did not increase significantly, nor did oil company purchases of local goods and services. Thus, as returned value increased from 21% of the value of oil exports in 1935 to 42% in 1950, government's share of returned value during this period rose from 43% to 62% (Table 2:2 and 3:2). Similarly the share of directly taxed oil income in total government revenue rose from 30% to over 50% (Tables 2:6 and 3:2).

The growth of government income which, directly or indirectly, arose from appropriation of larger amounts of petroleum revenue, especially after 1943, can be seen in the

following breakdown. During the 1925-35 decade, government income averaged 193 million Bs per year. From 1936-43, that is from Gomez's death to the establishment of the new petroleum code, it averaged 318 million Bs per year. The dramatic rise is clearly evident in the average annual income from 1944 to 1950 which soared to 1,287 million Bs, a fourfold increase over the previous period.(5)

National income responded to this new influx of oil money by increasing threefold from 2,790 million Bs in 1936 to 8,607 million Bs in 1950.(6) Rollins estimated that 25-30% of the increase in National Income during this period was directly attributable to government spending.(7) This excluded 40% of government expenditures which were allocated to projects such as roads, irrigation projects, port facilities, credit programs, etc.; projects designed to stimulate the production of the private sector.(8)

The state was, thus, the main vehicle for income distribution. Most of its investment activities continued to be in construction. Contracts were awarded to those individuals with close personal access to state leaders. However, after the death of Gomez, the state replaced commercial and real estate economic surplus as the main financial source of capitalist industrialization. Government accounts and funds were at the disposal of a

small number of private banks. Import licenses were granted to those in favor; roads and port facilities were built to create nationally integrated markets for the growing modern sectors.(9) The exchange rate was kept unrestricted and when the U.S. dollar was devalued in 1933, the bolivar was allowed to appreciate, going from 5.20 to 3.09 Bs per U.S. dollar in five years.

Commercial activity continued to predominate, in the 30's and 40's, as the main form of private investment. The pre-eminence of the commercial bourgeoisie was manifested in government policies. A freely convertible and high exchange ensured the relative cheapness of imports and allowed wide profit margins.(10) Selective granting of import licenses guaranteed a monopolistic structure further supporting wide profit margins. The reciprocal trade agreement with the United States gave importers unrestricted access to modern manufactured goods.

This situation changed somewhat during World War II; not because of a decline in Venezuela's foreign exchange, but rather since the Centre economies, geared for war production, did not have the same interest or ability to export to Venezuela. This was reinforced by the endangered trade routes which were constantly being disrupted to stop the flow of oil to allied forces.

Consequently, merchants turned their resources toward domestic production. Certain products, like textiles, beer, tobacco, which now had relief from foreign competition grew rapidly.

State financial support for war time production took the form of the Junta Para el Fomento (1944). Emphasis was placed on manufacturing industries associated with agriculture or with construction. Conversely, agricultural and livestock activities which constituted inputs to manufacturing were also encouraged. After the war, the civilian-military government replaced this institution by the Corporacion Venezolana de Fomento (CVF) which differed from its predecessor only in the scale of operation. Between 1946 and 1948, the CVF received 10% of the government budget.(11)

CVF lending during this period was concentrated in a small elite of the bourgeoisie. In the cement industry, for example, the main benefactor was entrepreneur Eugenio Mendoza. In sugar production and refining, the major recipient of CVF funding was the Vollmer-Zuloaga Group which was able to achieve backward integration from its rum distilleries. Livestock and dairy industries were also heavily financed. The CVF became actively involved in the industrialization by building its own sugar refineries,

developing hydro-electric facilities and participating in petroleum refining. It formed the first joint venture with foreign capital in 1947, namely with Rockefeller's International Basic Economy Corporation.

The growth of capitalist industrialization during this decade and a half was very rapid. The gross value of industrial production jumped from 222 million Bs in 1936 to 3,009 million Bs in 1953;(12) the value of installed machinery rose from 119 million Bs to 964 million Bs.(13) The growing capital intensity of Venezuelan manufacturing was reflected in the ratio of installed machinery to output which grew from 1.87 to 3.12 during this period. It was also echoed in the value of equipment per worker which doubled from 1936 to 1953, that is, from 3,230 Bs to 6,300 Bs.(14)

While the artisan population almost tripled in the first stage of petroleum (1920-36)(15), it remained more or less static in the ensuing sixteen years. In 1950, employment in artisan activities was reported at 115,000. Employment in capitalist manufacturing almost doubled from 1936 to 1950 (51,000 to 92,000). Though it was still less than in the artisan sector, its contribution to the total manufacturing component of GDP was more than twice as large.

The capitalist sector was, we have observed, confined

mainly to "traditional" products and was dependent on technology imports from the Centre. Most of the "modern" manufactured goods continued to be imported in final form. Non-petroleum-company-imports expanded nine times, from 170 million Bs in 1935 to 1,564 million Bs in 1950.(16) Imports of capital goods comprised almost half of the total imports, most of them going to the manufacturing sector.

Demographic Change

The acceleration of social change during this period found its most striking expression in the demographic metamorphosis of the country.

The population grew 50%, that is, an annual rate of 3.5%.(17) The mortality rate dropped from 33 per 1,000 in 1934 to 12 per 1,000 in 1955 and, in the same period, life expectancy doubled, from 33 to 63 years.(18)

The rural-urban shift which was gaining momentum during the Gomez regime turned into a flood in the ensuing fourteen years. The urban population increase, which averaged 3.5% annually from 1920 to 1936, accelerated to 4.5% in the 1936-41 interval, and then virtually took off in the period 1941-50, averaging 13% yearly.(19) The urban population which was 26% in 1920 had only increased to 29% by 1936. However, by 1950, a majority of the population was living in urban areas. Expectedly, the economically active population

was expanding in a similar manner. The entire work force grew 57% during the period 1936-1950, and its urban component grew 72%.(20) The agricultural work force declined rapidly during these years, from 58% to 41% of the total economically active population.(21)

The impact of petroleum wealth, whether by centrifugal or centripetal means, was bringing most of the rural exodus to a few large urban centres, the most important of which was the Federal District - Caracas and its immediate vicinity.

This is not surprising since the bulk of the oil wealth was being distributed to this area. Rollins estimated that during the forties 60% of government spending occurred in Caracas, which, in 1952 held only 14% of the population.(22) Capital subscriptions in commerce jumped from 15 million Bs in 1940 to 228 million Bs in 1950; in industry from 6 to 150 million Bs; in construction from 4 to 54 million Bs; and in services from 5 to 42 million Bs.(23) From 1946 to 1952, 85% of the country's capital subscriptions, 65% of industrial production, and 72% of all private construction took place in the Federal District.(24) During 1941 to 1950 its population increased 87% while that of the country as a whole only increased 32%.(25) The work force in the Federal District increased 100% during this period compared to 50%

for the entire country.(26)

Although all urban sectors were growing rapidly, the composition of employment in 1950 reflected the accentuation of a phenomenon which was a specific consequence of the pace of Venezuela's economic development. Thousands of individuals who found themselves jobless with the decline of traditional economic activities, gravitated toward the cities. However, the petroleum economic structure, such as it was, did not create nearly enough "productive" job opportunities to meet the supply. The result was a swelling of employment in the public sector and other service activities.

The phenomenon had been evident in 1936. The Minister of Finance stated in his 1936-37 Annual Report: "There is a large number of Venezuelans, capable of a wide range of activities, whom the poverty of private resources is pushing steadily toward public jobs as a last refuge from the misery that scarce possibilities of our sources of production and exchange can't relieve..."(27) In the subsequent fourteen years, the number of people earning their living from non-basic (public and private) services, tripled; from 244,000 to 636,000.(28) The portion of the urban work force engaged in goods and basic services declined from 46% to 36% during the period 1936-1950.(29)

This bulging growth of employment in tertiary activities was occurring at all levels of income, but mostly involving jobs of low and unstable incomes. Artisans were forced to convert to small repair shops; newly arrived campesinos and llaneros survived as travelling street vendors or as domestics to the affluent upper classes; ex-fishermen became groundskeepers or janitors in public buildings. Hundreds of thousands of individuals like these were part of a profound structural transformation in which traditional domestic production was being displaced by imports and by a growing industrial sector, capital intensive and totally dependent on technology imports from the Centre.

The Fifties: Culmination of the Transition

If the decade of the forties saw a dramatic rise in petroleum wealth, the increases during the fifties were equally dramatic. Output and exports doubled during the decade. However, huge post-war oil discoveries in the Middle East altered the structure of world petroleum supply, reducing Venezuela's share of the market from 46% to 33% (1948 to 1958) and the shifting geographical concentration of its share from Europe to the U.S.(30) Plentiful and cheap petroleum supplies, especially after the resolution of political instability in the Middle East meant that the unit price of crude oil remained relatively weak, dropping from

2.12 U.S. dollars in 1950 to 2.08 ten years later. Nevertheless, the Venezuelan state was able to more than offset these developments by increasing its taxing power.

Both oil company profits and government revenues continued to show huge increases. Their respective shares remained about the same as in 1948. From 1950 to 1959, gross oil company profits (net profits plus depreciation) were just over 22 billion Bs (Table 3:1). (31) Although half of gross profits constituted investment in Venezuela, this figure is misleading in terms of actual benefit to the country. Apart from the 2 billion Bs paid out for concessions in 1956 and 1957, the remaining 9 billion consisted almost entirely of imports of equipment and machinery. These were largely intra-firm transfer whose prices usually overstated real value. Another 11 billion Bs was repatriated to the Centre (Table 3:1).

Government petroleum income which averaged just under one billion Bs annually during the forties averaged over 2 billion Bs per year during the fifties. It continued to be a dynamic component of total returned value, jumping from 62% to 72% from 1950 to 1960 (Table 3:2). Employment of petroleum workers fell and local purchases of the companies remained small.

State spending continued to flow in its (by now)

Table 3:1 Oil Companies: Internal and External Financial Flows
1950-1973

Year	Gross Income (mill Bs)	Value of Petrol Exports (mill Bs)	Gov't Payments (mill Bs)	Gross Profits (mill Bs)	Gross Invest. (mill Bs)	Repatriated Profits (5-6) (mill Bs)
1950	3748	3473	1021	1390	561	+829
1951	4405	4008	1448	1696	727	969
1952	4677	4277	1544	1792	967	825
1953	4892	4413	1502	1819	901	918
1954	5337	4833	1576	2025	933	1092
1955	5875	5534	1841	2390	928	1462
1956	6829	6446	2281	2847	1232	1615
1957	8463	7941	2990	3586	1822	1764
1958	7662	7104	3067	2452	1788	664
1959	7289	6576	2860	2274	1262	1012
1960	7287	6640	2711	2230	730	1500
1961	7471	6838	2899	2406	516	1890
1962	7703	7240	3225	2776	474	2302
1963	7701	7218	3331	2665	511	2154
1964	10,693	10,300	4860	3450	753	2697
1965	10,725	10,142	4937	3603	825	2778
1966	10,419	9746	4836	3491	638	2851
1967	10,964	10,265	5460	3488	647	2841
1968	11,119	10,366	5513	3591	1182	2409
1969	10,906	10,146	5526	3273	1574	1699
1970	11,384		6200	2809	1294	1515
1971	13,720	13,479	7546	3458	1287	2171
1972	13,566	15,090	8411	2406	1000	1406

1973 19,178 22,305 12,410

Source: F. Tugwell: Politics of Oil in Venezuela, (1975)
Appendix, Table A, p. 179-81; Banco Central de Venezuela
(BCV); various issues of Informe Económico and
La Economía Venezolana en los últimos treinta años,
(1971).

Table 3:2

Post War Expansion of Venezuela "Returned Value" (RV)
from Petroleum

	Value of Petrol Exp. (mill Bs) (RV)	Returned Value (mill Bs)	RV as % of Petrol Export	RV Growth %	Gov't Income from Petrol Export (mill Bs)	Gov't Petrol Income % of RV	Petrol workers wages & salaries (mill Bs)	Petrol workers wage & salaries % of RV	Local purchases by Petrol co. (mill Bs)	Local Petrol co. purchases % of RV
1950	3,473	1443	42%	-	900	62%	471	33%	72	5%
1951	4,008	1917	48%	33%	1,317	69%	501		99	
1952	4,277	2167	51%	13%	1,476	68%	557		134	
1953	4,413	2323	53%	7%	1,589	68%	591		143	
1954	4,833	2239	46%	-4%	1,498	67%	587		154	
1955	5,534	2568	46%	15%	1,714	67%	674		180	
1956	6,446	3962	61%	54%	3,036	77%	700		226	
1957	7,941	4830	61%	22%	3,822	79%	686		322	
1958	7,104	3838	54%	-21%	2,713	71%	803		322	
1959	6,576	4366	66%	14%	3,224	74%	844		298	
1960	6,640	4160	63%	5%	3,002	72%	907	22%	251	6%
1961	6,838	4404	64%	6%	3,236	73%	927		241	
1962	7,240	4294	59%	-2%	3,226	73%	815		255	
1963	7,218	4671	65%	9%	3,418	73%	924		329	
1964	10,300	6151	60%	32%	4,792	78%	898		461	
1965	10,142	6410	63%	4%	4,950	77%	889		571	
1966	9,746	6206	64%	-3%	4,813	78%	966		427	
1967	10,265	6904	67%	11%	5,460	79%	1002		442	
1968	10,366	7057	68%	2%	5,558	79%	926		573	
1969	10,146	7216	71%	2%	5,687	79%	818	11%	711	10%
1970					5,750		996		804	
1971	11,479				7,688		1021		826	
1972	15,090				7,940		1088		602	
1973	22,305				11,221		1237		720	
1974	61,609				36,508		1567			
1975	44,666				31,648		1688			

Sources: BCV Informe Económico, various issues
BCV La Economía Venezolana en los últimos treinta años, (1971) Ministerio de Minas y Hidrocarburos
(RMT) cited in J. Salazar Castillo, Statistical
Appendix, Table A-2.

Notes: Returned Value is defined as income from petroleum activities which actually enters the Venezuelan economy. It is calculated as a residual i.e.: Value of Petroleum Exports minus (Gov't income from petroleum exports plus petroleum workers wages and salaries plus local petroleum company purchases)

well-worn grooves, if anything contributing to a greater concentration of income and wealth than in the previous decade. This trend was observed in an ECLA report: "It would be possible to say that the fiscal system as a whole had actually become regressive by 1957, in the sense of redistributing income from the poor to the rich.(32)

Wage and salary payments to the bureaucracy almost doubled from 1950 to 1960 constituting in the latter year 78% of all current expenditure.(33) The state continued to be a major investor, contributing 60% of total gross fixed investment outside the petroleum sector.(34) Though investment was high, it did not conform to any formally articulated development goals. Most of it supported highway and building construction. There were also highly expensive ventures into petrochemical and steel production, none of which had yielded any return by 1959.(35)

National income responded to the rise in petroleum funds by more than doubling, from 8,607 million Bs in 1950 to 19,372 million in 1960.(36) The multiplier effect of oil revenue in relation to National Income was 6.5 in the latter year.

Private national investment continued to concentrate in some areas as it had since petroleum became an important factor in the country's economic life. More than two-thirds

was directed to commerce, housing, and real estate speculation.(37) Its role as an independent source of economic growth was minimal; as the U.N. Economic Commission for Latin America (ECLA) noted:

Private investment has stayed at relatively low levels, considering the growth of incomes that has taken place....Private investment outside petroleum can be considered relatively insignificant as an independent cause of the expansion, particularly since much of it has been financed from the profits which arise directly or indirectly out of the expenditure of the petroleum companies and the government.(38)

The rising national income stimulated domestic production, but more striking was its impact on imports. From 1950 to 1959, non-petroleum company imports tripled, from 467 million Bs to 1,356 million Bs.(39) The growth of manufacturing GDP on the other hand, which was about 40% during the same period.(40) Total non-oil imports for the entire fifties were over four times larger than in the first petroleum decade. Equipment-machinery imports expressed as a proportion of gross fixed investment (very high to begin with) increased from 71% to 81% (1950-1960).(41)

The domestic capitalist sector continued to develop, though not as the result of an explicit policy. The previous regime had taken numerous measures to promote domestic industrialization: alterations in the U.S. Reciprocity treaty giving protection to certain areas of

production, large financial assistance programs to create an integrated agricultural-industrial structure. The Perez-Jimenez government, for its part, made no changes in the structure of tariffs; and state assistance to industry was allowed to lapse to the extent that it was actually less in 1958 than 1948. "Industrialization policy existed only as a spinoff of its construction activity. Manufacturing, stimulated by the rapidly growing high income market which attracted both domestic and foreign capital, rose by 16% annually.(42)

The fifties saw a large-scale penetration of foreign capital in non-mineral related activities. Accumulated gross foreign investment in manufacturing grew from 170 million Bs in 1950 to 650 million Bs in 1959; in commerce, from 97 million to 715 million Bs; in banks from 33 million Bs to 140 million Bs.(43) The ascending role of foreign capital in domestic manufacturing was reflected in the growth of chemicals, rubber, paper and metals which in aggregate, grew from 10% of total output in 1948 to 20% in 1960.(44) The "import component", however, was very high in these sectors of manufacturing. In the chemical industry, for example, domestic value added was in many cases confined to final mixing of imported components.

Despite these changes:

...manufacturing still consisted mainly of the traditional light consumer goods industries, such as food processing, cigarettes, beverages and textiles, and each of these was still having difficulty with foreign competition.(45)

Adjustment of Agriculture

The changes which were taking place in Venezuelan agriculture after World War II constituted a response to forces which had been transforming Venezuela for the previous 20 years. These were essentially threefold: Firstly, a large and growing urban population with substantial food needs. (Especially important was the growing high income demand for livestock products). Secondly, a nascent domestic industry which required agricultural inputs. And, thirdly, a latifundistic agriculture (and an adjoining subsistence sector) which, given its low productivity, irregularity of supply, idle land, and non-existent distribution facilities, was inadequate to the needs of a newly emergent urban capitalist economic structure.

For years, a high import capacity and the existence of more lucrative investment opportunities in urban-oriented activities had bred neglect and stagnation. Export agriculture continued its ignominious descent. Coffee and cacao, which a generation earlier made up practically all of Venezuela's foreign exchange, were, by 1950, no more than a

miniscule fraction of export earnings. Not only in relation to petroleum did these products dwindle in importance, but as well in terms of absolute production levels. From 1937 to 1950, coffee production fell^o from 75,000 metric tons to 34,000 metric tons; cacao production also dropped, from 24,000⁰⁰⁰ to 15 metric tons.(46)

Existing manufacturing firms were able to obtain agricultural imports relatively easily and cheaply due to a plentitude of "hard" currency. The war temporarily interrupted this practice, but it was quickly resumed in the aftermath. Thus, wood for furniture, leather for shoes, fibres for textiles, etc. were largely obtained from abroad. Even production of basic staples was allowed to decrease due to easy access to imports. For example, corn production fell from 361,000 metric tons in 1937 to 310,000 metric tons in 1950.(47)

In 1950, agriculture which contained almost half the country's population, contributed a meagre 7% to the country's gross domestic product.(48) Labor productivity and crop yields were extremely low and the structure of land ownership was as archaic as it had ever been. Large latifundias (greater than 500 hectares) comprised 85% of the arable land.(49) More than two-thirds of privately owned land was in the hands of a tiny group comprising less than

1% of all landowners.(50) That most of the land remained idle is reflected in the 1950 agricultural census which found that only 6% of productive agricultural land was actually being cultivated.(51)

The introduction of modern market relations of production into Venezuelan agriculture, especially during the fifties, in no way represented a transformation or fundamental revitalization of the agricultural system. Rather, it constituted simply an accommodation to the interests of certain groups and regions operating under new conditions and realities.

The bulk of investment capital, including that generated from latifundistic agriculture, continued to be directed towards urban activities, especially those of a commercial or speculative nature. However, a growing number of entrepreneurs were becoming aware of the potential gains to be reaped from livestock production and from the production of industrial inputs.

At the same time, a growing feeling of nationalism among bureaucrats and "liberal" politicians brought awareness that a dynamic "modern" industrial sector would require a certain measure of integration; that total disarticulation of materials supply, especially where the internal agricultural potential was "rich", would severely

frustrate its growth.

The tendency culminated in the post-war "trienio" government and its short lived democratic offspring,. It contained an important reformist element which believed industrial development would bring the widespread affluence and equality that had eluded Venezuela throughout its history. It was a period of optimism and idealism which, though abbreviated, started the momentum for the penetration of capitalist relations of production in domestic agriculture.

The Junta modified the pattern of agricultural investment opportunities so as to make it attractive to private capital. It provided credit, tax exemption, tariff protection, exemptions on machinery imports, price supports, subsidies and technical assistance. In certain areas, it actively invested. For example: sugar refineries, transportation and storage facilities, milk pasteurizing and processing plants. Agro-industrial ventures were given public land and joint ventures with foreign capital were arranged to encourage the modernization and mechanization of agriculture.

The Perez-Jimenez dictatorship, which superceded the democratic government, did not devote the same amount of resources and attention to agricultural development. It was

preoccupied with lavish spending in the cities:

"There was some expenditure on agricultural development over the decade 1948-57, but it did not add up to a coherent program. Official stimulus...mostly helped the large estates in a few limited areas. The total credits granted by official agricultural loan organizations of all kinds actually fell (from 163 million Bs in 1949 to 49 million in 1956 and 75 million in 1957). Most of the agricultural sector benefited little from extension services and financial help. The bulk of expenditure by the government was in the cities, not the country districts.(52)

During the 1950's the agricultural product as a whole grew moderately (at an average annual rate of 5% to 6%). most of this growth came from a few activities: livestock, dairy products and sugar; (and to a lesser extent from oilseeds, tobacco, cotton and potatoes.)

Livestock production, stimulated by a large portion of public agricultural credit and by investments of bankers and merchants in the western part of the country (Zulia State), doubled during the fifties.(53) Land devoted to livestock grazing increased from 27,000 to 41,000 hectares, from 1950 to 1961.(54) The Zulia region accounted for more than 60% of this increase. Despite the rise in production, demand grew at a faster rate and imports continued at high levels.

Dairy output grew fourfold from 1951 to 1958(55) and sugar cane production rose sixfold from 1950-56(56). Though self-sufficiency was attained in the latter, milk imports

continued to grow.'

In general products, for which the market return from higher income demand was strongest, received most attention from the state. Food staples of the majority received relatively little financial assistance. Capitalist agriculture was not inclined to invest in "unprofitable" products given the low purchasing power of their market.

Both ECLA and the World Bank studies corroborate this phenomenon. ECLA concluded that:

...virtually the whole of the expansion in the sector's output can be attributed to (areas)...where producers have received special assistance...most of them are products of big or medium size estates. The crops listed are mainly grown in the lowlands near the coast and lend themselves to mechanization. (The tractor park increased from about 3,900 units in 1950 to some 10,200 units in 1956, according to agricultural surveys). Other crops show little increase in the period. Their costs of production were too high and income-elasticities of demand too low...(57)

The World Bank made similar observations about the selective growth of agricultural production noting that "there was a failure to achieve such increases in the production of basic food crops, e.g. rice, beans and maize".(58)

Thus the insertion of agrarian capitalism did not by any means, constitute a transformation of the Venezuelan agricultural system. It remained, for the most part weak and vulnerable. It was unable to provide much of the

growing demand for agricultural products which continued to be met by imports. It was dependent on imports of technology (i.e. tools, equipment, insecticides, fertilizers, etc.) from the Centre nations. Moreover, the capitalist sector was subordinated to urban economic groups (including the integrated industrial agricultural interests) which controlled markets, equipment, imports and credit.

Thus, a larger amount of the economic surplus generated in capitalist agricultural activities was appropriated, by the Centre and by urban capital; and relatively little was reinvested within the sector. Its survival continued to be heavily dependent on state supports.

This change, however did have important consequences for the distribution of income and wealth, for the continuing dislocation of the Venezuelan productive structure, and for the marginalization of the huge segments of the populace.

We have observed that private urban investment, state financing and other assistance, benefitted medium-to-large owners producing for the urban high income market. The small landholder was either put out of business or expropriated; consequently he was forced to migrate to the city, or, if he remained, did so under greater conditions of impoverishment. Petras observed this trend.

Extensive large-scale livestock grazing and capital-intensive mechanized agriculture required large units of land to produce efficiently. An acceleration of the expropriation of the small holder took place; a few remained as wage laborers, many were reduced to a subsistence level of farming and others were pushed inexorably towards the cities hoping to sell their labor power.(59)

ECLA's conclusion, though stated in politically neutral terms, is similar. "...the concentration of government aid on livestock and the crops mentioned has not tended to improve the distribution of income..."(60)

The small producer was further impoverished by virtue of the type of crop he produced. A good example was maize. Government support in financial and technical terms was low and declining throughout the 1950's. Production was more or less stable, but urban demand (especially the high income component) for cornbread had shifted to wheat bread which was virtually all imported. Consequently the BAP had accumulated, by 1958, 40,000 tons of surplus maize.(61) Thus, the inadequacy of government tariffs to protect maize producers from foreign competition, as well as the nature of urban market and financial control, combined to reduce the income of the small holder and limit greatly his ability to accumulate capital.

The evidence points to a greater imbalance in the distribution of income and wealth in the agricultural sector

in the wake of the changes which occurred in the fifties. Professor Hill, comparing rural surveys which he conducted in 1945 and again in 1958 concluded:

"Agricultural workers are still living in the same state of ignorance and poverty as when we first met them. From economic and social standpoints we think it may even be said that their situation is worse today than formerly".(62)

The Shoup Commission which compiled the first systematic statistical picture of income distribution (for the year 1957) confirmed what was already known. The overall allocation of income was among the most lopsided of any country in Latin America. The bottom 45% of income earners accounted for only 9% of aggregate personal income while the top 12% received 49% of all income available.(63) Geographically, distribution was similarly distorted. Cities of over 1 million inhabitants (i.e. Caracas) with 17% of income earners, received 40% of income while rural income earners, comprising 38% of the total population, accounted for a mere 9% of total personal income.(64)

The flow of campesinos to urban areas despite explicit measures by Perez-Jimenez to restrict it, was strong. With his overthrow, it greatly accelerated. From 1950 to 1961, the agricultural population declined from 48% of the total to 37%.(65) The hope of a better life was a major inducement, especially among the youth of the rural

population; expropriation also contributed a significant share of the flow. Wage labor opportunities in the capitalist-agricultural sector were limited by its geographical concentration (central coastal plain). Income was low and seasonal; the mechanization of agriculture tended to reduce the need for agricultural labor.

Regarding conditions of the migrants to urban areas, ECLA's observation was less than "diplomatic":

...the influx of labor into the cities has been so fast that slums have spread and the associated problems of homeless children and crime have become more severe....So the fast rise in the national product has benefited mainly the urban middle and upper classes rather than those with the greatest needs. The distribution of income may well, therefore, have become more, not less, unequal. (66)

Artisan Decline

Concurrent with the modification of traditional relations of production in agriculture was the post-war breakup of urban centres of artisan production. We have observed how the initial impact of petroleum revenue on artisan production was positive, causing a great migration of artisans to the cities to supply a portion of rapidly growing urban demand. We also observed that state construction was increasingly concentrating its financial and non-financial support on large-scale factory production imported from the Centre. Construction of highways was

breaking up regional barriers and creating the nationally integrated markets conducive to the expansion of capitalist-style production and detrimental to artisan production. Finally, the rapidly growing income import capacity was bringing the Venezuelan economy in ever closer contact with the economies of the Centre.

An important implication of this trend, from the artisan's point of view was an accelerating shift in consumption habits towards goods and services emanating from Europe and the United States. Modes of transportation shifted from the horse to the automobile, modes of illumination shifted from the candle to electricity, and so forth, causing the disappearance of huge segments of artisan production. This process was slowed somewhat by the isolation induced by World War II. However, the flood of cheap goods following the reopening of international trade took on an unprecedented intensity during the fifties. Artisan production had no means to counter this cultural and economic invasion.

Domestic capitalist production surpassed artisan industry in value during the war years. It was double the value of the latter in 1950.(67) Employment in both sectors was similar, though artisan employment was still slightly ahead of the capitalist sector.(68)

During the fifties, modern capitalist output grew 250%, while artisan production actually decreased in value.(69) In 1959, the former made up an overwhelming 90% of total manufacturing output. The work force employed in the "modern" sector almost doubled during this period while "traditional" manufacturing employment declined.(70)

The decomposition of the artisan sector is further reflected in the huge decline in the number of industrial establishments, from 16,452 in 1952 to 7,531 in 1961.(71) By the end of the fifties, Artisan production contributed minimally to gross industrial product. It still employed a sizable work force, but one whose productivity was far below those employed in the capitalist sector. In 1961, value added in artisan production was 10% of that in the capitalist sector.(72)

Concluding Remarks

In summary, it remains to recount some observations made by the Colegio de Economistas de Venezuela concerning the transformed economic landscape in 1958.(73) The "pre-capitalist" sector, with 44.4% of the economically active population, contributed a tiny 5.5% to GDP. Labor productivity was only 12% of the overall average.

The "national capitalist" sector with 36.6% of the work force accounted to 52.1% of GDP. Most of this figure

came from services, the goods-producing-component contributing only 16.2% of GDP. The productivity of labor was 42% above the average.

The "foreign capitalist" sector with just 9.2% of the work force produced nearly 40% of GDP, the large majority in oil production. Productivity was 427% of the economy average; petroleum sector productivity exceeded mean by an astronomical 1200%. The national capitalist sector participated in 24% of total goods production and 82% of services production. The foreign sector conversely produced 63% of total goods and 8% of services.

This rough sketch conveys in a stark way the severe dislocation of the Venezuelan economy in the years which followed the first petroleum exports from San Lorenzo in 1917. It also reflects the extreme inequality of income and wealth that four decades of petroleum had wrought.

Footnotes

1. This is confirmed in reminiscences by J.P. Perez Alfonso (Minister of Hydro Carbons in the first democratic government) in El Desastre, a round table discussion coordinated by Pedro Duno, 1977, pp. 20-24.
2. D.A. Rangel, Capital y Desarrollo, Tomo II, 1970, p. 149.
3. Cited F. Tugwell, Politics of Oil in Venezuela, 1975, Table C, p. 183.
4. Ministerio de Minas y Hidrocarburos (MMH) cited in Banco Central de Venezuela. BCV, LLa Economía Venezolana en los Ultimos Treinta Anos, Hechos y Cifras Relevantes, 1971 and Tugwell Op. cit, p. 182.
5. Op. cit, BCV, 1971 and Tugwell, 1975, p. 183.
6. C.E. Rollins "Econ. Develop. of Venezuela" in Econ. Development and Cultural Change, 1954, p. 83.
7. Op. cit, Rollins, p. 88.
8. The other components of the increase in national income according to Rollin's calculations were: petroleum wages, 10%, commerce 20%, manufacturing 17%, services 13% and construction 7%.

The importance of petroleum cannot be over-emphasized,

for besides its direct contribution to government treasury, to wages and payments to local suppliers, an important first round source of demand, it provided the foreign exchange without which commercial importing activities would have been non-existent. In addition, manufacturing, construction and basic services would not have had the necessary equipment and machinery, and the service sector would have been severely hampered. By 1950, petroleum accounted for nearly all of Venezuela's foreign exchange (96%), as agricultural exports, coffee and cacao, continued to dwindle into relative insignificance.

9. The dozen or so family-based economic groups which dominate the private sector in Venezuela today, either got their start or maintained their position through highly favored access to the military clique which ran the state in the formative decades of the petroleum era.

The Boulton group illustrates the latter phenomenon, the transfer from agricultural-financial to a commercial-financial base. It was an old coffee producing and exporting family of British origin which had been long involved in Venezuelan politics. Among its most noteworthy contributions was the financing of

a campaign which brought Guzman Blanco to power in the late 19th century. By the early part of the present century it was the major shareholder in the Banco de Venezuela, the country's largest financial institution. Nevertheless, the falling coffee economy quickly eroded its economic base and with the onset of the Depression, it found itself on the brink of financial ruin. However, Gomez came to its rescue providing lucrative import licenses and credit to invest in non-agricultural activities.

Eugenio Mendoza provides a good example of the "self-made" entrepreneur who got his start by virtue of close personal ties to the petroleum state. He began in the 1930's by acquiring a license to import artisan tools and hardware and expanded his personal domain through government construction contracts and speculation in urban real estate. In the late 30's and 40's with heavy state financial support, he established a cement factory to supply the rapidly expanding public construction activities. The success of these ventures is mirrored in the fact that from 1936 to 1953, cement production multiplied 20 times. He used the surplus of this enterprise, again with heavy government financing, to form an integrated agro-business corporation in 1944

at a time when he was minister of development in the Medina Angarita regime.

10. The "overvaluation" of the bolivar discouraged domestic manufacturing by making its products and labor costs relatively more expensive compared to imported goods. Domestic manufacturing was further "weakened" by distortions within the wage structure itself, transmitted originally through the petroleum sector. For an analysis of this mechanism see D. Seers, "The Mechanism of an Open Petroleum Economy", Social and Economic Studies, Vol. 13, No. 2, 1964.
11. J. Petras, The Nationalization of Venezuelan Oil, 1977, p. 14.
12. Op. cit, Rangel, 1970, p. 320.
13. Ibid. p. 317.
14. Ibid. p. 319.
15. J. A. Silva Michelena, The Illusion of Democracy in Dependent Nations, 1971, p. 55.
16. Op. cit, BCV and Table 2:4.
17. Official Population Census, Nos. 6, 7 and 8, cited L. Vallenilla The Making of a New Economic Order, 1975, Stat. Appendix p. 282.
18. E.E. Arriaga, Mortality Decline and its Demographic Effects in Latin America, 1970, p. 147, p. 85-86; M.J.

Bolívar Chollet: "El Comportamiento Demographico en el Sudesarrollo: El Caso Venezuela", in Maza Zavla et al, Crecimiento sin Desarrollo, 1974, p. 369. and official population census, op. cit.

19. The movement was approximately 4,000 per year during the first period, 35,000 per year during the second, and 77,000 per year during the third interval - see Rangel Op. cit, 1970, pp. 146-47.
20. Op. cit, Silva-Michelena, 1971, U.N. Statistical Yearbook, 1957.
21. Ibid.
22. Op. cit, Rollins, 1954, p. 92.
23. Ibid., p. 85.
24. Ibid. p. 92.
25. Ibid., p. 84.
26. Ibid.
27. Cited in S. De La Plaza, Venezuela País Privilegado 1973(b), pp. 112-13.
28. Op. cit, Silva-Michelena, 1971, p. 55 and U.N. Statistical Yearbook, 1957.
29. Ibid.
30. U.N. Econ. Commission for Latin America, ECLA, "Econ. Developments in Venezuela in the 1950's", 1960, p. 25.
31. The 1958 income tax reform enabled total government

taxes, including royalties, to rise from 50% to 60% of net company profits (Table 31).

32. Op. cit, ECLA, 1960, p. 23.

33. M. Falcón Urbano, Desarrollo Y Industrialización de Venezuela, 1969, p. 99. Cuadro 27.

34. Op. cit, BCV and Falcón Urbano, p. 101, Cuadro 28

35. International Bank for Reconstruction and Development (IBRD) "The Economic Development of Venezuela, 1961, p.

85. The Perez-Jimenez regime invested heavily in numerous luxury projects, the most notable of which were 52 luxury hotels at 300 million Bs, military clubs costing over 100 million Bs and a sumptuous racetrack which cost 140 million Bs.

36. BCV, 30 Años, Op. cit.

37. Op. cit, IBRD, 1961, p. 86.

38. Op. cit, ECLA, 1960, p. 39.

39. Op. cit, BCV, 30 Anos.

40. Ibid.

41. Ibid.

42. Ibid.

43. Ibid.

44. Op. cit, IBRD, 1961, p. 96.

45. Op. cit, ECLA, 1960, p. 22.

46. Op. cit, Rollins, 1954, p. 88.

47. Ibid.
48. Op. cit, BCV.
49. R. Dubúe Picon, Evolución Histórica del Sector Agropecuario y su Crisis Actual, 1973, p. 23.
50. Op. cit, ECLA, 1960, p. 22.
51. Ibid.
52. Ibid., p. 24.
53. Ibid., p. 46.
54. Op. cit, Rangel, 1970, p. 338.
55. Op. cit, ECLA, 1960, p. 46.
56. Op. cit, Rangel, 1970, p. 339.
57. Op. cit, ECLA, 1960, p. 48.
58. Op. cit, IBRD, 1961, p. 97.
59. Op. cit, Petras, 1977, p. 17.
60. Op. cit, ECLA, 1960, p. 48.
61. Ibid., p. 47.
62. G. Hill, Revista Trimestral de Económica y Ciencias Sociales, No. 1, Caracas, Sept. 1958, p. 8. cited ECLA, 1960, p. 23.
63. C. Shoup et al, The Fiscal System of Venezuela, Johns Hopkins Press, 1959. Cited O. Araujo, La Situación Industrial de Venezuela (1969), Tables, pp. 78-79.
64. Ibid.
65. Op. cit, official population census, Nos. 8 and 9.

66. Op. cit, ECLA, 1960, p. 23. Official surveys of 1958 indicated that 35% of the population was in ranchos and another 20% in "superbloques" some of which had deteriorated into slums (p. 23).
67. Op. cit, IBRD, 1961, p. 96. Artisan production was 367 million Bs, capitalist production was 783 million Bs.
68. BCV Memoria 1959, cited IBRD Appendix p. 474, Artisan employment was 110,000, capitalist manufacturing employment was 92,000.
69. Capitalist manufacturing output grew from 783 to 2,703 millions Bs Artisan production fell, from 367 million to 309 million Bs (IBRD Op. cit, 1961, p. 96)
70. Ibid. Employment in capitalist manufacturing increased from 92,000 to 165,000. Artisan employment decreased from 115,000 to 96,000.
71. Min de Formento II Censo Industrial 1956. Cordiplan I Encuesta Industrial.
72. World Bank (IBRD) Employment, Mission to Venezuela, 1975, p. 32.
73. Colegio de Economistas de Venezuela, Diagnóstico de la Economía Venezolana, 1964, Caracas, 1A-1, p. 22.

Chapter 4

The Maturing of Peripheral Capitalism: Democracy and Import Reproduction

Post War Manufacturing: The Stage is Set

The investigation has, thus far, focused on the generation, appropriation and distribution of petroleum surplus. The activities of the oil companies and the general subordination of the Venezuelan economy to the Centre have been examined. The internal structure of domination which has broadly served the interests of a very small Venezuelan minority has been outlined. The web of rivalry and alliances among different factions of the upper class - civilian and military, urban and rural agricultural and commercial, productive and financial and permutations thereof - we have seen unfold in the state as the institutional embodiment of prevailing configurations of power.

The reproduction of the internal structure has been observed through the mechanism of state programs and policies: construction of an infrastructure for the

expansion of a narrow high income market; measures which favored the growth of commercial capitalism and later, industrial capitalism, to the detriment of pre-capitalist forms of production; actions which fostered urban congestion and rural decay; and which deepened and reinforced the concentration of ownership and economic power.

To enhance understanding of the main themes of this study, I would like now to explore more fully the development of the Peripheral capitalist mode of production: its structural characteristics and mechanisms, its manner of application to Venezuela, and ensuing consequences. Clearly, the dynamism of Peripheral capitalist production has been dependent on petroleum wealth. However, it is my contention that this mode of production possesses structural tendencies which independently reinforce and exacerbate the patterns created directly via petroleum (i.e. inequality, marginality, concentration).(1) Moreover, these tendencies have become more visible and their effects more pervasive in the most recent phase of Peripheral development, the import reproducing phase.

For reasons which have already been discussed, import reproducing industrialization started late in Venezuela. Moreover, it began not as a reaction to a "crisis", as occurred elsewhere in Latin America, but rather as a

deliberate state sponsored program.

The small capitalist manufacturing sector which existed after the War produced "old" products using technology that was relatively simple and generally accessible. The first impulses for the creation of a full-scale modern industrial sector, capable of reproducing a range of imported goods, came from the post War junta. There was some recognition that this kind of production could not be separated from accompanying technology, that this technology was not readily available on the open market, and finally, that Venezuela did not have a significant community of scientists, technologists and technicians capable of using available technologies to create an autonomous base of industrial expansion. This implied that alliances and agreements with foreign capital would be necessary. Efforts were made to encourage joint ventures with multi-national corporations (involving either state or private capital) and to encourage them to establish local branches.

This desire to attract foreign manufacturing capital was reflected in a Banco Central Memoria of 1948:

It should be made better known in the investing countries, the conditions under which foreign capital operates; a tax system that is simple and light, freedom to import necessary materials, good internal markets and an advantageous geographical position to supply other markets in the Caribbean.(2)

These efforts and incentives, with the exception of the State-Rockefeller agreements, and the establishment of a few foreign subsidiaries producing chemicals and rubber products, were not very successful. They were not accompanied by a strong set of protective measures which would insulate nascent industries from outside competition.(3) As long as trade channels remained unfettered, the pressure on large corporations in the Centre to establish local production outlets was not great. The Venezuelan market, under existing conditions, was not considered "optimal" for the setting up of large-scale branch-plant operations.(4)

Private national capital continued to be generally apathetic toward any active participation in industrial ventures during this period. This is confirmed by Rollins:

The new large scale factory operations have been largely pushed through by foreign interests. Such local participation as has existed being almost entirely of a purely financial...local capital has preferred either the rapid turnover, high profit if also high risk type of venture to be found in commerce or the services, or the passive lending function which is found in real estate loans or investment in the local branch of a well-established international firm.(5)

The high income market, 'fuelled' by huge petroleum revenue increases, grew quickly during the decade of the fifties (though its membership remained constant). Its needs continued to be largely met through imports. In 1954, Venezuela represented the second largest market in Latin America for U.S. exports and the fifth largest world-wide.(6) Increasingly, foreign corporations engaged in nonextractive activities recognized the "boom" conditions that existed in Venezuela. They moved in, establishing subsidiary operations (occasionally with local private participation, but usually wholly-owned). Often these were little more than retail outlets, established as footholds in anticipation of a time when Venezuela would "catch-up" with other Latin American countries in its protection of domestic industry.

Both General Motors and Chrysler, for example, had set up subsidiaries at the beginning of the decade, but as of

the overthrow of the Perez-Jimenez dictatorship, not a single car was assembled in Venezuela.

Key market indicators, crucial to the investment decisions of multinational corporations, showed extremely favorable improvement during the fifties. Car registrations leapt from 34,000 in 1948 to 300,000 in 1960.(7) The number of telephones installed doubled between 1954 and 1959 (8); electrical power output increased eightfold from 1948 to 1959.(9)

Nevertheless, it must be emphasized that despite the rapid growth of foreign industry, Venezuelan manufacturing in 1959 was confined essentially to traditional light consumer goods (food processing, tobacco, beverages, textiles, etc.). It was not engaged, in any significant way, in the production of import substitutes.(10)

Import Reproduction: Outline of the Structure

To produce, domestically, a bundle of goods that is currently imported and the consumption of which is restricted to a small high-income group, implies that, at least initially, this bundle will be available only to this group. In absence of a widening of access to the "benefits" of import-reproducing industrialization, the inequitable distribution of income, wealth and power will be exacerbated. There are no inherent structural tendencies

which would widen public access to the products of this kind of industrialization. On the contrary, Its inherent tendencies are to aggravate the exclusivist character of the "modern high income" market and concomitantly, to aggravate imbalances of wealth and power in Venezuelan society.

The structural characteristics which produce these tendencies in the import-reproducing model have already been explained in chapter one. They can be briefly restated as follows:

The technology which is part of the imported package is highly productive (capital/output ratio) and utilizes very little labor. It superimposes itself in rapid, discontinuous chunks, on a pre-existing structure, much less productive and much more labor intensive, displacing large groups of the working population and imposing a regimen that allows for little absorption of manpower. The marked gap in technological levels means that there is little congruence between the pool of skills existing within the domestic workforce and those required by the newly superimposed mode of production. The high cost of training such a workforce when compared to the cheapness of importing capital intensive technology, hastens the trend to employ the most labor-saving techniques of production and to import foreign-trained personnel, leaving absorption opportunities

American Airlines jointly owning Avenza and jointly owning 14% of the state airline VIASA.

Industrial Census material provides strong empirical corroboration of the concentration tendencies of import-reproducing industrialization. It also reveals the low manpower requirements of the modern manufacturing sector.

The number of manufacturing establishments declined dramatically from 16,452 in 1952 to 7,531 in 1961.(53) Thereafter, the overall drop was not so acute and there has been modest fluctuation in numbers. Nevertheless, there were 7,350 establishments in 1974 and net decline of 181.(54) During the period 1961-74 Big Industry (defined as firms with more than 100 employees) grew with astonishing speed, from 196 to 557 firms. This was paralleled by the expansion of the first category medium establishments (employing 50 to 100 individuals) from 170 to 530 members. On the other hand, firms with less than 50 employees have decreased in number from 7,165 in 1961 to 6,263 in 1974. In other words, while 761 new big and medium enterprises were created, small (less than 50) enterprises saw a net reduction in their numbers of almost 900.

The average number of workers per enterprise also increased greatly: from 9 in 1952, to 27 in 1966, to 38 in

practically nil) the pre-existing enterprise is placed at a serious competitive disadvantage. In addition, the "quality" or "status" advantages of sophisticated Western products (helped along by a powerful advertising machine) and the ability of producers with huge financial backing to produce at a loss for extended periods, combine to further weaken the position of the "traditional" producer who is either forced out of business, or, if he survives, suffers large market losses and assumes a relatively subordinate role in the industrial system.

The process of economic power concentration is aided by the manner of utilization of economic surplus from import-reproducing activity. The excessive power of the productive means (high idle capacity) reduces further investment of surplus in similar areas (i.e. expansion of physical plant). Much of the surplus is channelled outside the manufacturing sector altogether (to the parent companies, in the case of multinational subsidiaries, and to speculative and luxury consumption in the case of domestic capitalists). But that which is reinvested within the modern industrial sector contributes to conglomeration, and vertical and horizontal integration, processes which also promote the concentration of economic power. The nature of surplus utilization, inter alia sheds light on the reasons

for low employment opportunities in the import-reproducing sector.

The Role of the State

Venezuela's model of industrialization, I have explained, required collaboration of the state, private capital and foreign capital. Structural factors which necessitated this basic underlying harmony have already been examined.

The state has been the forum for upper class rivalry reflecting generally its interests as a class, and at any given time, those of the dominant faction. The relationship has been so close as to blur and make, at times, artificial the separation of state and private interests. In the traditional Marxian sense, the state has been merely the executive boardroom of the ruling class. To view the Venezuelan state solely in this context, however, would be too simplistic. It would ignore the evolution of the state as a relatively autonomous power with structural priorities and interests identifiable as distinct from (though basically harmonious with) private domestic capital; and the emergence, especially in recent years (with nationalization and the expansion of state productive enterprise), of a so called state bourgeoisie, identifiable as distinct from (though basically compatible with) the private

bourgeoisie.(11)

Thus, the state, as a major institutional participant in the Peripheral capitalist model of development, has evolved a set of interrelated interests and short-term needs which require that it support that model. To sustain a growing bureaucracy, patronage network, investment projects and consumption needs, it requires a continuously expanding source of tax revenue and this comes ultimately from the depletion of its oil reserves. As a financier of capitalist activity, it has been motivated by requirements for secure and "adequate" returns defined within the structures of Peripheral capitalism. To sustain, without excessive inflation, the dynamic high income market which it has shaped; to create markets for its own productive activity (i.e. electricity, communications facilities, steel, petrochemical and aluminum products, etc.); to satisfy private pressure for capital accumulation; and to achieve widespread political support through nationalist appeal, the state is "compelled" to support import-reproducing industrialization.

Nevertheless, the more traditional class perspective which stresses state-oligarchy interlockings continues to be an important focus of analysis.(47) Since democratic rule in 1958, the ministry of finance, development, presidents of

the CVF and the Banco Central, directors of most state enterprises, have always been connected, professionally through employment, or personally through family ties, with one or more of the twelve major economic power groups in Venezuela. This kind of representation occurs at strategic levels throughout the public sector. The control over fiscal, tariff, tax, and credit policies etc. that this web of "interlocking directorships" allows, is undeniable.

The democratic government, which came to power in 1959 under the leadership of Romulo Betancourt and the Accion Democratica party, systematically began a program of import-reproducing industrialization. By the end of its term (1964) the process was well advanced. So, too, were the consequences. It was accomplished through a tripartite alliance.

A.D. politicians were generally nationalistic and reformist. They were imbued with an ideology of "developmentism" which saw import-reproducing industrialization as a way to retain the "fruits" of technological advance and to reduce dependence on the Centre. Additionally, it was seen by many as a way of hastening social reform, the kind of reform that would strengthen the small middle class.

They were allied with powerful private economic groups

who saw for themselves great possibilities of capital accumulation in this model of development.(12) They were willing to accept the ideology of national industrialization since it did not presume widespread changes in the status quo and served as a convenient cloak for the advancement of their interests. The non-oil multinational corporations, to whom these groups were attached, also had important stakes in Venezuelan development.

Betancourt, himself, expressed the prevailing gospel of industrialization in a 1960 speech:

There is going forward a structural change in the national economy and we are beginning to break our dependence on foreign production. This has been possible because of the joining of forces of state and private enterprises. the state is orienting credit toward industries and agricultural and livestock enterprises and halting importation, or regulating it so that we do not destroy ourselves through the cut artery represented by the purchase abroad of luxury articles, or articles that could be produced in the country, thus diverting foreign exchange that is needed to bring from abroad machinery and raw materials.(13)

He envisaged the benefits of this process being "equitably divided among the consumers, the workers and peasants who work in the enterprises", though he omitted to describe the operative distributive mechanisms.

The government's initial step was to revoke the

commercial reciprocity treaty with the United States. Its purpose was to change the structure of tariffs and import licenses in order to protect and stimulate final goods production while exonerating capital and intermediate goods. A World Bank mission to Venezuela reported that in 1959-60 the collected average ad valorem tariff on capital and intermediate goods, (which comprised 60% of all imports), was 5%.(14) An ECLA study (1963) noted the following incidence of tariffs:(15)

Processed food stuffs, tobacco	287%
Chemicals and pharmaceuticals	121%
Other consumer goods	74%
Durable consumer goods	14.7%
Capital goods	10.9%

Orlando Araujo, evaluating the short-term effect of the new tariff for a bundle of 40 items (ranging from fish preserves, cloth fibers, copper wire to cigarettes and alcoholic beverages) found that imports decreased from 443 million in 1959 to 151 million Bs a year later.(16)

The altered tariff structure, combined with the exchange rate policy and existing structure of labor skills and costs, cheapened relatively, the price of imported capital and technology. This obviously was a great incentive to enterprises producing import substitutes since

they utilized a high ratio of capital and technology to labor. It also gave them a great advantage over enterprises producing analagous goods and services, but with less sophisticated technology and, typically, with more manpower. Multinational corporations were thus attracted by a "favorable" price-cost structure as well as by the absence of regulations on profit remittance or on ownership, and by full borrowing access to Venezuelan financial institutions.(17)

The state's role in fostering the new model went beyond building the necessary barriers and channels. Corporacion Venezolana de Fomento, the state development agency, which had lain fallow during the Perez-Jimenez era, was revitalized. Credit to private industry was greatly increased and investment was made tax-exempt. Shares in CVF were offered to the private sector in an effort to integrate public and private participation in industrialization (most were brought up by a few big economic groups). Rough criteria were devised for evaluating projects. In essence, they favored ventures which contributed to the expansion of the modern capitalist sector.

The CVF strengthened the monopolistic character of industrial production, indirectly through its unequivocal support of the import reproducing model, but also directly

through its lending policies.

David Blank elaborates:

Because of the limited size of the market, manufacturers have often been granted monopolies in the production of many articles. The CVF has frequently been accused by consumer groups of preferring to create such monopolies in order to protect its own investment...The granting of government credit has also been known to favor government supporters.(18)

Not only the interests of the agency per se (as Blank notes), but also those of the groups that controlled the CVF, were responsible for its support of monopolist tendencies. Between 1959 and 1967, most of the Corporacion's financing went to three conglomerates. In order of importance they were: Vollmer-Zuloaga, Mendoza, and Neuman.(19) These practices left many entrepreneurs and businesses with insufficient financial resources according to the Colegio de Economistas de Venezuela in their 1964 report. They attributed this dearth as a major cause of the widespread number of business failures during the early sixties and the rapid proliferation of multinational corporation subsidiaries with their superior access to technology and financial capital.(20)

The Role of the Multinational Corporations

For both politicians and bureaucrats who wanted to impose, nationally, a scheme of modern industrialization to

mirror the industrial systems of the Centre, and for private capitalists who saw in this model great potential for their own capital accumulation, participation of the multinational corporation was absolutely necessary. The multinational corporations embodied the power and the dynamism of the global system. From their parent organizations, located in a few Centre nations, they controlled and manipulated resources (physical and human), markets and wealth around the globe. The Venezuelan bourgeoisie was well aware of their awesome power; they had co-existed with the oil companies for 40 years. Subordination to the plans and decisions of these corporate empires was ultimately "unavoidable" from their perspective, given the essence of Peripheral capitalism in Venezuela. So they consented. The consequence of this voluntary subordination was that a large portion of the surplus from import reproducing industrialization would revert to the Centre. But, a small group of domestic entrepreneurs connected with the multinationals would also draw substantial surplus. The government would gain indirectly through taxes and directly through joint ventures in mineral-based heavy industry; a small group of technicians, lawyers, highly skilled workers and related service industries would also benefit.

Multinational corporations have usually maintained

their dominance over Peripheral economies (which stems, initially, from a superior economic and technological might) through the mechanism of centralized control.

Hymer elaborates:

It is not technology that creates inequality; rather it is organization that imposes a ritual judicial asymmetry on the use of intrinsically symmetrical means of communications, and arbitrarily creates unequal capacities to initiate and terminate exchange, to store and retrieve information, and to determine the extent of exchange and terms of discussion. Just as colonial powers in the past linked each point in the hinterland to the metropolis and inhibited lateral communications, preventing the growth of independent centres of decision-making and creativity, multinational corporations (backed by state powers) centralize control by imposing a hierarchical system. (21)

Under conditions of unequal exchange and bargaining power, all relationships however labelled (investment, technology transfer, etc.) are affected. A nation embarking on a path of import-reproducing industrialization will, then, necessarily experience a relatively low retained economic surplus, "...after allowing for repatriation of profits, dividends, management fees, salaries of expatriate staff, impact of internal transfer pricing by foreign investors, etc. All these factors (transfer pricing especially) will result in unfavorable terms of trade and

other transactions,...insofar as even their exports of manufactured products and their imports of equipment, spares, materials, etc. will be at prices expressing the convenience of transfer within the multinational corporations...".(22)

As important as the external relationship, is the role of multinationals' participation in supporting and strengthening an already concentrated structure of production and consumption. When multinational corporations began entering Venezuela in large numbers in the wake of Betancourt's policies, the generally propounded rationale was defensive in nature; the protection of existing markets which had been disrupted by import controls.

Jack Behrman "raised" this phenomenon to the status of general law:

In every instance of Foreign Investment in Latin America in the past twenty years, save for extractive industries, the major inducement has been the inability to export from the U.S. or European countries because of import barriers.(23)

Peter Wenzl, Venezuelan manager of Pan Am in the early sixties, confirmed this rationale in the Venezuelan case.

So as to maintain their markets, North American firms found that they could diminish the effect of these moves by sending in semi-finished products, or packaging them or converting them in the country...An impressive number of North American firms came to Venezuela in 1960, principally in the fields of canning, foodstuffs, clothing, automobile tires, paint, cigarettes, glass, aluminum and automobile assembly plants.(24)

But another motive for the establishment of multinational corporation subsidiaries in the Peripheral country, not so frequently articulated, but nonetheless equally valid and important, must be considered. It occurs not only as a defensive response to the Peripheral country's import-reproducing policy, but also as positive stimulus in harmony with government policies.

Vaitsos articulates this communality of interests:

Import substitution...appears to be a strategy which is not exclusive to their governments, but which is also pursued by transnational corporations. Market cartelization and the resulting monopoly rents appear to constitute an objective from which considerable private returns would accrue.(25)

This motivation (positive or defensive) clearly betrays the kind of industrialization in which a multinational corporation would participate.

Firstly, it would not be in its interest to enter a country which, besides stimulating an internal

industrialization process, was altering significantly and fundamentally the distribution of income. "It is in the corporation's interest to develop a market among those who already have money rather than to support processes of income distribution that may create some wider market in the distant future".(26) Thus, the multinational corporation is supportive of the status quo and will resist change which may erode its market.

If high effective profitability is achieved through monopoly rents, then multinational companies would not be interested in investing in a country where the government is taking measures to diffuse monopolistic tendencies in its industrial structure, or, additionally, where the government is enforcing stringent limits on effective surplus remission to parent corporations.(27)

A multinational corporation entering a peripheral economy brings with it a package; a product which is tied to a type of technology which is tied to a managerial strategy as well as a certain type of capital and intermediate goods. Thus, resources flow as a package and returns, similarly, flow collectively.(28) Advanced technology is tied to more readily accessible technology, and to prohibitively high capital investment requirements, etc. Culturally, this package is attractive to the upper class since it embodies

an enviable way of life and a way of doing business.(29)

Multinational corporations foster a monopolistic productive structure in a number of additional ways. They are protected by tariff and non-tariff barriers from outside competition. Competition is further reduced by acquisition and/or displacement of local firms producing substitutes. Preferential access to scarce local financial resources (backed as they are by the formidable credit standing of their parent companies) reduce resources available to national competitors, especially smaller ones. Finally, concentration of production is enhanced through the patent system. Companies take out, but do not exploit patents, giving them the monopolies on importing and selling.(30)

Documentation: The First Decade

I have articulated import-reproducing industrialization as a process which possesses definite tendencies which exacerbate inequality and marginality; I have identified imported technology as a central dynamic around which competition among entrepreneurs and hence, capital accumulation, revolves. It is a process which is ultimately dominated from the Centre with the willing, if not always enthusiastic, support of domestic capitalist groups and the state.

The documentation which follows will attempt to

elucidate developments in Venezuelan Peripheral capitalism as just outlined. It will sketch the extent of (non-petroleum) foreign domination and surplus appropriation, and the interlocking of interests with domestic capital. It will illustrate concentration of ownership and production in Venezuelan industry, as well as its broad technological characteristics. It will show the small labor absorption capacity of the modern capitalist sector and its inability to diffuse income.

Foreign direct manufacturing investment grew quickly (360%) during the sixties, from 650 million Bs in 1959 to 3,000 million Bs in 1969.(31) The significance of these figures lies more in the rate of increase than actual amounts, which in relation to total manufacturing capital, were fairly modest.(32)

A more accurate clue to the extent of foreign influence may be found in the extremely high "potency" of foreign equity capital. Taking as an example, the "transportation materials" sector which is dominated by multinational automobile companies, the 1971 industrial census (Cordiplan) revealed that the ratio of sales to fixed assets was a staggering ten to one.

It is not possible to obtain sales figures for multinationals' subsidiaries as a whole. However, based on

available data from the U.S. Department of Commerce for 1966, and total manufacturing sales as reported in the 1966 industrial census, we can conclude that, U.S. multinationals, alone, accounted for roughly 25% of total sales.(33) Since the United States accounts for 70% of foreign direct investment in manufacturing, it can be roughly estimated that, in 1971, foreign majority-owned enterprises accounted for 36% of total sales in manufacturing.

An important implication here is that subsidiaries, which arrive with relatively little in the way of physical capital "depend" heavily on a flow of goods and services from the parent company. Intra-company "sales", therefore, become a vital vehicle for surplus remission.

This is not to demean the role of declared profits. The absence of restrictions on profit remittance during the sixties left foreign subsidiaries a large margin for "legitimate" surplus appropriation.

A study of foreign investment by the Asociacion Pro-Venezuela (1973) showed that profitability on manufacturing capital was 14% in Venezuela compared to 7% in the rest of Latin America and 8.5% in the rest of the world.(34) Between 1959 and 1969 the declared profits of just the U.S. multinationals surpassed 24 billion Bs.(35)

Royalties also provided an important way by which many firms effectively appropriated economic surplus. An unpublished government study Cited the example of a U.S. chemical firm whose annual royalty payments to its parent were 240% of subscribed capital.(36)

Though no comprehensive studies were available for this period on use of transfer pricing by multinational corporations, primarily because of the difficulty in acquiring the relevant information, it is generally acknowledged (and empirical studies in other Latin American countries confirm it) that "overpricing" of inputs constitutes a crucial form of effective surplus appropriation, though, admittedly, its use varies from firm to firm and sub-sector to sub-sector.(37) Again, the auto industry provides corroboration. In 1964, the imported components of a nationally "produced" car costing on the average 10,000 Bs, were 6,150 Bs. Four years later, though the domestic components increased proportionally, the imported component was still 6,270 Bs.(38)

U.S. firms have predominant influence over Venezuelan manufacturing. They accounted for approximately 70% of direct foreign investment, 50% of imports and almost 50% of all patents registered in Venezuela during the sixties. It has been estimated that one-half of all large Venezuelan

manufacturing firms (more than 100 employees) have some financial connection with U.S. multinationals.(39)

This power has widespread implications with respect to the specific character of the modern capitalist sector. The hiring practices of American multinationals provide just one example. An unpublished government study noted that "a high proportion" of Venezuelan technicians and engineers received their education in the United States.(40) A joint study by Massachusetts Institute of Technology and CENDES in the mid-sixties found that 60% of industrial executives were foreign born.(41) Clearly this reflects the criteria for determining the type of individual who "succeeds" in the corporate hierarchy, his class and ethnic background, his education, values, priorities, and allegiances. They are set "outside" the country and come primarily from the United States.

Certain indicators portrayed the Venezuelan economy as being relatively autonomous. For example, by 1968, domestic industry supplied 85% of the internal market, up from 65% in 1960.(42) Central Bank figures for the year 1961 showed that imports (3,840 million Bs) made up only 15% of global domestic demand (32,340 million Bs), the balance coming from domestic production.(43) These figures (especially the former) while reflecting some of the changes brought by

import-reproducing industrialization, are misleading in the sense that they mask Venezuela's profoundly dependent relation with the Centre.

Take, for instance, the Central Bank figures. Close examination of imports creates a completely different picture. The ratio of non-oil industry imports to the internal production of goods and basic services was 42%. (42) The value of capital goods, primary and intermediate goods imports constituted 71% of total domestic manufacturing production and 62% of total non-petroleum gross fixed investment. (43) Total goods imports surpassed total manufacturing output for that year.

The most telling testimony to the overwhelming dependence of the Venezuelan economy is that the modern capitalist sector which accounts for approximately 75% of total production is almost 100% dependent on technology transmitted (in varied forms) from the Centre. (44) Without this flow, production would soon be paralyzed.

I have argued throughout that technology imports constituted a dynamic axis of Venezuela's industrialization. The non-assimilation of this technology was noted in a government study:

The technology incorporated in the Venezuelan economy, does not go beyond the assembly and fabrication of certain parts, and rarely has involved research and development of products adapted to Venezuelan conditions by Venezuelan technicians.(47)

The absolute weakness of the domestic technological infrastructure is documented in an estimate by CONICIT, a government agency responsible for science and technology, that a mere 0.29% of GDP was allocated to scientific and technological research and even more dramatic, only 4% of this amount was carried out by the private sector.(48)

.....

Links among foreign and domestic capitalists play an important role in maintaining monopolistic markets and patterns of ownership. Privileged access to technology and financial packages are essential components of Peripheral capitalist industrialization.(49) Equity connections are an important mechanism restricting access.

Twelve dominant economic groups own approximately 65% of subscribed capital in the manufacturing sector.(50) Foreign manufacturing owns another 15% of equity capital.(51) Ties extend into financial and commercial sectors. The maze of connections is extremely difficult to unravel given its secrecy and public inaccessibility of information. Nevertheless, Rangel researching during the

late sixties has made an important first attempt.(52) A sampling of the more significant links uncovered by Rangel follows.

The largest domestic group, Vollmer-Zuloaga was connected through equity participation in its bank interests (Banco Mercantil y Agricola) with Chase Manhattan. Its holding company, Talleres Puerto Cabello was 65% owned by Equity Investments. Dresser International had a 21% interest in its cement company, CBS had 50% ownership in its television station and Chrysler had 40% ownership in its auto financing operation.

Mendoza had foreign participation in its Venepal paper company from Weyerhaeuser (15%) and in its Shellemar paper company from International Securities (50%). It had concessions from Cooper (England) and Nissan Motors (Japan) to assemble automobiles. One of its food companies, Compagnia Venezolana de Alimentos was controlled by Gerber with a 75% interest. The Phelps group was connected with Proctor and Gamble (25%) in two of its companies making edible oils. The Blohm group has close ties with Aluminum Co. of America (ALCOA) in three of its companies the equity participation ranging from 22% to 48%. Sosa-Rodriguez was closely linked in its petrochemical ventures with Phillips, Dupont and Shell. Boulton had intricate ties with Pan

American Airlines jointly owning Avensa and jointly owning 14% of the state airline VIASA.

Industrial Census material provides strong empirical corroboration of the concentration tendencies of import-reproducing industrialization. It also reveals the low manpower requirements of the modern manufacturing sector.

The number of manufacturing establishments declined dramatically from 16,452 in 1952 to 7,531 in 1961.(53) Thereafter, the overall drop was not so acute and there has been modest fluctuation in numbers. Nevertheless, there were 7,350 establishments in 1974 and net decline of 181.(54) During the period 1961-74 Big Industry (defined as firms with more than 100 employees) grew with astonishing speed, from 196 to 557 firms. This was paralleled by the expansion of the first category medium establishments (employing 50 to 100 individuals) from 170 to 530 members. On the other hand, firms with less than 50 employees have decreased in number from 7,165 in 1961 to 6,263 in 1974. In other words, while 761 new big and medium enterprises were created, small (less than 50) enterprises saw a net reduction in their numbers of almost 900.

The average number of workers per enterprise also increased greatly: from 9 in 1952, to 27 in 1966, to 38 in

1971.

The concentration tendencies in Venezuelan manufacturing were even more clearly discernable in production and investment figures. Big industry's share of the manufacturing gross value of production, already concentrated in 1961 at 62%, rose to 77% in 1974. Its share of value added expanded from 59% to 73% during this period.(55) Finally, its share of subscribed capital leapt from 54% to 77% in 1974.

A more elaborate breakdown of the concentration of production is available in Table 4:1 derived from the 1971 Industrial (Cordiplan) census.

Table 4:1

Concentration - By Sector: 1971

Sector	Number of Estab.	Number of Big Firms	% of all Estab.	% of total Production
Food	1462	83	6%	69%
Tobacco	27	3	11%	96%
Textiles	136	45	33%	84%
Clothing	414	33	8%	50%
Shoes	377	5	1%	15%
Furniture	512	11	2%	20%
Paper & cellulose	116	21	18%	77%
Chemical products	229	37	16%	67%
Rubber products	86	10	9%	80%
Glass products	40	4	10%	74%
Iron & Steel	66	11	17%	93%
Mech & Elec equip.	128	19	15%	64%
Trans. materials	149	26	17%	88%

Employment in big industry in 1961 (58,427) constituted 37% of the total workforce in the capitalist manufacturing sector and accounted for 60% of the gross value of production. Thus, a mere 3% of the overall workforce was responsible for the majority of modern manufacturing output. This picture had become even more lopsided by 1974. Employment in big industry had jumped 182% to 165,118. It now represented 55% of total capitalist manufacturing employment, but only 5% of the total workforce.(56) Big industry's share of gross value of production, however, had increased 467% and now accounted for nearly 80% of modern manufacturing output. Though productivity per employee doubled during this period, from 41,000 to 82,000 Bs in 1974, average wages rose only 42% and salaries rose 54%.(57)

Clearly the most dynamic factor in these years of import-reproducing industrialization was labor productivity not overall employment growth.(58) Obviously, the small numbers involved in the dominant mode of production represented neither significant labor absorption, nor significant diffusion of the "fruits" of technology imports nor a widening of the high income market.

The artisan sector, by contrast, continued to weaken under domination by its capitalist counterpart. Vast gaps in production and productivity point to huge income

disparities and progressive marginalization of the artisan population.

Artisan production, which employed roughly one-half the industrial labor force, accounted for only 10% of total industrial output in 1961.(59) Value-added per employed person in the artisan sector was 1,968 Bs in 1961.(60) In capitalist manufacturing, the figure was 17,897 Bs.(59) Fourteen years later (1975) artisan activities employed roughly the same number of individuals as did large firms in the capitalist sector.(62) However, their total contribution to total manufacturing GDP was a miniscule 2.6%.(63)

Within the capitalist sector itself, large technological gaps existed. Their extent can be measured in the following table which was derived from the 1966 Industrial Census.(64)

Technological Sector	Capital/Labor Ratio	Output/Labor Ratio
I	2.16	1.77
II	0.73	0.70
III	<u>0.32</u>	<u>0.61</u>
Average	1.00	1.00

Tockman's assertion that size of enterprise correlated positively with the capital-intensity of technology used(65) implies that sector I coincides roughly with the census

category of big firms (more than 100 employees), and provides a convincing rationale for their extremely high degree of market control. The technology-productivity gap is extremely marked between the first and other two levels. Thus, supplied with sophisticated technology from the Centre, (which was not available to smaller "competitors") large import-reproducing enterprises established their unequivocal predominance over Venezuelan manufacturing.

The "inefficiency" of this technology is manifested in the degree of idle capacity of big industry. The first industrial census (1961) reported 50% of productive means unused. The Colegio de Economistas noted that in certain industries: "Such as furniture, metallurgy, some chemicals, and modern levels of construction (are) operating at 40%, 30% and 25% of capacity. (66) The 1966 Census continued to show significant underutilization of productive facilities (40% idle capacity). In product lines involving the most sophisticated technology levels, this trait was particularly evident. Television assembly had a production capacity in 1966 of 190,000 units; a mere 47,573 were actually produced. (67) Radio output was only 50,000 in an industry with an annual capacity of 100,000 units. Refrigerator production with a capacity of 120,000 units only turned out 80,000. (68) Obviously, monopoly gains conferred by

restricted access to technology in conjunction with the "richness" of the high income market more than outweighed losses.

Petroleum Surplus Revisited

Without diminishing the importance of import-reproducing industrialization, per se, in contributing to the processes we have been investigating, industrial accumulation, it must be restated, is only part of (and ultimately a dependent part of) a petroleum-inspired process which has shaped Venezuelan reality. As such, this study does not attempt to isolate the precise contribution of each to generating or regenerating concentration, inequality and marginality. Rather, it stresses their joint contribution.

The primacy of the petroleum surplus role cannot, I must stress again, be looked at as a kind of structural deus ex machina, objectively imposing its inexorable will on a victimized nation. Rather, it must be seen as a tool, an incredibly potent tool, at the disposal of a small group which has used it, first and foremost, to further its own interests. The consequences have been profound. Some were foreseen and some were not foreseen, but they have to be viewed as "side effects" of an enormous corruption of power. Corruption, because this valuable asset which was clearly stated to be the property of all Venezuelans and therefore

to be used in furtherance of the common good, was abused and subverted by a small minority. The common good was replaced by considerations of greed and personal aggrandizement and by the structural tendencies of capitalist development. Even the democratic movement after 1959 became more preoccupied by its own survival, once in power, than holding to its principles, and instituting major change in the status quo, in the face of possible overthrow.

In refocussing our attention directly on the petroleum surplus, it will be useful to examine, once again, the flow of petroleum income. The year chosen for this cross-sectional view was 1961, primarily since it complements data which will be presented on distribution of income and consumption. (69)

In 1961, petroleum exports were 6,831 million Bs or 93% of income obtained by the petroleum industry. The share of the oil "economic surplus" that remained in the country was 4,404 million Bs (64% of petroleum exports). Most of the retained oil revenue (73%) went to the government. The rest went to oil company employees (23%) and to local suppliers to the companies of goods and services (4%).

Gross profits of the oil companies, that is, net declared profits plus depreciation and amortization allowance (which constitute an important channel of

effective profit appropriation) were 2,406 million Bs, or 35% of oil exports. Only 516 million Bs of investment took place, thus leaving 79% of gross profits (1,890 million Bs) to be remitted to parent companies in the Centre.

The government income directly obtainable from the petroleum industry was 3,236 million Bs, almost one-half of total government revenue. Indirectly most of remaining government income was linked to petroleum. For example, indirect taxes (e.g. customs duties) collected from oil companies imports of equipment amounted to 833 million Bs. A large portion of "other taxes" whether corporate, luxury consumption, etc. would be much reduced in absence of the petroleum-generated foreign exchange.

In 1961, government spending was about 7,000 million Bs, 55% in current expenditures and 45% in capital expenditures. The government employment payroll was 37% of total spending, and purchases of material supplies and military equipment accounted for another 6%. Together, these two items made up 90% of current expenditures. Capital expenditures totalling 3,327 million Bs were fairly equally divided among the purchases of capital goods, financial transfers to state enterprises and amortization payments on public debt. (70)

The government was the major investor contributing

directly 1,290 million Bs to fixed capital formation or 37% of total GFI for 1961. The extent of government investment can be seen in the following figures. "Construction and improvements" comprised 64% of non-oil gross fixed investment. Of the total value of construction investment undertaken in 1961, the government's share was 83%. Almost all of the private initiated construction was in urban residential building.

Further evidence of the primary role of the state in capital accumulation comes from Hector Silva Michelena who calculated that for the Venezuelan capitalist to invest one Bs in productive accumulation, the state must spend 2 Bs in infrastructure works, communications, exonerations for primary material imports, direct subsidies and insolvent loans.(71)

As a consumer, the government accounted directly for 18% of consumption. As an employer, it provided 23% of the national income accruing to labor.

Income Distribution

The process of income accumulation and distribution was tabulated for the economy as a whole at 20,000 million Bs in 1961. Statistical evidence will now be presented to demonstrate the inequality of income distribution.

The inequality is manifested, in the first instance, in

the nature of consumption expenditures. While the average of private consumption of food, drink, and tobacco from 1950 to 1964 fluctuated around 38-39% of total consumption(72), a 1963 Central Bank study of consumption according to level of family income, found some striking discrepancies.(73) Those families with a monthly income of less than 500 Bs, and this means almost half of the population (44%), devoted 68% of the family budget to food, drink and tobacco. But families with monthly incomes greater than 1,500 Bs (14%) spent less than one-third of their income on food, drink and tobacco. Under the category "other expenses" the less-than-500 Bs group spent 15% of their budget, whereas, the greater than 1,500 Bs group spent more than 35%.(74)

In the early sixties, an IRFED-Cordiplan mission undertook a systematic study of personal income distribution (Table 4:2). Its findings were unequivocal. The bottom 73% of the population had access to only 38% of personal income while the top 24% possessed 62% of the available income from employment.(75) Though there was a marked inequality visible between each income level category, what stands out, from the point of view of the thesis elaborated in this paper, was the gap between the top 20-25%, more or less, part of the modern capitalist sector, and the remaining 75-80% who were marginal to it, both as consumers and to varying degrees as producers.(76)

Table 4:2

National Distribution of Family Income - 1962

Monthly Income (Bs)	No. of Families 000's	% of all Families	Av. mo. Income/ per Fam- ily (a)	Total mo. Income by category Mill Bs	% of all Income
<500	617	44%	274	169	14%
500-1000	409	29%	718	293	24%
1000-1500	174	12%	1214	212	17%
1500-3000	141	10%	2149	304	25%
3000+*	52	3.7%	5132	244	20%

(a) excluding income from profits, rent and interest

Source: Chi-ue-Chen et al Pour un developpment equilibre et harmonise du Venezuela, rapport de la mission IRFED aupres des office de Coordination et Planification (Cordiplan), mimeo, Caracas, 1965. L. Urdaneta, Distribucion del Ingreso - Analisis del caso Venezolano, BCV, (1977) p. 275.

Table 4:3

Rural Areas: Distribution of Family Income

Income Level Mo. (Bs)	No. of all Families	% of all Families	Av. Bs	Income Total Mill Bs	%
<500	383,562	67%	265	101.8	39%
500-999	104,739	18%	731	76.6	30%
1000-1499	30,036	5.3%	1117	33.6	13%
1500-3000	12,567	2.2%	2164	27.2	10%
3000+	<u>4,187</u>	<u>1%</u>	<u>4227</u>	<u>17.7</u>	<u>7%</u>
TOTAL	569,088	100%	448	259.4	100%

Source: Informe IFRED - Cordiplan, mimeo, Caracas, 1965
 cited in L. Urdaneta, Distribución del Ingreso - Análisis
 del Caso Venezolano.

7

Text complete; leaf 17 omitted in numbering

Table 4:4

Large Urban Areas: Distribution of Family Income 1962

Income Level Mo. Bs	No. of Families	% of all Families	Income		%
			Av. Bs	Total Mill Bs	
<500	186,000	27%	267	45.7	6%
500-999	245,000	36%	764	187.2	24%
1000-1499	116,788	17%	1248	145.7	19%
1500-2999	96,631	14%	2218	214	28%
3000+	<u>37,328</u>	<u>5%</u>	<u>4822</u>	<u>180</u>	<u>23%</u>
TOTAL	682,000	100%	1229	773	100%

Source: Informe IRPED - Cordiplan, mimeo, Caracas, 1965,
cited Urdaneta, Distribución del Ingreso - Análisis del Caso
Venezolano.

Table 4:5

Monthly Remuneration of Government Workers

Monthly Income Bs	President's Office etc. (a)	Minister's	Autonomous Inst. & Corps.	Total	% Employees of Total
<500	1162	19,671	7,285	28,118	23%
500-999	2499	45,637	14,044	62,180	51%
1000-1999	1079	15,923	6,659	23,661	19%
2000-2999	195	3,026	1,449	4,670	4%
3000-3999	146	1,137	809	2,092	2%
4000-4999	125	246	300	671	.5%
5000+	<u>99</u>	<u>266</u>	<u>136</u>	<u>501</u>	<u>.4%</u>

(a) includes Congress, judiciary, etc.

Source: Comisión de Admin. Pública, pp. 1, 8, 9. Caracas, 1960. Cited in W. Harris, The Impact of the Petroleum Export Industry on the Pattern of Venezuela Econ. Development, (1971), Table 37, p. 145.

Table 4:6

Changes in Income Distribution: 1962-1971

% of Households		% of Income	% of Income Earners	% of Income
Bottom 80%		41%	Bottom 80%	34.6%
Top 20%		59%	Top 20%	65.4%
Bottom 70%		29.2%	Bottom 70%	25%
Top 30%		71.8%	Top 30%	75%

Source: For 1962 - IRFED - Cordiplan study, see sources for Table 4:2. For 1971 see ECLA: "Tabulado de Trabajo - Venezuela, Proyecto sobre Medicion y Analisis de la distribucion del Ingreso en Países de America Latina", cited in S. Jain, Size Distribution of Income, IBRD, 1975, Table 79.

Income imbalances were mirrored in production and productivity distortions. Agriculture, which still employed a large portion of the economically active population in 1961 (35%), contributed a mere 7% to GDP.(77) The traditional (artisan) industrial sector which employed the same numbers as the modern capitalist sector - 7% of the total workforce - accounted for a tiny 1% of GDP.(78)

Aggregating productive distortions within the Venezuelan economy, the modern capitalist sector, with 20-25% of the workforce, produced approximately 75% of GDP.(79) At the other end, 42% of the workforce produced 8% of GDP.(80) This left 33-37% of the workforce (engaged in service activities), which was to a greater or lesser extent, marginal to the modern capitalist sector contributing 17% to GDP.

The IRFED-Cordiplan study also revealed striking income discrepancies between rural and urban areas. In the campos, there was an equality of poverty; over 90% of the workforce fell outside the capitalist sector (less than 1,000 Bs). Even the small and medium sized farmers, although relatively more prosperous (500-999 Bs) did not have enough purchasing power to be considered "legitimate" consumers in the capitalist sector, (although they fulfilled an important role in satisfying urban food needs).

In large cities, income was more stratified. Only 27% of families earned less than 500 Bs monthly. On the other hand, 36% of urban families (double the rural figure) earned between 500 and 999 Bs monthly. As expected, a much larger share (36%) were part of the capitalist sector, by virtue of buying power, compared with the rural areas (10%).

Rural-urban imbalances were also crudely reflected in the national income accounts for 1961.(81) National income per employed person in non-agricultural activities was seven times greater than in agricultural activities. Labor income per employed person, though slightly less distorted, was still five and a half times higher in non-agricultural activities.

The ECLA study of income distribution based on the same IRFED data cited earlier, noted that, while minimum incomes in Venezuela were higher than in most Latin American countries, the bottom 50% of the population received only 14.3% of total personal income, a portion smaller than any other country.(82) ECLA's interpretation of this phenomenon supports the major theses of this investigation:

The rapid economic growth of recent years has been largely centred on the expansion of the modern sector, and has benefitted largely those incorporated into that sector. As per capita incomes have risen, those at the bottom of the scale have been left progressively further behind in relative terms...(83)

A study of income distribution conducted in 1971, while not completely comparable to the earlier study since it applies to income earners as opposed to household income, shows a conspicuous deterioration of the distribution (Table 4:6). The bottom 80% of the population's share of national income, during the period 1962-71, dropped from 41% to 34.6%, while that of the top 20% rose from 59% to 65.4%.

These findings were supported by an IBRD study which showed that between 1962 and 1970 that the income of the top 20% of the population (i.e. as a share of constant GNP) grew 7.9%, while that of the middle 40% grew only 4.1% and the income of the bottom 40% increased a mere 3.7% during this period.(84)

Analysis of the wage and salary structure in capitalist manufacturing corroborate the overall developments in income distribution.(85) The average wage increased 18% from 1961 to 1971, while salaries increased 41% during this period. Average salaries, which were already 220% greater than wages in 1961, widened to 260% a decade later.(86)

Ironically, in the "big industry" category which made huge strides in production in absolute terms, and, relative to the rest of the capitalist sector during this decade, allowed lower average wage increases (10%) and salary increases (22%) than the overall capitalist sector.(87) The

Table 4:7 Capitalist Manufacturing Sector - Monthly Income

Sector	Big Industry		Total Capitalist Mfg.	
	Aver. Wage	Aver Salary	Aver. Wage	Aver. Salary
Food	638	1489	560	1281
Drinks	752	1832	683	1620
Tobacco	761	1577	683	1509
Textiles	696	2008	680	1986
Clothing	551	2175	513	1682
Leather & hides	1078	1418	679	1365
Shoes	705	1752	512	1058
Wood & cork	558	1730	548	1097
Furniture	623	1863	643	1160
Paper & cellulose	726	2739	684	1846
Graphic Arts	1098	1743	876	1354
Indus. chemicals other chemicals	619	1906	623	1838
Petrol refining	1333	3523	1290	3457
Rubber products	883	2462	780	2120
Plastics	611	1846	605	1778
Porcelain, clay, pottery, glass non-metallic mineral	798	1991	695	1647
Basic iron & steel and basic nonferrous metals	692	2149	694	2085
Metal products	713	2788	648	1454
Const. machines	619	1586	705	1472
Machin. & Elec. equipment	724	1728	669	1698
Transport material	814	2254	756	2070
Scientific equip. etc. Misc.	720	1680	619	1477

Source: Cordiplan: III Encuesta Industrial

wage-salary gap was already wider in 1961 (250%). It increased to 270% at the end of the decade. The evolution of earnings during the period 1961-71 reduced, then, the average wage and salary discrepancies between the big industry and the manufacturing sector as a whole; average wage differentials from 18% to 10% and salary differentials from 34% to 16%.

Although I do not possess the information concerning the evolution of wage and price structure among state employees during this period, data gathered by the IRFED-Cordiplan study (Table 4:5) revealed that in the early sixties it contained a high degree of inequality, comparable to that of the overall "large urban sector" (Table 4:4). While 5% of all income earners in the latter earned more than 3,000 Bs per month (1962), 4% of government bureaucrats were also in this category (1960). At the other end, while 63% of all income earners in large urban centres received less than 1,000 Bs monthly, 74% of government workers received less than 1,000 Bs a month. (88)

.....

The foregoing statistical presentation has demonstrated that Venezuela has been beleaguered with severe distortions of income, production and employment. This situation, I have argued throughout, is the consequence of the model of

development adopted by the Venezuelan bourgeoisie. The extraordinary dynamism of this model has been achieved through the enormous flow of petroleum wealth. That the distortions appear more grotesque than in other Peripheral capitalist countries has been due to the "vitality" of petroleum-led development.

Thus, creation of highly concentrated purchasing power has not been unconscious; moreover, it has been a necessary corollary of Peripheral capitalist accumulation. It could not have proceeded without the creation and regeneration of this narrow but very rich market. Concentration is a universal tendency of capitalist development.

Stratification or segmentation of incomes exists (to a greater or lesser extent) in all Centre countries as well as those of the Periphery. In the Venezuelan Periphery, the distribution of income of the top 20-30% of the population parallels the overall distribution pattern in most Centre nations.

The important distinguishing feature of Venezuelan Peripheral capitalism (and I would hypothesize for most Latin American countries) is that only a minority participate in this stratified modern capitalist "high income" market. The majority of the population (70-80%) are excluded from all but very marginal participation.

Contrarily, the stratified capitalist market in Centre nations embraces the majority of the population.

Deliberate measures to achieve a rapid and fundamental redistribution of income would diffuse this market and would consequently break down the structure of Peripheral capitalism as it presently exists in Venezuela.

Selected Markets: Automobiles and Housing

I will conclude this chapter by sketching , briefly, the main features of Peripheral capitalist development in Venezuela as manifested in specific markets: automobiles and housing.

The automobile market is not only a key market in itself, but is a key component of indexes which measure overall market size as well as market intensity or richness.(89) The phenomenal post-war growth of the automobile market is reflected in private car registrations which soared from 34,000 in 1948 to 300,000 in 1960 to 769,000 in 1972.(90)

D.A. Rangel estimated that in 1967 consumption and investment expenditures associated with the auto industry totalled 2.2 billion Bs, exceeding 10% of national income.(91) In the same year, auto sales constituted 29% of total commercial activity in Caracas.(92)

As might be expected, the industry possesses the

characteristics which we would associate with Peripheral capitalism. Firstly, it has been completely dominated by a few auto manufacturers from the Centre. Government measures in the early sixties led to the creation of a domestic assembly industry, fully protected by tariffs from competition of imports. Wholly owned subsidiaries of three U.S. giants - GM, Ford and Chrysler - controlled approximately 85% of the market. Some multinational auto manufacturers, notably FIAT and Nissan have licensed local capitalists to assemble their vehicles, but the foreign owned subsidiary is the main institution through which vehicles are assembled.

Government regulations prohibited foreign owned assembly firms from setting up their own parts and components factories. This created a domestically owned auto parts industry, which, nevertheless, produced exclusively under license from firms in the Centre. Thus, either by license or by equity arrangements, the Venezuelan auto industry is dominated from the Centre.

Secondly, despite strong government pressure (and moderate success) to increase the "domestic component" of the motor vehicle industry, transforming it into a more legitimately manufacturing operation, only 40% of the value of private cars produced in Venezuela in 1975 was generated

domestically.(91) This reflects a high degree of surplus remission to the Centre when it is remembered that transfer pricing constitutes a major form of effective profitability for multinational corporations.

Thirdly, while the auto market in Venezuela is monopolistic and highly diversified, as it is in the Centre (in 1971, 140 models were produced), unlike the Centre market which embraces (though in a highly stratified manner) the large majority of the population, the Venezuelan market excludes the bottom 75% of income earners who do not fall (in terms of their buying power) within the so-called modern sector. This acute segmentation can be crudely approximated in the following comparison. Auto registrations (1972) covered roughly 25% of employed income earners.(92) In the United States (1972) there were about one and a half car registrations per employed worker.(93) Considering that both markets are highly stratified, that income earners at the top buy two, three, or more cars while those at the bottom, if they can afford a car at all, could only buy a used model, it is clear, notwithstanding, that the Venezuelan market is very narrow. It is so despite elaborate government measures to widen the market by making auto purchases more accessible to the 15% of income earners directly below the top 5% of the distribution. We know that

credit conditions have been made more favorable than in most Centre countries, and that 98% of purchases are on "time".(96)

Furthermore, the government has, since 1969, regulated prices on 60% of private auto production in order to increase the purchasing power of the so-called middle and lower members of the modern sector.

Finally, with the market for automobiles very narrow and diversified and "productive means" imported from the Centre more or less intact, a high degree of 'idle capacity exists. If total annual "productive" capacity of the auto industry is around 500,000 vehicles,(97) then even in the boom years following the OPEC price hike (1975), productivity has not exceeded 30% of capacity.(98)

The urban housing market also provides specific evidence of the severe income distortions that five decades of Peripheral capitalist development have imposed on Venezuela. The market as it exists currently can be divided roughly into three sectors: the private capitalist sector which involves no more than 20% of income earners; the government-sponsored sector covers to a greater or lesser extent the next 27%; and the totally marginal sector which applies to 53% of the urban population.(99)

The first two sectors are supplied by the private

capitalist construction industry. This industry is domestically owned; ownership is highly concentrated and techniques are capital intensive. Most of the materials (e.g. cement and paint) are produced domestically, though many are produced under license from foreign firms. Construction equipment is imported as well as some materials.(100)

Publicly sponsored housing construction has always been an important means of distributing revenues to the private capitalist sector. In 1971, for example, 539 million Bs, or 17% of public GFI was allocated to residential housing construction.(101) Privately funded residential construction, however, is substantially more important proportionally and in absolute terms. In 1971, 2,434 million Bs was invested; this amounted to 24% of total private GFI.(102) Government has indirectly aided private housing construction in numerous ways: through low interest credit, tax exemption, guaranteed purchase of unsold units, no limits on land values or luxury construction.

Members of the second category would not have access to capitalist sector housing were it not for heavy government subsidization. From 1969 to 1973, 100,000 private residences were constructed at an average sale price of 130,000 Bs; during the same period 177,329 publicly

sponsored units at an average sale price of 19,000 Bs were constructed.(103)

The bottom 53% of the population, by virtue of their low income are excluded from even public housing programs. They inhabit ranchos which conspicuously ring the perimeter of all urban centres. Construction is by the occupants; it is hurried and precarious. Land is obtained "illegally" by squatting. The materials are scraps scavenged from construction sites, dockyards, etc. They lack, for the most part, basic utilities, light, water, sewerage, medical and educational facilities. They are physically, economically and culturally isolated from the rest of the city. The number of rancho dwellers is hard to estimate, and proportionally, varies from city to city. Official estimates range from 30 to 60 percent of the total urban population.(104) The remainder of the so-called marginal housing sector occupies dwellings, not quite so visible as ranchos, in decaying quarters of the city proper, under conditions which, nevertheless do not differ much from those of the ranchos.

Footnotes

1. This hypotheses runs contrary to the main body of informed opinion which sees industrialization as it is taking place in Latin American Periphery as the bridge to a "developed and egalitarian society".

The post-war government (1945-1948) could be excused its naivete in believing that adoption of the Western industrial model would bring a more egalitarian society. A decade and half of development later would make continued adherence to this belief more difficult to justify.

2. Cited in S. Aranda, "La Economía Venezolana" unpublished draft, mimeo. CENDES, 1976, p. 235.
3. It must be acknowledged that plans in this direction were aborted with the military coup (1948) which took a decidedly more "laissez faire" view of industrialization and international trade.
4. It is possible that the potential gains from operating in a "captive market" had not been fully realized or explored by the corporations.
5. C.E. Rollins, "The Economic Development of Venezuela", in Econ. Development and Cultural Change, vol. 4, 1955-56, p. 89.

6. A.P. Jankus and N.M. Malloy, Venezuela: Land of Opportunity, 1956, pp. 79-80.
7. IBRD, The Economic Development of Venezuela, 1961, p. 99.
8. Ibid.
9. Ibid. These changes correlate with the increasing foreign direct investment in manufacturing. During the 1950-59 period the book value of foreign direct investment tripled, from 176 million Bs to 576 million Bs (BCV, "La Economía Venezolana en La Última 30 Años", 1970).
10. There were exceptions, notably tire production, which accounted for 80% of total demand.
11. The definition of state bourgeoisie employed here is that used by Cardoso, see footnote 4, Chapter 1. An interesting dialogue concerned with conceptualizing the nature of the state, is the so-called Miliband - Poulantzas Debate. For an interesting analysis of this debate, see E. Laclau, The Specificity of the Miliband Poulantzas Debate, New Left Review, 1975, pp. 87- 110.
12. They did not, it must be noted, represent the majority of the domestic private sector which was often hostile to government policies.
13. R.J. Alexander, The Venezuelan Democratic Revolution,

1964, p. 195.

14. Op. cit, IBRD, 1961, p. 90.
15. ECLA, Econ. Bulletin for Latin America, vol. 9, no. 1, "Protection and Industrialization in Latin America", p. 46.
16. O. Araujo, Situación Industrial en Venezuela, 1970, p. 32. The author noted, however, that not all of this necessarily represented import-substitution, but in many cases, simply a reduction in demand.
17. It is interesting to note the magnitude of this structural distortion compared with other Latin American countries. An ECLA study in the early sixties found the relative price index in Venezuela was 144% above that of the base country, Uruguay. The other countries fluctuated no more than 10% from the base. (ECLA Bulletin, vol. 8, No. 2, October 1963, "A Measurement of Price Levels and Purchasing Power of Currencies in Latin America", 1960, p. 62.
18. D.E. Blank, Politics in Venezuela, 1973, p. 41.
19. D.A. Rangel, Capital y Desarrollo, Tomo II, 1970, p. 325.
20. Colégio de Economistas, Diagnóstico de la Economía Venezolana 1964, p. 44.
21. S. Hymer "The Law of Uneven Development", in J.

Bhagwati ed. 1971, p. 56.

22. H.W. Singer "The Distribution of Gains from Trade and Investment Revisited" in Jr. of Development Studies, July, 1975, p. 381.
23. J. Behrman, "Industrial Integration and the MNE", Annals of the American Academy, Sept. 1972, p. 52.
24. Cited in Alexander Op. cit, p. 199.
25. C. Vaitsos, Inter-Country Income Distribution and Transnational Enterprises, 1974, p. 57-58.
26. R.J. Barnett & R. Muller - Global Reach, 1974, p. 172.
27. Vaitsos provides important empirical corroboration of this phenomenon in his study of the foreign-dominated pharmaceutical industry in Colombia. Reported profits constituted only 3.4% of effective returns, whereas overpricing of inputs from the parent company facilitated by the monopolistic structure of the industry, made up 83% of effective profits. (op cit. Vaitsos, p. 62)

A study of 100 contracts in the Venezuelan pharmaceutical industry in the early seventies revealed 141 restrictive clauses. The most common were: 1) buying imports from a determined source; 2) fixing prices of products to be sold; 3) prohibitions on exports; 4) agreement that the user pays taxes; 5)

obligation on user to yield innovations to the parent.
(Min. de Fomento, Memória, 1975, p. 118)

28. The actual extent to which the package remains intact depends on the bargaining power of the respective parties.
29. The "missionary" role of multinationals is acknowledged and evidenced in this excerpt from the EXXON annual report of 1962: The public statements made by our managements, our written communications and our advertising, seek to emphasize the benefits of free competitive enterprise and private international investments. (Cited in A. Sampson, The Seven Sisters, 1975, p. 191)
30. During the period 1965-69, 96% of patents registered in Venezuela were by foreigners, almost all by corporations. A Ministro de Fomento study (1970) which made this finding (p.20) concluded that "patents obtained by foreigners in our country have only as object, protection vs possible competitors, Rarely do they exploit the patent or permit its exploitation by others". (p. 22)
31. BCV, 30 Anos 1970 Op. cit; BCV Informe Económico 1970.
32. 1966 = 14.8%; 1971 = 13.7% (Cordiplán, Encuesta Industrial II & III). It should be noted that in

certain manufacturing sectors foreign ownership is very high. For example: 77% of the capital in the 6 largest food processing firms was U.S. owned in 1971 (Cited in R. Quintero, La Antropología del Petróleo, 1972, p. 22).

33. U.S. multinationals' sales for 1966 were 3,862 million Bs. (Cited in Assoc. Pro. Venezuela, Inversiones Extranjeras en Venezuela).
34. Ibid. p. 6
35. Unpublished study "Transferencia Tecnológica", undertaken jointly by the Ministerio de Fomento, Cordiplan and Corporación Venezolana de Fomento, 1970, p. 14.
36. Ibid. p. 2.
37. See, for example, the work of C. Vaitos, Inter-Country Income Distribution, 1974; and "Patents Revisited, 1972.
38. J. A. Mayobre. Las Inversiones Extranjeras en Venezuela, 1970, p. 24.
39. Op. cit, Blank, p. 233.
40. Op. cit, Min. de Fomento et al., p. 11.
41. MIT-CENDES.
42. Hector Silva Michelena "Proceso y Crisis de la Economía Nacional 1960-73", in Nueva Ciencia, Vol. -- No. 1,

1976, p. 123.

43. BCV, Informe Económico 1969. The proportion did not change significantly throughout the Sixties.
- 2 44. Ibid. Goods and basic services include the following categories: manufacturing, construction, agriculture, electricity, gas, water, transport and communications.
45. Ibid.
46. The important forms of "technology transfer" have already been observed. The institutional vehicles are: wholly-owned subsidiaries of multinationals; joint ownership (majority or minority MNC participation) with national private groups; similar arrangements with state enterprises; foreign suppliers to nationally owned firms of components crucial to their survival and growth, i.e. machinery, primary and intermediary inputs, patents, concession rights, etc.
47. Op. cit, Min. de Fomento et al p. 9.
48. S. Maggi, "Algunos Indicadores Socio-economicos en Relacion con el Proceso de Industrializacion en Venezuela", unpublished, study, ILDIS, 1976, p. 15.
49. A number of investigations have explored these connections. They include: D.A. Rangel "La Oligarquía del Dinero", 1972; Américo Martín, Los Peces Gordos, 1975; Pedro Duno, Los Doce Apóstoles, 1975.

50. Op. cit, Rangel, 1972, p. 386.
51. Cordiplan, Encuesta Industrial III, 1971.
52. Op. cit, Rangel, 1972.
53. Min. de Fomento, Censo Industrial 1956, Cordiplan, Encuesta Industrial I, 1961. The Ministerio de Fomento conducted industrial censuses until 1960. Thereafter the newly formed state planning agency, Cordiplan, assumed this responsibility.
54. Cordiplan, Encuesta Industrial IV, 1974.
55. The lower share of value added would suggest that big industry had a higher component of imported production than the rest of the manufacturing sector.
56. Total work force statistics are from Direccion General de Estadisticas (DGE). The manufacturing output and employment figures are from various Cordiplan Encuesta Industriales.
57. Ibid.
58. The difference between wage and salary increases and productivity increases represented a capitalist surplus accruing mainly to a small number of national and foreign groups.
59. BCV, Informe Econ., 1969; DGE, op. cit.
60. Ibid. BCV.
61. Op. cit, Cordiplan, Encuestas Industriales.

62. Cordiplán V, Plan de la Nación, 1976, p. 39
Cordiplán, IV Encuesta Industrial 1974.
Artisan employment = 170,000 (1975)
Capitalist employment = 165,000 (1974)
63. Ibid.
64. V. Tockman, "Distribución del Ingreso, Tecnología y Empléo en el Sector Industrial de Venezuela", in A. Foxley ed. Distribución del Ingreso, 1974, p. 480.
65. Ibid. p. 432.
66. Op. cit, Colégio de Economistas, p. 43.
67. U.S. Marketing Information Service, 1966, p.
68. Ibid.
69. The source of data here unless otherwise indicted is, BCV Informe Económico 1969.
70. It should be noted that the government directly imported 63% of its capital goods purchases.
71. Op. cit, H. Silva Michelena, 1976, p. 123.
State investment, it has already been pointed out, has not been very conducive to diffusing income. It is concentrated in construction projects; investments which are themselves final goods and not therefore conducive to creating a chain of employment opportunities. Furthermore, like the capitalist private sector almost all of its capital goods

- purchases have, directly or indirectly, been imported.
72. Op. cit, BCV, La Economía Venezolana en la Última 30 Años.
 73. BCV, Informe Económico, 1963.
 74. These may be loosely interpreted as luxuries with the important qualification that the bundle of "luxuries" accessible to each group was quite different.
 75. This analysis did not include income from investment, which, if included, would have rendered the distributed more skewed.
 76. ECLA's study Income Distribution in Latin America, 1971, states that the Venezuelan capitalist sector in 1960 occupied roughly 20% of the work force and accounted for roughly 75% of GDP, p. 55.
 77. Op. cit. BCV, 1969, DGE.
 78. Ibid.
 79. Op. cit, ECLA, p. 55.
 80. Ibid.
 81. Op. cit, BCV, 1969.
 82. Op. cit, ECLA, p. 63.
 83. Ibid. p. 66.
 84. M.S. Ahuwallia & H. Chenery, in Chenery et al, Redistribution with Growth, 1974, p. 42.
 85. Cordiplán, Encuestas Industriales, 1961, 1971. During

the period 1961-71 wage increases averaged 1.7% per year, salary increases averaged 3.5% (IBRD Employment Mission to Venezuela, unpublished 1975, p. 57). Inflation during this period averaged 1.4% per year (BCV composite price index Cited Tugwell Op. cit. (1975) Appendix Table E, p. 184)

86. In many manufacturing subsectors (Table 4:7) the average wage and salary gap was as much as 400%. It must also be recognized that income differences with these groups, especially salaries, were at least as large as between them.
87. Gross value of production and value-added each grew 305%. Its share of total manufacturing output grew from 62% to 72%.
88. The difference attributable to public sector wage increases 1960-62 would have a minimal impact on these figures.
89. See Bus. Latin America. Dec. 26, 1973. "How L.A. Markets Measure Up". Market "richness" in Venezuela was found to be higher than all countries in Latin America with the exception of Argentina and Puerto Rico.
90. Op. cit, IBRD 1961, p. 99; Auto Facts and Figures, 1973-74, Motor Vehicle Manuf. Assoc. of U.S. Inc.

Motor Vehicle Manuf. Assoc. of U.S. Inc.

91. Op. cit, Rangel, 1972, p. 340.
92. Ibid. p. 551. This estimate includes expenditure on car purchases, highway construction, repairs and gasoline.
93. U.S. Army Area Handbook for Venezuela 1977.
94. U.N. Statistical Yearbook, Motor Veh. Manuf. Assoc., op. cit.
95. Ibid.
96. Op. cit, Rangel, 1972, p. 556.

Rangel also calculated that total consumer debt in Venezuela at about 12% of GDP (Ibid., p. 351). In the United States (1972) the proportion of credit in car purchases was substantially lower, 5%).
97. Bus. Ven, July - August, 1976, p. 12.
98. Assembly in 1975 was 154,000 (U.N. Stat. Yearbook).
99. This varies with the type of residential construction.
100. This interpretation is based broadly on the National Housing Institute's (INAVI), 1970 study of urban housing deficit by levels of family income: Mercavi, 70 Resūmen General, Tables 6 and 7.
101. BCV Informe Económico 1971.
102. Ibid.
103. Cited M. Chossudovsky Marginalidad y Pobreza en

Venezuela, unpublished draft 1975, p. 160.

104. see for example H. Njaim et al, El Sistema Político en Venezuela, 1975.

The following calculations for percentage of rancho occupants in various urban centres were made: (p. 60.)

Caracas - 40%

Maracuy - 49%

Maracaibo - 63%

Puerto La Cruz - 62%

Barcelona - 62%

Cuidad Bolivar - 58%

Chapter 5

Venezuela in the Seventies - A New Phase?

The International Context

The OPEC price hike (1973-1974) and oil nationalization (1976) were, for Venezuela, the culmination of 15 years of maturing bargaining power within the system of international petroleum relations.

For the giant oil companies, this was a period of accommodation and adjustment to a new reality. They realized that they were powerless to stem the tide of economic nationalism among OPEC producers. Furthermore, only limited assistance from parent governments could be counted on in their battle against nationalization of their overseas assets. Thus, decisions were made, not at surreptitious meetings of company presidents, but on the basis of a jointly perceived situation by businessmen sensitive to the requirements of self-preservation and growth. The decisions were essentially two-fold; to restructure their system of profits reducing dependence on returns from crude oil and increasing their "take" from refining or "downstream" operations, and to ensure the

continuity of supplies of crude oil from the producer nations.

The oil companies' "honeymoon" with Venezuela ended abruptly with the overthrow of Perez-Jimenez in 1958. The interim military government revised income tax and royalty payments raising the government's share of company profits from 52% to 65%.⁽¹⁾ Despite vociferous protest from the companies, these measures were sustained by the incoming Betancourt government, which, in addition, formed an independent state-owned oil company, the Corporacion Venezolano del Petroleo (CVP). The traditional system of granting concessions was ended and replaced by a system of service contracts to be distributed through the CVP.

Ironically, the second milestone in the shifting of international oil power towards the producers grew out of the deteriorating world market which caused the companies to undertake a succession of price cuts. For the host countries, this represented a substantial decline in their revenues. Common outrage superseded their respective differences and (with Venezuelan leadership) resulted in the formation of the Organization of Petroleum Exporting Countries (OPEC) in 1960. Its explicit aim was to restore posted prices to their pre-1959 levels and "to study and formulate a system to ensure the stabilization of prices by,

among other means, the regulation of production".(2)

The Venezuelan subsidiaries responded by sharply reducing their investments and allying with Fedecameras, the major private sector lobby, in an ideological campaign against the government. Gross investment fell from 1,788 millions Bs in 1958 to 647 million Bs in 1967 (Table 3:1). The number of exploratory wells decreased from 598 to 75 during the same period.(3) The formation of OPEC was unable to halt the downward price spiral which by 1969 had sunk to \$1.81 per barrel (from \$2.65 per barrel in 1957).(4) Nor was it able to develop an internationalized system for the regulation of production.

The chain of events which led to the 1973 price explosion was set off three years earlier by a militant Libyan government which unilaterally raised its crude oil prices, cut production, and nationalized its oil industry. OPEC was quick to follow, with a declaration expressing the desirability of nationalization movements. Venezuela passed legislation enabling the state to fix minimum export values for three-year periods and a year later passed the oil reversion law; setting 1983 as the deadline for complete nationalization. This was the beginning of a sustained price escalation which saw Venezuelan oil exports rise from \$1.85 per barrel in 1970 to \$10.11 per barrel in 1975 and an

acceleration in the schedule for nationalization which was completed at the beginning of 1976.(5)

The happenings of late 1973 have been thoroughly clouded by ignorance and propagandistic clamors on both sides. The present investigation will make no effort to untangle this complex web of interactions; it has been done elsewhere. However, a few key facts will be presented with a view to shedding light on the issue of their relative power and influence in the world petroleum market.

It has been noted already that the companies, recognizing the fruitlessness of reversing the growing OPEC bargaining power, had determined to alter the structure of profits. The price rise gave them a golden opportunity to do this as can be seen from the following table.(6)

Table 5:1

% Price Increase
(1972-1974)

Crude oil	96%
Gasoline	95.4%
Light distillate	141.7%
Middle distillate	169.6%
Residual oil	224.2%

Source: John Blair, The Control of Oil, 1976, p. 296.

The prices of refined production, representing "downstream" activities, rose by more than that of crude oil, in one case by more than double. The result of these changes was clearly manifested in the profit figures of the

oil majors which jumped from an average annual rate of 11.1% (1963-72) to an average of 19% in 1974.(7) For both parties, it was obviously a non zero-sum game, the price rise was mutually advantageous.

A second point of relevance involves the question of the Arab embargo: did it create a global shortage of supply? In the opinion of Blair the Arab embargo (in which Venezuela did not participate) represented, at the most, a very temporary, artificially created, shortage. The historical annual growth rate of production from OPEC nations which had been 9.5% since 1950, did not decrease during 1973; in fact, it slightly exceeded that rate.(8) What is interesting is that in the following two years output broke the historical pattern, falling 13% below the 1973 level or 27% below the figure called for by the historical growth rate.(9) This is very significant; by mid-1974, a glut of oil on world markets was imminent. In absence of this reduction of output, the new OPEC price structure would have surely collapsed.

From whom did the main impetus for the cutback come? Had OPEC developed a sophisticated mechanism for regulation of production on a global scale? In the opinion of the experts, this was clearly not the case.(10) It must, then, have been the oil companies.

....the initiative for the 1975 production cutbacks came from the oil companies. Had it not been for the cutbacks, the market would have been flooded with "distressed" oil, OPEC would indeed have broken down, and oil prices would have fallen sharply. That not of this occurred stems from the relationship between the countries and the companies...where, as in oil, one party holds a concession from another, with each receiving its compensation as a fixed percentage of total revenues, or where their common interest in the maintenance or enhancement of price transcends their interests as individual buyers or sellers, the relationship is not adversary, but symbiotic...(11)

A symbiotic relationship between Venezuela and the major oil companies would suggest that nationalization, while definitely a move (and not an unforeseen move) in Venezuela's favor in the global petroleum chess game, did not represent a new effort to alter the structure of global petroleum relations; in other words, to change the rules of the game. Clearly, Venezuela's (and OPEC's) new status in the international order depended on compliance with the oil companies with whom they shared a mutual interest.

It also explains the amicable environment within which nationalization occurred. Shell responded promptly to President Andres Perez' 1974 announcement. The following excerpt from its first annual bulletin of the same year was a far cry from usual company reaction to "hostile" measures

on the part of the government.

The message of President Perez has cleared a series of unknowns...nationalization is not only possible, but desirable...we are sure that within the new scheme the country has chosen, we will continue to contribute to the development of the petroleum industry in Venezuela until past the end of the present century.(12)

That nationalization was a "fait accompli" was also accepted by the American government.

Andres Perez has resisted internal pressure to significantly reduce production and has assured the United States (which has become increasingly dependent on Venezuelan oil during the last few years) that Venezuela would remain a reliable source of supply. Added assurance of Venezuelan intentions has come from government actions to "recycle" the surplus oil wealth through international financial institutions.(13)

The New Oil Wealth - The Internal Impact

The OPEC price explosion which took place between October 16, 1973 and January 1, 1974, raised the reference price per barrel of crude oil from \$3.00 U.S. to \$11.65 U.S. - an astounding four-fold increase in less than three months.

For Venezuela, as well as the other OPEC producers, this brought an unprecedented inundation of financial wealth into the government treasury. In one year (1973-1974) fiscal income from oil jumped almost three and one half times, from 11,179 million Bs to 36,446 million Bs.(14) In one year, Venezuela received one quarter of all oil revenue obtained in the previous 58 years of oil exploitation.(15)

Nor was the impact of new oil wealth long in making itself felt throughout the rest of the economy. National income, which represents the totality of funds available for consumption and investment, increased 61% (Table 5:1) to 99,380 million Bs). This was almost three times the 1970 level of national income, and a rate of increase which during the previous two decades took at least five years to achieve. Of course, the bulk of this increase was manifested in "returns to capital" which reflects the revenue accruing to the state. Nevertheless, "returns to labor" also showed a substantial 27% rise (Table 5:1).

Table 5:2

National Income

	1973	1974
Returns to labor	28,591	36,360
Returns to capital	33,000	63,020
National Income	61,591	99,380

Source: BCV Informe Econ. 1975

The domestic economy responded swiftly to the tide of new purchasing power. (Table 5:3) Non-petroleum GDP leapt 22%, though at constant 1968 prices, the increase was a more modest 9.9%. The "real" growth in agriculture was 6.1%, reflecting, as well, an exceptionally good crop year. Increases in manufacturing, electricity and transportation were largely the result of greater utilization of existing idle capacity. In some manufacturing sectors for example, rates of idle capacity were reported to have fallen from 40% to 20%. (16) Imports from the Centre climbed 50% in one year. (17) Although a substantial portion of this increase represented world inflation (14%), domestic producers and merchants were able to pass these costs along to consumers.

Table 5:3

Non-Petroleum GDP (Million Bs)

Sector	Current Prices			1968 Prices		
	1973	1974	% Change	1973	1974	% Change
Agriculture	4579	5651	23%	3730	3958	6.1%
Mining	879	1207	37%	745	857	15%
Mfg.*	8735	11155	28%	7581	8333	9.9%
Elec. & Water	1041	1193	15%	1122	1266	13%
Construction	3819	4449	16%	3150	3103	-1%
Commerce	7025	8814	25%	5995	6618	10%
Transp. Stor. & Commun.	7363	8676	18%	6314	6961	10%
Finance	8425	9234	9.6%	7479	8005	7%
Personal. Ser.	3290	3703	13%	2868	3077	7.3%
General Gov't	7994	10439	31%	6198	7177	16%
TOTAL	54,544	66,695	22%	43,347	50,952	9.9%

* (excluding petroleum refining)

Source: BCV: Informe Econ. 1975.

Table 5:4

Balance of Payments (Million Bs)

	1973	1974	% Change
Petroleum	+ 13,028	+40,133	208%
Iron	+ 368	+ 800	117%
Rest of Economy	- 11,068	-23,702	114%
Monetary Capital (S.T. Assets)	- 3,161	-17,248	

Source: BCV: Informe Econ. 1975

For the "prophets of doom" in the Centre who were predicting that the OPEC nations would not be able to recycle their petrodollars and that huge financial surpluses would be "removed" from the global capitalist economy, a look at Venezuela's balance of payments should have served to assuage their worst fears. Although a net transfer in excess of 40 billion Bs was registered in the petroleum sector (an increase of 208% over the previous year), there was net outflow of almost 24 billion Bs in payments for goods and services (including various remittances to foreign capital), which represented 60% of net inflows (Table 5:4). The other 17 billion Bs was "recycled" to international financial institutions in the form of short-term assets. Moreover, the increase in outflows to the Centre (114%) far exceeded increments accruing to the domestic productive structure from new purchasing power.

The chart on page 210 gives a rough, but clear, picture of the flow of petrodollars through the Venezuelan economy.

Chart 1

Flow of Petrodollars through the Venezuelan Economy

(Million Bs)

KEY*

64,182	=	Total export revenues from oil and iron
36,844	=	Fiscal participation in petroleum and iron exports
4,174	=	Direct payments by oil and iron co. wages and other goods and services
5,955	=	Fiscal Revenues from non-petroleum sector of economy
42,799	=	Total income of national government
11,500	=	Revenue to Fondo de Inversiones Venezolano (FIV); invested abroad short term
198	=	Current (short-term) government transfers abroad
767	=	Revenue available to other funds (i.e. Fondo de Creditos Agro Pecuarios, Fondo de Creditos Industriales, Fondo al Financiamiento de las Exportaciones)
20,785	=	Government outflows to rest of national economy
144	=	Government long term capital investment abroad
1,500	=	Long term investment of FIV abroad
4,941	=	Value of imports from abroad by national government
66	=	Direct interest payment on external public debt
362	=	Amortization on external public debt
40,263	=	Total outflows from national government
23,164	=	Transfers to oil and iron companies
18,872	=	Value of imports and other transfers from rest of national sector abroad

24,827 = Total outflows from rest of national economy

26,083 = Total non-petroleum, non-iron, transfers abroad

Source: Banco Central de Venezuela, Informe Economico 1974,
1975

* Exchange rate: \$1 U.S. equals 4.3 Bs

On the surface, it may have appeared that Venezuela, as a member of OPEC, was spearheading a movement towards greater equality in the international system not only among nations, but among peoples. I have demonstrated elsewhere that although OPEC had acquired a significant transfer of wealth and power through its newly gained bargaining power, this event in no way represented a general trend for the Third World Periphery. In fact, the majority of Third World nations, especially the poorest, were being adversely affected by greater oil prices and their external debts were reaching crisis proportions. More realistically, it represented a limited "reshuffling" of positions within the international order with the emergence of OPEC nations to a position of pre-eminence on the Periphery. They resembled the status of 'junior partners' with a limited voice in international decision-making.(18)

We have seen earlier that Venezuela's nationalization of iron and oil industries was not, in any way, part of a program of social transformation; nor was there any intention to sabotage the global capitalist system. Nationalization was the outcome of enhanced economic power, a power which, in a sense, was dependent on continued participation in the system. Far from being a springboard for disengagement, nationalization has become a means to

deeper and more intense participation in the international system. Similarly, Decision 24, the foreign investment code adopted by members of the Andean Group, was not an attempt to discourage or exclude foreign investment, but rather an attempt to redefine and rechannel its role in accordance with the interests and capabilities of the national industrial bourgeoisie. Its aim was not to reduce its ties with the Centre, but to make the operation of Peripheral capitalism more viable by effecting an expansion of markets and a "rationalization" of investment and production.

Decision 24, while partially limiting the transfer of economic surplus to the Centre, was by no means comprehensive. Its restrictions did not cover important modes of effective profitability remission, (notably transfer pricing,) leaving the multinational corporations ample avenues of lucrative investment. The ability of member nations to implement Decision 24 has been related to the attractiveness of their internal markets. Venezuela has been fortunate in this regard especially since 1974. As we shall see later, the implementation of the code has not served as a brake on foreign investment.

A number of measures, taken in the first six months of 1974 seemed to indicate that the Andres Perez government, while not willing to fundamentally alter its relationship

with the Centre, was prepared to take certain short-term measures to achieve modest reforms in the internal distribution of income.

In the Spring, a general wage raise was announced, ranging from 5% to 25% depending on income level. In addition, the government decreed a basic minimum wage of 15 Bs per day or 450 Bs per month. This was followed by a 90 day price freeze on a list of basic food items. Steps were also taken to increase employment. Companies with more than 10 employees were obliged to increase their staff by 5%. Approximately 75,000 jobs were opened up in the public bureaucracy and another 30,000 were absorbed by government decrees making employment compulsory in such activities as operation of automatic elevators.

Aside from the fact that most of these policies were very difficult to enforce, and consequently, were largely circumvented, it became quite clear that they were intended as little more than the nominal fulfillment of election campaign promises. Thus, while in political terms, they may have been effective in placating widely-based electoral support; there was no subsequent evidence to suggest that these policies were part of a broad program to redistribute income or integrate the large majority of the work force with productive activities creating reasonable and stable

earnings. All indications are that the distribution of income has become more regressive since 1974 and that the vast majority of the population is worse off in both relative and absolute terms.

Certainly, those who were fortunate enough to have gained from the wage legislation (and given the high level of non-compliance and its application only to the capitalist sector of the economy, this number was admittedly, quite small) - saw their advantage quickly eroded once the price freeze was lifted. The Central Bank's cost of living index for Caracas, (which covers 25% of Venezuela's population and is representative of other major urban centres) conservatively estimated a general rise of 8.6% in 1974 and 10.3% in 1975.(19) This was sufficient to erase the gains for all but the most "favored" recipients of wage increases. A more realistic picture emerges from the "cost of living" increases in food, drinks and tobacco. Keeping in mind that for the bottom 80% of Venezuelan families, consumption of these items takes up between 60% and 80% of their budgets.(20) This index rose 12% in 1974 and 15.2% in 1975.(21) Thus, it is quite safe to say that in two years any advantage from government wage measures had been more than wiped out.

The government of Andres Perez also promised a package

of sweeping reforms in the income tax structure which supposedly would have a beneficial impact on income distribution. Venezuela has one of the lowest personal income tax rates in the world, with gaping loopholes that allow widespread evasion. Only 3% of Venezuelans are required to file income tax returns and tax evasion has reduced potential income tax revenue by an estimated 75%. (22) Efforts to restructure the tax system in 1966 were largely obstructed by the strong business lobby, Fedecameras.

The government's new tax bill which was made public in 1976 could hardly be called radical. It affected only individuals and companies earning more than 200,000 Bs per year, a mere 1% of the population. (23) Nevertheless, it did propose a tax on idle agricultural land, a special tax on property improvements, a system of fines for non-payment of inheritance and gift taxes, a new sales tax on cigarettes and an increase on the sales tax on alcohol.

Once again, strong opposition by Fedecameras, forced the scrapping of the idle land and property improvements taxes, the watering down of the proposed tax assessment system, and the dropping of fines for evasion of payment. Only the indirect taxes on cigarettes and alcohol which, incidently, affect the majority of the population, were

retained.

The Fifth National Plan

What specifically did the government of Carlos Andres Perez do with its oil revenues? What model or style of development did it espouse? What were its goals, strategies, policies and measures? Did they constitute a truly national scheme in the sense of embracing the needs and aspirations of all Venezuelans or were they designed to further the interests of a small minority? Did they differ, to any meaningful degree, from those of previous administrations? These questions have been asked before. They will be revisited; this time in the context of the Fifth Plan of the Nation which set the course of state activity from 1976 to 1980.(24)

Plan V, it will be shown did not represent a fundamental attempt to change in the direction or model of Venezuelan development. Despite the populist rhetoric of certain government spokesmen and lofty statements articulated in the plan itself, it basically supported and encouraged the development of peripheral capitalism in Venezuela.

A prescient statement by Gumersindo Rodriguez, Minister of planning and architect of, Plan V, confirmed this direction.

There is no need to design the pattern of Venezuela's economic policy, because it is already set...the capitalists are already so certain of the existence of this economic design that they are already investing in industry, agriculture, etc. in order to continue as capitalists. Our design respects private property.(25)

Rodriguez further clarified the state role in Venezuela
Ahora, an official government publication.

...the state is seeking to concert public and private investment; for example, the state places investments which are going to have effects on the economy and thereby creates advantages that bring forth lower production costs, better sales opportunities for private investment. In such a case the state seeks 'concerted' procedures in order to have private investment correspond to public spending so that they can make use of all the positive effects thus created, for the benefit of society.(25)

This is not a new role. I have demonstrated throughout this inquiry that state oil revenues have always been used to create for the private sector, a framework for attractive investment opportunities. The Andres Perez regime was no exception. The only difference was that the magnitude of financial wealth at its disposal enabled it to fulfill this function in a more active way as we shall see presently.

As Humberto Pereira confirms, state planning in Venezuela is of an essentially subordinate nature.

Once the system of private enterprise is adopted, planning will no more than strictly indicative, and it has to give every support to the activity of private capitalists. Its task then is limited to creating incentives and expectations by means of projects. (26)

Thus, in a state which has historically been the expression of the interests of a small dominant class, a plan cannot be expected to be more than an accommodation to those interests. As such, planning is really a euphemism for capital budgeting; a list of projects and priorities to which it will channel its financial resources with an expectation or hope that the private sector will react accordingly.

Two aspects distinguished public investment spending in Plan V from that of its predecessors: its size and its distribution. Total public investment projected for the period (1976-80) was 118 billion Bs. This was about 7 times the amount projected in the previous National Plan. Public investment which was supposed to contribute to 32% of total investment expenditures in 1970-74, was expected to account for 53% of investment in Plan V.

The second distinguishing feature was that a big chunk of public investment would be spent on development of industries engaged in the processing of Venezuela's natural resources. Additionally, huge capital injections were

directed toward state enterprises which provide basic services, i.e. electricity, transportation and communications.

Table 5:5 provides a rough breakdown of so-called productive infrastructure investment. The nationalized petroleum industry, which is the country's economic lifeblood, would require heavy investment (25% of total) both to replace existing assets (which had been allowed to run down by the oil companies) and to develop new sources of oil to ensure a continuous supply. Three major industrial resource processing projects; petrochemicals, steel and aluminum received another 25% of capital outlays. The basic service infrastructure (electricity, transportation and communication), the final high priority area in Plan V, received approximately 40% of available public investment funds. They include the expansion of the country's hydroelectric capacity and telecommunications network; construction of superhighways, building of the Caracas Metro, and a railway system; the expansion and modernization of port and airport facilities; and the acquisition of a merchant marine. The remaining 10% was earmarked, primarily, for capital goods industries - a metal-mechanic complex for the automobile sector and a shipbuilding industry; and for improvement of the agricultural

infrastructure, i.e. a network of rural highways, storage and distribution facilities, irrigation, reclamation and reforestation projects.

The discrepancy between these huge financial outlays for capital-intensive schemes and the goals articulated at the beginning of the Plan is striking. Recall, firstly, a statement made by Rodriguez in 1974:

...our fundamental objective within this society is one of improving the standard of living for the working class, of improving their economic and political capacity so that they will be able to exert increasing influence upon the destiny of the society.

Note, as well, that the plan acknowledges a crucial defect in the national productive structure, namely that it contains "significant inadequacies vis-a-vis its capacity to contribute to the improvement in the quality of life of Venezuelans.(28)

It proposes to resolve these problems by "multiplying the creative effort of labor in order to translate it...into greater human productive capacity and greater capital goods endowment to assure an uninterrupted growth of wealth and welfare of the country".(29) The gap between the goals of wealth and welfare is evident in Table 5:6.

The projected employment estimates, though spotty and incomplete, show that the petroleum, petrochemical, steel, aluminum and electricity industries are expected to create less than 20,000 new permanent jobs by 1980. In other words, a government which is aware that huge sectoral imbalances existing within the productive structure, that the majority of Venezuelans are employed in 'low productivity' employment, is spending 65 billion Bs. (70% of the productive infrastructure investment) to employ an extra 20,000 individuals.

• Table 5:4

State Investments in Productive Infrastructure
1976-80 (Million Bs)

1.	Petroleum	26,520
	Extraction and refining	23,520
	petrochemicals	3,000
2.	Mining	1,030
3.	Agriculture	<u>8,205</u>
4.	Manufacturing	22,895
	Steel	15,170
	Aluminum	5,560
	Automotive & metal mechanic	565
	Naval industry	600
	Industrial Parks	<u>900</u>
	Other	500
5.	Electricity	<u>17,677</u>
6.	Transport and Communications	16,881
	Telecommunications	<u>3,981</u>
	Phycial Infrastructure	8,500
TOTAL		93,208

Table 5:5

Employment in State Productive Infrastructure

	1975	1980	Change
Petroleum & Petrochemicals	21,600	22,000	400
Steel	12,200 (1)	25,200	9,000
Aluminum			4,000
Electricity	13,200	16,200	<u>3,000</u>
			16,400

(1) Source V Plan de la Nacion
Encuesta Industrial 1974 figures have been
used to estimate actual numbers in steel and
aluminum.

No employment statistics are given for the 17 billion Bs allocated for transport and communications, but it can be assumed that creations of permanent employment opportunities will also be minimal. They are mainly projects that when completed will only require small numbers of highly trained personnel to maintain and operate them.(30) This is a small rate of labour absorption indeed in the context of a work force which is conservatively expected to increase by more than three-quarters of a million people during the period which comprises Plan V.(31)

It is to be noted that 500 million Bs is to be spent on a metal-mechanic complex producing for the automobile industry. Another 200 million Bs is going towards the construction of industrial parks. Both these activities rely heavily on the private capitalist sector to create new employment opportunities. The potential of the modern capitalist sector for incorporation of labor has been amply discussed and will be reviewed again. Suffice it to restate here that the manufacturing sector (discounting artisan activities) does not employ more than 10% of the economically active population.(32)

A final 8.2 billion Bs of public investment is being channelled to agriculture with a clearly stated purpose of upgrading the quality of rural infrastructure in order to

make investment opportunities more attractive to large agro-industrial enterprises.(33) This complements a 2 billion Bs agricultural credit fund which was put at their disposal. It is in line with the World Bank Mission report which recommended:

...an intensification of policies to raise productivity in agriculture, including the promotion of faster pace mechanization in order to enable agriculture to pay higher wages and slow the migration to the cities.(34)

The low absorption capability of mechanized agriculture is well known. As for the ability of agricultural policy to retard urban migration, even the Fifth Plan is doubtful, projecting only a 24,500 increase in the agricultural work force by 1980.

Paradoxically, one of the most serious impediments to the realization of the state's investment goals, as well as for those envisaged by the private sector, is the shortage of highly trained personnel to manage and operate these undertakings. The 1974 figures list 281,000 professionals and "technicos", (35) or 8% of the economically active population. Professionals make up 72,789 or 25% of this group. However, only 14,000 (18.5%) are listed as "engineers, architects, or agronomists"; 5% of the entire category.(36) An example of this shortage at its most critical proportions is the government's shipbuilding

project which has to get by with a qualified professional labor force (1974) of 5 marine engineers and 5 naval architects.(37) The problem is similar in resource development with "fewer than 100 mining engineers in the country, the universities turning out only three or four a year, and only a trickle of technicians emerging from the training schools.(38) A government agency study of the Guyana region - the location of major steel, aluminum and hydroelectric projects - forecast a severe shortage of skilled manpower over the next five years (1976-1980).(39)

The "technical expertise bottleneck" will get relief from three sources: immigration, the Gran Mariscal de Ayacucho program of overseas scholarships, and through the domestic education infrastructure, especially the Instituto de Cooperación Educativo (INCE) and to a lesser extent through a reorientation of post-graduate education.

Of the three, immigration is the most important, at least in the short term, and the government currently has a selective immigration program under way. The World Bank projected an influx of 100,000 foreign workers during the period 1976-80; other agencies have made much higher forecasts.(40) Roberto Salas Capriles, head of the Corporación Venezolana de la Industria, put the figure at 400,000.(41) Currently, 2,000 foreign technicians are

employed on the SIDOR steel project and 1,000 more are being recruited for the Guri Hydro Electrical project.(42) The Gran Mariscal de Ayacucho program is also expected to play an important role; it recently expanded the number of overseas scholarships from 12,000 to 15,000 per year. INCE currently has an enrolment of 150,000 students.

The issue here is not whether or not these recruitment measures will be "successful". It is that the state, in concert with the private sector, has embarked on development program which makes no effort to mobilize the large majority (75%) of the working population in the sense of integrating their labor with the country's productive apparatus - this, as we have seen, despite explicit intentions to the contrary. Gigantic schemes have been constructed to turn Venezuela from a consuming country into a more independent producing country, building a rich physical resource base. Whether this strategy, (within the criteria relevant to state and private decision-makers) will meet these objectives, or whether they represent merely another stage in the transition from a final goods importing society to a technology importing society, the grim reality is that this model of development: "powerful state capitalism in co-existence with a vigorous expanding private enterprise system"(43), is exacerbating the internal disarticulation of

large groups, regions, and activities from all but peripheral involvement in the predominant economic structure, the modern capitalist sector. It means that most Venezuelans have to survive within a society which has dictated "from above" a structure of price-cost relationships, patterns of ownership and production, standards of what is and what is not, valued and valuable, scarce and plentiful. This structure is progressively reducing their ability to earn "reasonable and steady" incomes.

Criticism of the Fifth Plan of the Nation came from many political and ideological quarters. Juan Pablo Perez-Alfonso, one of the bitterest and certainly one of the most eminent, called it the "plan of national destruction", a plan of widely unrealistic dimensions which will only succeed in squandering an unprecedented magnitude of resources as it depletes the country's precious petroleum reserves and saddles the nation with an onerous external debt which future generations will have to pay.(44) The operative principle is the so-called Venezuelan effect "which consists in the direct link between many of the evils we are suffering and the growing abundance of capital generated by petroleum wealth outside of the economic activities which constitute the effort of Venezuelans".(45)

He attributes the current "paranoia of bigness" to the following delusion:

The failure of medium size projects has made (planners) believe they failed because they were small. They then conceive fantastic dimensions without realizing that the failure is not in the size.(46)

As to the consequences for the Venezuelan people: "There is a constant deterioration of conditions of living, in both relative and absolute terms. The situation is getting worse and nothing justifies this liquidation of a true patrimony".(47)

Other criticism, while not so unequivocally damning, was hard on the designers of Plan V. It ranged from vagueness and irresponsibility to technical sloppiness and the unrealistic nature of assumptions which underlie the plan's projections.

The role outlined for the private sector was questioned. The weekly periodical, Resumen, called the projections for private investment (105 billion Bs) unrealistically high, and its explicit role, rather vague.(48) It added that a threefold increase in the monetary base of private financial institutions would be necessary to underwrite this level of investment. Fernando Martinez Galdeano criticized the Plan for assigning the private sector such a major role, allowing no prospect for

structural change. "The state in this capacity can only pretend to guide the economy".(49)

Other criticisms dealt with the inability of non-traditional exports to attain the expected 30.4% annual growth rate, the failure of the plan to articulate any employment criteria for the granting of credit to the private sector, the unattainably high rate of modern sector growth which would be required to effectively "absorb" the labor force and the inability of tax reform to generate the expected non-petroleum fiscal revenue.

The most important of these, however, was the heavy external financial dependence that the Plan proposed to inflict on the country.

Plan V asked congress for 19.38 billion Bs and an additional 3.77 billion Bs which would only require BCV approval. Therefore, total requested financing for the 5th Plan of the Nation was 21.16 billion Bs. Estimates of total public debt by the end of 1980 ranged from Acedo Mendoza's 33 billion Bs to Martinez Galdeano's 48.8 billion Bs.(50)

Although time is proving the latter estimate to be the more accurate, even that may have underestimated total public debt incurred in the wake of Plan V. Public debt was already 33 billion Bs at the end of 1977.(51) To finance its 1978 budget, the government requested an extra 6 billion

Bs in borrowing over and above that originally requested by the Fifth Plan. Hence, official debt projections for 1978 were 43 billion Bs.(52) External debt which forms the largest portion of debt, was estimated at 28 billion Bs, half way through 1978.(53) A Caracas chamber of commerce study has estimated external debt service payments at 9.9 billion Bs by 1980 or 25% of the 1978 government budget.(54)

Employment and Marginality

Insight into a government's goals and priorities may also be obtained from the way in which it articulates social problems. Democratic regimes on the Periphery which act overwhelmingly in the interests of small minorities tend to define, as problems, what are, in effect, smokescreens which obscure awareness of real conditions existing in the society and diffuse the potential for popular protest. A problem may be defined in such a way as to justify government measures, with the resulting action seen as favorably affecting the problem. This is part of the infrastructure which perpetuates the illusion of democracy.

For example, a prime goal of recent democratic governments in Venezuela has been the creation of a strong state-run mineral processing sector in order to stimulate and expand the private capitalist sector. Rationalization for the electorate is provided through appeal to nationalist

sentiments and by the argument that the majority of the population will eventually be absorbed in the modern capitalist sector (a highly untenable argument, we have demonstrated). Having stated the priorities, the problems become: how to allocate the petroleum surplus to basic industry projects to maximize their contribution to high income production; how to obtain the most sophisticated foreign technology at the best price; how to acquire enough trained personnel, etc.

A useful perspective on the growth rate of the capitalist sector can be obtained from an indicator which shows, at any given time, the amount of involuntary idleness among individuals who make up the capitalist sector work force. The official government concept of unemployment serves this function. It is, by and large, a relatively accurate indicator although it may include some individuals who are not part of the capitalist sector.(55) It has other advantages. It avoids the official embarrassment and pressure that the publication of a more accurate depiction of the employment situation for the whole economy would create. It accomplishes this by simply assuming away the fact that 70-80% of the population, who are not part of the capitalist sector, do, in fact, aspire to full-fledged participation. At the same time, the official unemployment

concept allows government avenues for actions which create the impression that it is attempting to remedy a major social problem.

The following section will examine unemployment and related concepts as utilized by the Andres Perez government with a view to showing what they reveal and what they conceal of the socio-economic reality of Venezuela.

Since 1974, official figure of unemployment has fluctuated around 6 or 7% of the economically active population. Official surveys classify as unemployed, those without a job and who "are actively looking for work", or were so, in the week prior to the survey. The survey question measures involuntary idleness. All those employed, regardless of the type or duration of employment are assumed not to be looking for work. Those not employed and not looking for work are ~~not assumed~~ to be part of the economically active population.

In 1974, this definition yielded about 220,000 unemployed people or 6.3% of the work force. If, however, the definition of work force were broadened ~~to~~ include "those who will possibly or definitely look for work in a period after the survey" the jobless rate would have risen to 16%. (57) The extra 400,000 are largely individuals who have, for the present, given up job hunting, but who would

resume their search if general prospects for obtaining the type of employment they desired improved and/or if their means of support ran out (e.g. personal savings, family assistance, etc.)

Another way of inferring, in rough terms, the extent to which unemployment is presently understated, is by observing the decline in the relative size of the economically active population over the last 25 years. The work force, greater than 15 years of age, as a percentage of the population, declined 3% from 1950 to 1974 (Table 5:6). If this ratio had remained constant during the period, the 1974 work force would have been 3,640,000 instead of the official 3,428,000, a difference of 212,000. Defining work force greater than 10 years of age as a percentage of the population of the same age, and assuming a constant participation ratio 1950-74, there would have been 3,850,000 million instead of the official 3,506,000 million in the work force, a difference of 344,000.

Table 5: 7

	Work Force Greater than 15 years old			Work force greater than 10 years old		
	Work Force (000's)	% of total Pop.	% of pop greater 15 years	Work Force (000's)	% of total pop.	% of pop. greater than 10 years
1950	1,628	32.3%	55.8%	1,665	33.1%	47.7%
1961	2,262	30.1%	55.4%	2,314	30.7%	46.5%
1974	3,428	29.2%	52.8%	3,506	29.9%	43.4%

Sources: Work force statistics are from Dirección General de Estadísticas greater than 15 years cited in Pereira and Zink, El Empleo en el Sector Informal Urbano en Venezuela y la política del Empleo, (1976) and Chossudovsky, La Economía Política del Desempleo, (1976). Non access to work force greater than 10 years old for 1950 and 1961 lead me to estimate figures based on the difference between the two for 1974. Thus a constant ratio of participation of 10-14 age group is assumed.

Population figures are cited Pereira & Zink, (1976)

Age structure of population, U.N. Demographic Yearbook, 1954, 1967, 1974.

Table 5:8

Year	Work Force	Broader Definition(1)	
	Greater than 10 years old		
	Work Force (000's)	% of Total pop.	% of pop. greater than 10 years old
1950	1706.3	33.8%	48.9%
1961	2351.3	31.3%	46.1%
1974	3911.5	33.3%	48.5%

Sources: some as Table 5:6

A broader definition of work force includes those unemployed "who possible or definitely will look for work" in a period after the survey cited, Chossudovsky (1974), Table A1, p. 22.

We can't exactly determine to what extent the government's conceptual definition of the "economically active" population as those who are employed or are actively looking for employment, has disguised unemployment via a falling labor force participation rate. Nevertheless, if the current work ~~force~~ definition had included "those who will definitely or possibly lookⁿ for work" (after the survey), the work force participation rate of the population greater than 10 years of age as a percentage of the population of the same age would have remained more or less the same from 1950 to 1974.

To reiterate, according to official statistics, the unemployment rate has fallen from 6.6% in 1950 to 6.3% in 1974. Using the broader definition of economically active population, unemployment has risen from 6.6% in 1950 to 16% in 1974.

Unemployment is primarily an urban concept, comprising over 90% of the total unemployed.* In agriculture, the 20,000 "unemployed" (1974) is practically impossible to interpret meaningfully. For instance, wage employment in agriculture has now overtaken self-employment. A large portion of the 289,000 wage and salaried individuals probably work seasonally in accordance with the nature of agricultural production. If so, then the seasonal

fluctuations may affect the level of "unemployment" depending on when the survey was taken. More importantly, chances of interim jobs are virtually non-existent which means that to be "actively looking for work" would be foolhardy.(58) Finally, employment varies widely from area to area. For example, medium and large-scale farming operations (especially in Occidente) complain of the shortage of workers and recruit Colombians.

The evidence suggests that unemployment, as officially conceived, is a luxury that most Venezuelans cannot afford. It is a term which applies largely to urban youth whose families can support them while they look for suitable work. It applies to those whose productive assets, education and access to a stable income or means of support put them in, or at least increases their propensity to aspire to become part of the "modern sector" of the society.(59) In the words of Francis Stewart, "open employment only captures the tip of the iceberg in relation to the total numbers who would be available for jobs in the high wage sector, were such jobs available".(60)

The problem then in Venezuela is not employment in the sense of involuntary idleness. Most people do not have that option. They do not have state unemployment or social security benefits to fall back on. Informal networks of

security do not permit long periods of idleness. So "unemployment" refers mainly to persons who can afford it and have at least some access to the "modern sector" job market. It says nothing about the real "employment" problem (which renders the word, itself, redundant) which is that the majority of Venezuelans work long hours at an endless succession of highly unstable jobs which bring in very low and insecure incomes.

The inadequacies and omissions of published unemployment figures has spawned the widely used term "underemployment". It is supposed to cover a wide range of circumstances where its parent-concept falls down; for instance, individuals who are working less hours than a "normal" work week; persons who put in long hours "on the job", but very little time actually earning income; persons in "low-productivity" jobs, or in jobs which are "socially unproductive", people in jobs which don't measure up to their capabilities or qualifications.

This is a potentially useful term insofar as it illustrates a new dimension of the employment problem. However, it is a term which is highly value-laden and which, therefore, must be defined very specifically, making certain the value-bias is explicitly stated. In practice, this has not happened and "underemployment" has, if subtly, acquired

a pejorative connotation, in the sense that it is linked to "undesirable" employment.

Generally, it is taken by government advisors and policy makers to apply to those activities outside the "modern sector"; those working in small enterprises, the self-employed (including domestics, excluding the university-trained), the subsistence farmer, etc. "Underemployment" is confined exclusively to the "traditional" sector, or (in the more current usage) the "informal" sector. Never has it been used to denote highly paid "underemployed" politicians, bureaucrats, military personnel, advertising executives, lawyers, etc.

Strategies and measures designed to "combat" underemployment vary.(61) Nevertheless, it does not require sophisticated insight to grasp the ideological bias of the notion "desirable" and "full" employment. The bias pervades public and private, verbal and written pronouncements. It implies a notion of employment which is part of, or useful to, the maintenance and expansion of the modern capitalist sector. Here high incomes are available to reduced groups by virtue of their access to (directly or indirectly) high productivity, high technology activities (related ultimately to petroleum). Most Venezuelans do not have this access. It is from their ranks that the term "underemployment",

"informal sector", etc. are drawn.

In other words, the norm of "desirable" employment with which underemployment is contrasted, helps to provide the rationale for concentrating government resources for the expansion of the modern industrial sector and related infrastructure (physical and educational) and for more imports of technology and capital. Furthermore, it insults those who work very hard for marginal wages and helps to furnish the rationale for keeping those incomes low and their recipients in a state of self-imposed inferiority. The reasoning runs as follows: wages^o (which reflect one's contribution to society and are directly related to levels of living) cannot rise unless the productivity of the wage-earner increases. But productivity increases (of the magnitude necessary to be reflected in wages) are only possible via technology, importing industrialization which creates very little employment (not to speak of the employment it destroys or displaces). For the majority, the, wages must remain low, and this, for reason of personal inadequacy, i.e. lack of necessary skills, low productivity, low contribution to society.

In Venezuela, non-access to a stable and "adequate" source of income is a characteristic of marginality. It derives from a non-possession of the assets and skills

necessary to participation in the modern capitalist sector. (These include: land, capital, education, as well as social, cultural and political ties).

The educational system is probably the most effective mechanism for legitimizing the highly skewed income distribution which allows the small capitalist sector to flourish. Central to the process of capitalist expansion (both in the Centre and the Periphery) is technological progress which alters not only the ratio of capital to labor but also increases the employment opportunities for educated labor as opposed to uneducated labor. However, opportunities to acquire educational qualifications are restricted by the size and consequent entrance limitations of the state educational institutions. Those families who already possess the educational assets are invariably favored over those who do not. Ivan Illich charges that "the high cost of schooling makes education a scarce resource. Governments agree on the number of schooling years it takes to make an "educated man" and then spend more money on fewer people. The resulting school pyramid in Latin America takes on the shape of an obelisk." (62)

Thus, the educational system which purports to create a democratic society by means of an objective and universal means of conferring wealth, in reality, creates the illusion

that everybody has equal chances, and fosters widespread acceptance of huge income gaps by engendering individuals, who have not participated in, or have dropped out, a sense of inferiority and personal failure. This is a powerful vehicle. Quoting Illich again:

Schools rationalize the divine origin, of social stratification with much more rigor than the churches have ever done. (63)

The educational obelisk is well formed in Venezuela. Of 100 children between the ages of 7 and 13, 33 get absolutely no formal education; of the remaining 78 children, 69 complete second grade, 60 finish third grade and only 37 get to sixth grade, which constitutes a primary education. (64) Only 17% of Venezuelan youth enter secondary schools, and a mere 10% actually complete secondary education; between 6 and 8% enter a post-secondary institution (university or technical college). (65)

As the result of pressure from a rapidly expanding modern capitalist sector and middle class political pressure for opportunities for "upward mobility", the government has concentrated on secondary and post-secondary education instead of primary education. Between 1970 and 1974, secondary education increased its share of the total education budget from 27% to 31%; superior education from 36% to 40%; and primary from 37% to 29%. (66) Thus, primary

education with three times the enrolment of those in higher education received only 29% of the 1974 educational budget.

A consequence of low, unstable incomes for the marginalized population is a chronic shortage of the basic material elements of survival - food, clothing, health and shelter.

Obviously, precise quantitative documentation of these magnitudes of this shortage is extremely difficult and can be misleading. With this forewarning I will present the findings of the most recent study (1975) of poverty in Venezuela. The author, Michel Chossudovsky, calculated that a minimum subsistence wage (i.e. one which would provide basic food, clothing, housing, and transportation) in 1974 wages was 1000 Bs per month.(67) This was twice the minimum wage and assumed that around 50% of budgets were allocated to food consumption.

In 1974, official figures showed that over 68% of those employed in non-agricultural activities were earning less than 1000 Bs monthly and 20% of the non-agricultural work force were earning less than the minimum official wage (approximately 500 Bs monthly).(68) It may be argued that Chossudovsky set the subsistence income too high. However, a more recent study by the Institute of Nutrition suggests that Chossudovsky's estimate of the food component was

conservative. It found that 80% of Venezuelan families spend 64% of their budgets on food.(69) This compares with Gunnar Myrdal's poverty figures for South Asia - two-thirds or more.(70) In industrial nations, the average proportion of the budget devoted to food is much lower. In Canada, for example, it is lower than 30%.(71)

The average agricultural wage in 1974 was 222 Bs monthly and hardly any workers reached the 1000 Bs minimum.(72) Obviously, the differences in the structure of rural and urban living costs precludes comparability of wages. Rural studies are scarce and information not reliable. Nevertheless, it is fairly safe to assume that the mass exodus from the countryside over the last three decades was in large part an attempt to escape extreme rural poverty. A 1970 study of food consumption levels in Aragua State confirms this hypothesis.(73) Average daily caloric intake was 1,743 btu and protein intake 64.5 g. - well below the minimum standards set by the World Health Organization.(74)

Chossudovsky concluded his study with the aggregate calculation that 77% of the economically active population had incomes below a minimum subsistence level.(75) This is not out of line with the observations of many social analysts that more than 70% of Venezuelans do not meet basic

"starvation" food intake levels.(76)

We have in the previous chapter outlined the seriousness of the housing situation. Adequate health care is only accessible to those who can pay for it, namely the 5-8% who can afford private facilities, and, to a lesser extent to another 22% who belong to the Instituto Venezolano de Seguros Sociales (IVSS).(77)

Economic Independence

The final issue this chapter will examine is that of economic independence and the way in which it has been handled by the Venezuelan state under the leadership of Carlos Andres Perez. We have already observed that Venezuela has adhered closely to the classical tenets of Peripheral capitalist development. Firstly, this development has been conditioned by the expansion of the modern high income market which, in turn, has been dependent almost entirely on the high level and continued growth of revenue generated from petroleum exports to the Centre. Secondly, competition among domestic entrepreneurs who produce for this high income market, has pivoted on technology imports from the Centre. Consequently, very little substantive efforts have been made, either by government policy makers, the state productive apparatus or the private industrial bourgeoisie to encourage the

formation and growth of a domestic technology infrastructure. The structures of Peripheral capitalism (which have already been explored) render such a course unfeasible from their standpoint.

One might have been tempted in the early years of the OPEC bonanza to interpret events in such a way as to conclude that the Venezuelan government seriously intended to make fundamental structural changes in its relationship with the Centre; changes which would give Venezuela a more autonomous self-directing type of capital accumulation.

Two events stand out in this regard: nationalization and the foreign investment code (Decision 24). By 1976, all of Venezuela's natural resource industries had been nationalized and basic processing declared the exclusive domain of the state. Included were: iron and steel, bauxite and aluminum, coal and most importantly petroleum. Obviously, this meant expropriating the assets of the multinational corporations which, hitherto, dominated these industries; a dramatic departure on the surface from the historical course of relations with the companies of the Centre. The second event which indicated intent by the Andres Perez government to alter the direction of Peripheral capitalism was its enthusiastically "nationalist" enforcement of the Andean Group code of foreign investment,

Decision 24. The government stand now was that multinational corporations could only enter the country under stringent new rules which would ensure the transfer and assimilation of their technology in accordance with the goals of Venezuelan economic development. The language of President Andres Perez, himself, was tough and unequivocal:

The transfer and assimilation of technology constitutes one of the pillars of Venezuela's economic and social development. The contractual terms under which we have been negotiating the use of technology...impede the assimilation of that knowledge...Foreign investors that wish to continue profiting from our economy will have to operate on the basis of collaboration, understanding and by accepting the rules of the game formulated by Venezuela...(78)

The basic clauses of the investment code seemingly endowed it with considerable "teeth". Besides reserving "basic industry" for the state, key industries (transportation, electricity, media, publishing, banking and retail firms) were required to become 80% Venezuelan owned by the end of 1977. In other areas, foreign ownership had to be reduced to 49% in 15 years. Annual profit remittances were limited to 14%. Technology contracts were limited to five year periods and required approval by SIEX, the state agency set up to monitor and enforce Decision 24 and related legislation. Moreover, restrictive clauses limiting

production, exports, etc., were prohibited.(79)

Though implementation of the Andean Code was an important step, other measures would have to be implemented in order to maintain a comprehensive and effective front against technological domination from the Centre. These were not forthcoming. To begin with the government never issued a clear policy statement expressing a desire to protect and develop national technology and an accompanying set of norms and evaluative mechanisms by which to ensure that all firms (domestic and foreign, state and private) acted in accordance with the policy goal.

Second, no measures were taken to fill an important gap in Decision 24, namely its failure to acknowledge the crucial role of capital goods as basic channels of technology "transfer". A particular capital good could determine an entire production pattern and thereby form the basis and strength of the technology package. Legal instruments even acknowledging, let alone regulating, capital goods imports were completely absent. In State industries - iron and steel, petrochemicals, aluminum - as well as private enterprises - automotive, electronics, consumer durables, capital goods have been the main form of foreign technological control. Furthermore, supplying a multinational corporation subsidiary with "overpriced"

capital goods not only circumvents the need for technology contracts, it is an effective form of profit remission and one to which Decision 24 does not address itself.

Third, the Superintendencia de Inversion Extranjeras (SIEX) was not given sufficient power or resources to effectively implement the foreign investment code. Two companies negotiating a technology contract could quite easily submit one agreement to SIEX and, given the absence of foreign exchange controls, could negotiate a different agreement with different royalty payments, time periods, etc.(80) Furthermore, SIEX had no mandate to choose technologies in accordance with a clearly articulated policy (either vis-a-vis the encouragement of a domestic technology industry, or in relation to set employment goals). Rather, the domestic technology user has been free to choose technology according to his specific needs (short-term profits) and SIEX's role has been to help strengthen its bargaining position ensuring that technology is received on the best terms possible.

The basic reaction of multinationals to the intent of Decision 24 and related documents was simply that they were not prepared to relinquish their technology or become charitable organizations. Their position was expressed firmly by Charles Smith, president of the U.S. Chamber of

Commerce, in a speech at SIEX:

A given body of technical knowledge and experience is usually the prized possession of companies that have been in business for many years. Because each enterprise realizes that this body of knowledge truly represents its lifeblood, there are strong reasons for not sharing it with others except when control of its use is assured or when payment really compensates the owner for its true value. These conditions usually exist where the seller of technology has a controlling share of voting equity of the recipient company or where long-term agreement (perhaps 15 years or longer) ties income paid for the technology to the success of the enterprise. (81)

It was put more bluntly by Peter Gabriel, Dean of the Boston University School of Business Administration.

Most innovators of modern technology will not relinquish under any circumstances even when involved in joint ventures. (82)

Based on the net flow of direct foreign investment as registered by SIEX it would seem that the multinational corporations were not discouraged by the Andean regulations. Registered DFI in the areas covered under Decision 24 rose from 5 billion Bs in 1973 to 5.8 billion in 1976, an increase of 800 million Bs in three years. (83)

An unpublished OECD study (1975) provides a more detailed statement of the minimal impact of Decision 24 on multinational corporations. It concluded:

Decision 24 has a marginal effect on the multinational companies. The most important factors in its effects, such as restrictive clauses, royalty payments, can be obviated by the parent company/subsidiary relationship without the necessity of establishing contracts, either through the control of the volume of production as an alternative to clauses prohibiting exports or through over-pricing inputs as an alternative to payment of royalties.(84)

Moreover, it concluded that "the patent appears to be a somewhat ineffective channel for technology transfer. Technical assistance is the predominant form. Generally speaking, it would seem that the transnational company is not very interested in the commercialization of technology as independent of investment".(85)

From a sample of technology contracts registered with SIEEX the same study found that all the subsidiaries received imported inputs from their parent companies; that payment for these inputs represented 88.5% of total "economic surplus" outflow (the remainder was comprised of declared profits (7.6%) and royalty payments (3.9%);(86) and that total outflows were 35% of net income of the companies in the survey.(87) It also found that all technology "transfer" contracts dealt with the use of brand names (averaging 30 per contract), and that the large majority of contracts (70%) were "indefinitely in force".(88)

Any doubt concerning the ineffectuality of Venezuelan measures to actually transfer and assimilate technology (rather than just the products of this technology), or to reduce the economic surplus outflows, was removed by modifications which were made to Decision 24 in 1977. Among the changes were the following: the number of firms required to become Venezuelan owned was reduced and the December 31st, 1977 deadline for transfer of ownership was extended; profit remissions was raised to 20% (amounts in excess of 20% were allowed to be invested in domestic bonds with interest and dividends freely remittable); the life of technology contracts was raised to 15 years; and foreign citizens with one year's residence were exempt from Decision 24.

Nationalization of resource industries did not, we have observed, revolutionize Venezuela's relationship with the Centre. Supplies to the Western nations remained constant and the multinational oil companies continued as middlemen between Venezuelan oil fields and markets of North America and Western Europe. Exhortations by government critics, to drastically cut current production and to negotiate sales contracts directly on a government to government level instead of through the multinationals, went largely unheeded. Production levels actually increased throughout

1976 and in spite of isolated state-to-state deals (notably with Spain), the oil companies continued to take 98% of Venezuela's exportable output.(90)

Moreover, the signing of lucrative technology contracts with the major oil companies took the pressure of Petroven to develop its own technological capacity.(91) The contracts included allocation to Petroven of all full-time research staff with the provision that all developments be shared with the parent. Conversely, technological breakthroughs by the oil companies were not obligated to be shared with Petroven. Other clauses included access to manuals, training programs and equipment, all which facilitate operation in the short run, but discourage the development of a separate technological capacity.

The impulse to maintain the essential characteristics of Peripheral capitalism, namely to rely on technology imports from the Centre, in order to meet short-term production and "profit" goals, was evident in other state enterprises. Sidor Plan IV, the major component of the government program to meet all of Venezuela's iron and steel needs, is a good example.(92) A study commissioned by Conicit, the public agency concerned with science and technology, found that SIDOR was preoccupied with immediate production objectives rather than long-term technological

development.(93) It noted that although joint ventures were negotiated with a large array of multinational corporations, the vast networks of links among these companies facilitated the use of each others patents, subcontracting to each other, etc., practices which effectively excluded participation by domestic fabricating and engineering firms.(94) In light of the relatively "old" and accessible nature of technology in this industry and the existence of a promising domestic potential in this area, the path of development chosen by this state enterprise was in direct contradiction to the goal of technological independence.

Sidor's imports of technology packages have been grossly out of line with existing manpower resources and numerous instances of manual operation of automated resources have been cited.(95) Furthermore, Sidor's plans call for 10% (2,000) of its work force to be imported from abroad, projections which incidently have underestimated the actual requirements of foreign-trained personnel.(96)

Such actions accentuate, clearly, the priority of short-term production over integration of the Venezuelan work force into the modern productive structure using a technology which evolves in accordance with the pool of technical skills existing within the Venezuelan labor force.

The state petrochemical ventures with foreign capital

provide another example. A study by CONCIT (1976) found, as in the case of iron and steel, that foreign technology was not in fact being transferred nor were domestic technological capacities being encouraged.(97) The petrochemical industry until 1966 stressed production for the domestic market and the formation of national technical and managerial expertise. Policy then shifted, with the new orientation being towards petrochemical exports and joint ventures with multinationals. The mixed enterprises that emerged left the multinationals in firm control of all facets of technology acquisition precluding a state voice in the selection and evaluation of technologies used, in disaggregating technology packages from equity investment, input arrangements, and market restrictions in accordance with the interests of the parent corporations.(98) The result has been the dissolution of technological capability already built up and a serious setback for local capital goods industry, to local engineering development and to the development of a pool of local innovative and managerial skills.(99)

The foregoing analysis indicates quite clearly that the main feature of Peripheral capitalism in Venezuela, economic and technological dependence show no signs of receding. On the contrary, it points to a hardening or deepening of the

structures of dependency in the wake of OPEC and the Andres
Perez government.

Footnotes

1. F. Tugwell, The Politics of Oil in Venezuela, 1975, p. 51.
2. Min de Hacienda, Venezuela and the OPEC, Caracas, 1961, p. 13, cited Tugwell, 1975, p. 62.
3. Tugwell, op. cit p. 69.
4. IMF International Financial Statistics various years.
5. Ibid.
6. Cited John Blair The Control of Oil, 1976, p. 296.
7. Ibid. p. 308.
8. Ibid. p. 277.
9. Ibid. p. 279, In Venezuela production fell from 1226 million barrels in 1973 to 773 million barrels in 1975 (BCV Informe Economico 1975).
10. See for example Z. Mikdashi "The OPEC Process" Daedalus, Fall, 1975.
11. Op. cit, Blair, P. 293.
12. Cited in P. Duno "Los Doce Apostoles", 1976, p. 54.
13. J. Petras et al, Nationalization of Venezuelan Oil, 1977, p. 83.
14. BCV Informe Economico, 1974.
15. J.P. Perez-Alfonso, Hundiendonos en el Excremento del

- Diablo, 1976, pp 340-41.
16. See, Resumen, May 9, 1975, p. 12.
 17. Op. cit, BCV 1975.
 18. B. Campbell and L. Mytelka, "Petrodollar Flows, Foreign Aid and International Stratification", JJr. of World Trade Law, Fall 1975.
 19. Op. cit, BCV 1975.
 20. See, for example, Instituto de Nutricion Report, cited El Nacional, Aug. 29, 1976.
 21. Op. cit, BCV 1975.
 22. Cited K. Fuad, Business Venezuela, Jan. - Feb. 1976. A good example of corporate tax evasion was uncovered by a government study of the 1963 manufacturing sector earnings, on capital. Reported earnings were 433 million Bs while the study calculated earnings at 2,129 million Bs. In the commercial sector, reported earnings were 405 million Bs while earnings calculated by the study were 800 million Bs. (Cited, L. Kelly, 1970, p. 85).
 23. Latin America Econ. Report, Nov. and Dec. 1976.
 24. V Plan de la Nación, Gaceta Oficial, Caracas, I de Marzio 1976, No. 1860, extraordinario is the central pillar of this plan.
 25. Cited in El Nacional July 21, 1974.

- 25a. Venezuela Ahora Oficina Central de Información, June 1974, p. 7.
26. H. Pereira, The Concept of Development and the Significance of Planning in Venezuela, 1975, p. 224.
27. Op. cit, Ven. Ahora, p. 6.
28. Op. cit, Plan V, p. 4.
29. Ibid. p. 2.
30. E. g. Telephone network (3.6 billion Bs); Caracas metro (2.2 billion Bs); air terminals (1.5 billion Bs); railway system (1.5 billion Bs); modernization of port facilities (700 million Bs). Expenditures for urban roads (1.0 billion Bs) and super-highways (2.00 billion Bs) will require only small additions to maintenance staffs.
31. IBRD Employment Mission to Venezuela, 1975, unpublished, p. 136.
32. Cordiplan IV Industrial Census.
33. Op. cit, Plan V, p. 25.
34. Op. cit, IBRD, 1975, p. 135.
35. Cited M. Chossudovsky La Económica Política del Desempleo, 1976, Appendix Table p. 35.
36. These calculations are from a confidential labour force study conducted by Massachusetts Institute of Technology for Cordiplan some figures of which were

made available to El Universal, Sept. 4, 1976.

37. D. Nött, The Portion of New Oil Wealth, 1974, p. 6.
38. Ibid. p. 8.
39. Figures from the Institución Nacional de Cooperación Educativo, INCE, cited in L.A. Economic Report, Sept. 30, 1977.
40. Op. cit, IBRD 1975, p.
41. Op. cit, La Econ. Report, Sept. 1977.
42. Ibid.
43. Carlos Andres Pere interviewed in Business Venezuela, May-June, 1976, p. 38.
44. Perez Alfonso has articulated this theme widely, in books, pamphlets, newspapers, and interviews.
45. Perez Alfonso op. cit 1976, p. 338.
46. Perez Alfonso El Desastre, 1976, p. 292.
47. Ibid. p. 280.
48. Resúmen, May 16, 1976.
49. Revista SIC, June 1976, p. 255.
50. C. Acedo Mendoza Informe Económico, Sept. 1976, p. 6, F. Martínez Galdeano Revista Sic June 1976, p. 255.
51. Cited in, L.A. Economic Report, Special Issue, Jan. 1978.
52. L.A. Economic Report, Dec. 1977.
53. L.A. Economic Report, Sept. 1978.

54. Ibid.
55. It is also unable to indicate shortage of manpower in certain areas, for example highly skilled technicians.
56. This assumption may have greater validity in a Centre country where there is a greater supply of job opportunities providing a stable and reasonable income. However, in Venezuela, these opportunities are small. Survival is, nevertheless, enabled through a wide range of very low-paying, intermittent, uncertain income earning activities. Thus, a majority of the work force may be employed, but still looking for a stable and reasonable source of income.
57. Op. cit, M. Chossudovsky, 1976, p. 38.
58. This is partly revealed in the fact that agricultural (1974) contained 25% of the population but only 21% of the work force.
59. Chossudovsky's findings op. cit 1976, based on the DGE, Household Survey 1974, confirm this view: more than 90% of the unemployed were urban; 73% were not family heads; 50% were under 25 years of age; the rate of unemployment increased with level of schooling (though it fell again at the university level). Finally, his finding that duration of unemployment was significantly higher among secondary, technical and university

educated than among those with no, or at most primary schooling demonstrates that the concept disproportionately reflects supply and demand for stable salaried jobs and greatly obscures the far more widespread existence of insecure and unstable employment.

60. F. Stewart "Employment and Income Distribution", Jr. of Development Studies, Jan. 1975, p. 1.
61. The "enlightened" literature in government circles now talks less about the modern sector absorbing all the work force and more about strengthening the urban informal sector.
62. I. Ilich Celebration of Awareness, 1970, p. 183.
63. Illich, "Outwitting the Developed Countries", New York Review of Books, Nov. 6, 1969. p. 20."
64. Cited, M. Chossudovsky, Marginalidad y Pobreza en Venezuela unpublished draft 1975 p. 77-78.
65. Ibid. Only 3% enter universities which are incidently entirely subsidized by the state.
66. Ibid., p. 86.
67. Ibid., p. 38-39.
68. Min de Fomento, Dirección General de Estadísticas, DGE, Encuesta de Hogares 1974, cited Chossudovsky op. cit, 1976, Appendix Table A-17, p. 38.

69. Cited in El Nacional, Aug. 29, 1976.
70. G. Myrdal, Asian Drama, 196, p. 542.
71. Agriculture Canada, Handbook of Food Expenditures, 1973.
72. Op. cit, DGE.
73. Congreso Nacional de Ciencia y Tecnología: Linamientos Generales, p. 61: cited Chossudovsky, op. cit, 1975, p. 28.
74. See footnote 6.
75. Op. cit, Chossudovsky, 1975, p. 8.
76. See for example J.P. Perez Alfonso op. cit, 1976, p. 338. and O. Araujo, Situación Industrial en Venezuela, 1970.
77. Op. cit, Chossudovsky, 1975, pp. 104-108.
78. Primer Mensaje Presidencial, 12 de Marzo, 1975, p. 12.
79. For a complete list of prohibitive clauses see: Common and Internal Rules of Treatment for Foreign Capitals and Transfer of Technology, SIEX, 1976, pp. 73-76.
This document contains all relevant foreign investment legislation up to 1976.
80. The occurrence of this practise was confirmed in an interview with a SIEX official.
81. Cited Business Venezuela, Sept. - Oct. 1975, p. 43.
82. Business Venezuela, March-April 1975, p. 12.

83. Min. de Fomento, Memória 1975, and Latin Amer. Econ. Report Special Issue, Jan. 1978.
84. OECD conference paper #17, unpublished, L. Matos, "Study of Technology Transfer through Transnational Companies", 1975 - November, p. 6.
85. Ibid.
86. Other outflows such as interest payments and depreciation were not calculated. They represent, nevertheless, substantial flows. For example, interest payments on the 4 billion Bs in external credit contracts authorized by SIEX in 1975 would have been considerable. (op. cit, Min de Fomento, 1975)
87. Op. cit, OECD, 1975, pp 34-35.
88. Ibid. pp. 35-36.
89. Op. cit, Latin America Econ. Report, Jan. 1978.
90. Kim Fuad - Business Venezuela, May-June, 1976.
91. These contracts cost 14 U.S. cents per barrel which amounted to roughly 500-600 million Bs annually; Ibid.
92. SIDOR received the largest part of Plan V's allocation to industrial investment, i.e. 15 billion Bs.
93. Eco-Sipro, Investigaciones Sobre la Política de Compras de Bienes de Capital en los Sectores Petro Químico y Siderúrgico, June 1976, p. 52.
94. Ibid. p. 76.

95. Ibid. p. 54.
96. See, Lat. Amer. Econ. Report, Special Issue, Jan. 1978,
op. cit.
97. Mariadela Villanueva, Compartamiento Tecnológico de las
Empresas Mixtas en la Industria Petro Químico, CONICIT,
June 1976.
98. Ibid., pp. 96-98.
99. Ibid.

Postscript

The complexity of Venezuelan social reality and the international forces and events with which it is bound, make all but the most obvious predictions, acts of speculation. This investigation has tried, with the help of certain theoretical abstractions, to highlight certain characteristic and tendencies in the historical development of 20th century Venezuela. At best, it can assist in the understanding of the present reality, and perhaps, provide clues as to where to focus analysis of the unfolding historical process or how to interpret new developments.

Nevertheless, assuming that speculation has a legitimate place in scholarly endeavour, I will, in these remaining paragraphs, venture to make some broad statements about the current state of Venezuelan society and about possible future directions. In making prognostications about the future, especially when they are pessimistic, one hopes that events will prove them mistaken. It is in this spirit that the following statements are made.

The first concerns the current nature of the Venezuelan state and the struggles that are going on within the upper class. The latest wave of oil wealth has been accompanied

by nationalization of the country's natural resources and stepped up state involvement in the processing of basic raw materials. This vastly augmented state function as a producer has some important implications. These involve the growing dichotomy between the formally democratic part of the state, with its political parties, its constitution, its legislative judicial and executive branches, its social assistance programs, populist ideology, etc.; and the financial-producing part, managed by the state bourgeoisie in a way that is increasingly detached from the arenas of public debate. In a state whose tax base is now exceedingly narrow, the predominant source of revenue now comes from within, controlled by a stratum of managers who are accountable largely to their own narrowly perceived economic objectives and who now have a tremendous control over the nature and direction of public spending.

The state bourgeoisie has alliances with the multinational corporations whose control over technology and the lucrative centre markets enables them to shape the state productive process; and elements of the private bourgeoisie who, joined by family, cultural and personal and professional affiliations, act as middlemen between the state and the multinationals, deriving profit from, so-called, downstream economic activities.

A striking manifestation of these emerging alliances was the formation, in 1975, of a private holding company, PENTACOM, with an initial capital subscription of 10 million Bs. It was owned by a small group of shareholders representing a few private conglomerates and ex-directors of state corporations. The purpose of this company was to organize a giant mixed petrochemical corporation. PENTACOM would hold 20% of the capital while the state and a consortium of multinationals would own the rest; the former providing the bulk of the financing, (15 billion Bs) and the latter providing the technology and market outlets.

Obviously, such a corporation would quite rapidly produce immense fortunes for a few groups and individuals. Ironically, the news that plans were already underway for this project was leaked to one of the largest and more established economic groups, which, fearing that it was being left completely out of the spoils, brought this issue to public forums and achieved, at least temporarily, a halt to the project.

This example illustrates that there is a vigorous jockeying for position currently going on within the upper class which promises to create considerable unrest in the petroleum state. Furthermore, the enhanced power of the state bourgeoisie could signal a more authoritarian

direction for state, with possibly less revenue available for social assistance projects, etc., especially in periods of falling oil demand in the Centre.

The rivalry among the upper class should be interesting to follow and it may be accompanied by a heightening of contradictions with the dominated class. However, it is my contention that in the face of a threat from a mass political movement the upper class will drop its differences and join forces to ensure that its survival continues intact. Of course, it is possible, under such circumstances, that a more overtly repressive form of government would be necessary.

Second, there is no indication that the conditions of inequality and marginality will improve. The structures which have reproduced and aggravated these conditions over the last six decades are well entrenched. The acceleration of petroleum surplus inflow, has if anything accentuated these conditions. The distribution of income between the top 20% and bottom 80% has worsened over the last 20 years. There has been some flattening out of incomes among the top 20%, representing a gain for the small middle class. However, in times of windfall, as in the post-1973 era, it seems that their relative position, as well, may have been eroded, giving the top 5% a proportionately greater share of

national income.

The marginal population continues to grow; the ranchos crowd in ever greater numbers around the urban centres. There are no signs of any serious attempts to alter this trend, i.e., to fundamentally alter the structure of demand and production integrating these groups into a truly national economic structure. The class continues with few exceptions to view these "masses" (as Bonilla and Silva Michelena discovered in the sixties) as a burden to "society" who must be suppressed if they threaten to "get out of control".

The "marginales", for their part, not being an important cog in the predominant production system, lack an important base around which to mobilize resistance. Potential alliances with workers in the modern capitalist sector are weak. In some cases, like the petroleum sector, the unions have insulated themselves from outside labor competition, ensured security and gained relatively high incomes which the companies could well afford. This elite has essentially lost touch with the marginales and become a part of the middle class.

In other areas of the capitalist sector, union leverage is weak, wages are poor and the threat of marginales taking away jobs is ever present, attitudes of antagonism are

44

OF / DE

understandable. To reiterate, the Peripheral capitalist productive structure no longer requires a large labor force. Those it needs the most, can co-opt. Thus the conditions for widespread labor activity are not what they used to be.

Handouts and leakages from the state surplus passed down to the dominated class via a vast network of clientele relationships (padrazgo), tend to obscure the inequity and injustice. The myth of opulence which pervades all levels of Venezuelan social life is reinforced through a sophisticated mass media propaganda system. For the immense majority, this myth will always be a "lacerating and tortuous fantasy" whose non-attainment will only reinforce deeply ingrained feelings of inferiority and resignation. Only through crime or "la loteria" does there appear to be a chance of realizing "the good life" they view through their television screens.

Third, it would be sadly mistaken to think that the recent nationalizations, foreign investment policies, and other acts of nationalistic fervour portend a growing consciousness which embraces egalitarian social values. It would be similarly, foolhardy to view the recent windfall as the long awaited financial messiah, bringing the necessary ingredients for general emancipation. My arguments in this regard have been thoroughly stated in previous chapters.

However, I would like to leave the reader with two points. The nationalistic movement that culminated in independence from Spain did not bring a fundamental change in the social order. It merely substituted a domestic form of tyranny for a foreign one and created a political lie which exists to this day. As to the latest petroleum wave, although certainly the largest, it is by no means without precedent. I have demonstrated throughout this investigation that equally important jumps in oil income (in relative terms) occurred in the twenties as well as in the late forties and early fifties without salvation - far from it.

Furthermore, there is no indication that the nationalizations etc., represent a real effort to alter the basic tenets of the Peripheral capitalist model. The multinational corporations, with their control over the technology that produces the products which constitute "the good life", will continue to shape Venezuelan economic development, renting their technology for a very exacting toll. The Venezuela upper and middle classes show no signs of rejecting this image of the "good life". Short term economic interests will prevail as will the current form of technology imports, which bear no relation to material needs of the society as a whole. The commercial or assembly mentality will continue to prevail over the creativity and

producing mentality in Venezuelan business.

Finally, I do not believe that Venezuela will ever adequately "sow" its petroleum to the extent that a relatively smooth and relatively peaceful transition will ensure when the oil runs out and/or when the Centre no longer requires oil as a crucial input in the energy grid. When this occurs there will be disruption, there will be upheaval and there will be violence. Perhaps, just perhaps, for the society that emerges from that chaos, the terms equality, freedom, and justice will be more than barren rhetoric.

BIBLIOGRAPHY

- AHUMADA, J. "Hypothesis for the Diagnosis of a Situation of Social Change: The Case of Venezuela", International Social Science Jr., Vol. 16, No. 2, 1964, pp. 192-202.
- ALEXANDER, R.J. The Venezuelan Democratic Revolution, Rutgers Univ. Press, 1964.
- ALDER DE LOMITZ, LARISSA: Como Sobreviven Los Marginados, XXI Editores, Mexico, 1975.
- AMIN, S. Unequal Development, Sussex, Harvester 1976.
- ARANDA, SERGIO The Venezuelan Economy, unpublished draft, Cendes, 1976.
- ABAUJO, O. Situacion Industrial en Venezuela, UCV, Edic. Biblioteca, 1970.
- Venezuela, Violenta, Ediciones Esperides, 1968.
- ARRIAGA, E.E. "Mortality Decline and its Demographic Effects in Latin America". Berkley Instit. for International Studies, 1970, Pop. Monograph Series No. 6.
- ASOCIACION PRO-VENEZUELA Inversiones Extranjeras en Venezuela, 1973.
- AYERS, C.E. "Ideological Responsibility", Jr. of Economic Issues, Vol. 1, pp. 3-11, June 1967.
- BAER, W. "Technology Employment & Development Empirical Findings", World Development Vol. 4, February, 1976, pp. 121-130.
- BCV Memoria, various years.
- BCV Informe Económico, various years from 1959-1976.
- BCV La Economía Venezuela en las Ultimas Veinte Cinco Años, 1966
- BCV La Economía Venezuela en las Ultimas Treinta Años, 1971.
- BARAN, PAUL A. The Political Economy of Growth, N.Y.,

Monthly Review Press, 1957.

- BARNETT, R.J. & MULLER, R. Global Reach - The Power of the Multinationals, N.Y. Simon & Schuster, 1974.
- BEHRMAN, J. "Industrial Integration and the Multinational Enterprise", Annals of American Academy of Social Science, Sept. 1972, pp. 46-57
- BENNION, E. G. "Venezuela" in S.E. Harris (ed), Econ. Problems of Latin America, N.Y. McGraw-Hill, 1944
- BETANCOURT, R. Venezuela's Oil, Allen and Unwin, 1978.
- BHALLA, A.S. (ed) Technology & Employment in Industry, I.L.O., 1975.
- BLAIR, JOHN M. The Control of Oil, N.Y. Pantheon Books, 1976.
- BLANK, DAVID E. Politics in Venezuela, Boston, Little, Brown & Co. 1973.
- BODENHEIMER, S. The Ideology of Developmentalism, Sage, 1971.
- "Dependency and Imperialism: The Roots of Latin American Underdevelopment", in K.T. Fann & D.C. Hodges (eds), Readings in U.S. Imperialism F. Porter Sargent, 1971, pp. 155-83.
- BONILLA, F. The Failure of Elites, Cambridge MIT Press, 1970.
- BONILLA, F. & SILVA-MICHELENA, J.A. "A Strategy for Research on Social Policy", Cambridge MIT Press, 1963.
- BONILLA, F. & GIRLING, R. (eds) Structures of Dependency, Nairobi Bookstore 1973.
- BOTTOMORE, T. B. Classes in Modern Society, London, Allen & Unwin, 1965.
- Elites and Society, Harmondsworth, Penguin, 1966

- BRICEÑO-IRAGORRY, M. Mensaje Sin Destino, Monte Avila, 1972,
(originally published 1951)
- BRITO FIGUEROA, F. La Formación de Las Clases Sociales
en Venezuela, Editorial La Enseñanza Viva,
Caracas, 1976.
- História Económica y Social de Venezuela,
Tomo II, UCV, Caracas, 1966.
- BUSINESS WEEK Interview with Carlos Andres Perez, Oct.
3, 1975.
- BUTLER, R. & HERRICK, B. An Analysis of Venezuelan National Income
Statistics Sources and Methods, Rand Corp.,
May 1968.
- CAMPBELL, B. & MYTELKA, L. "Petrodollar Flows, Foreign Aid and International
Stratification", Jr. of World Trade Law, Fall,
1975.
- CARDOSO, F. H. "Dependency & Development in Latin America",
New Left Review, No. 74, July-August, 1972,
pp. 83-95.
- "Industrialization, Dependency and Power
in Latin America", Berkley Jr. of Sociology
1972-73, pp 79-95.
- "The Industrial Elite in Latin America", in
H. Bernstein (ed), Underdevelopment and
Development, Penguin, 1973.
- "Imperialism & Dependency in Latin America"
in F. Bonilla & R. Girling (eds) Structures
of Dependency, Nairobi, 1973.
- "Current Theses on Latin American Development
and Dependency: A Critique", Boletín de
Estudios Latino-Americanos y del Caribe,
Amsterdam, June, 1977, No. 22, pp. 53-64.
- CENDES - UCV Producción y Consumo del Sector Agrícola
Venezolana, 1960-72, mimeo Caracas, 1974.
- CHACON, A. ET AL Cultura y Dependencia, Monte Ávila, 1975.
- CHENERY, H.B. ET AL Redistribution with Growth, Oxford Univ. Press,
1974. Joint Study World Bank - U. of Sussex,
Inst. of Dev. Studies.

- CHOSSUDOVSKY, M. Pobreza y Marginalidad en Venezuela, unpublished document, Cordiplan, Nov. 1975.
-
- "La Economía Política del Desempleo" Seminario Internacional - El Empleo en el Sector Informal Urbano en América Latina, Caracas 10-13 Mayo, 1976, CLACSO, ILDIS, Cordiplan.
- COLEGIO DE ECONOMISTAS Diagnóstico de la Economía Venezolana, Edic., UCV, 1964.
- COMBELLAS, RICARDO "La Inserción de los Grupos de Intereses en el Estado Venezolano". Politea, 1975, UCV, Institut des Estudios Politicos, pp. 109-32.
- CORDIPLAN Census Industrial, Nos. I to IV, 1961-74.
- CORDIPLAN IV Plan de la Nación, 1971-74
- V Plan de la Nación, Gaceta Oficial, Caracas March 1976.
- CORDOVA, A & SILVA MICHELENA, H. Aspectos Teóricos del Sub-desarrollo, UCV, Inst. de Investigaciones Económicas, 1968.
- DAHRENDORF, R. "The Nature and Types of Social Inequality", in A. Beteille (ed), Social Inequality, Penguin, 1969.
- DOS SANTOS, T. "The Changing Structure of Foreign Investment in Latin America", in Latin America: Reform or Revolution, in J. Petras & M. Zeitlin (eds), Fawcett, 1968, pp. 94-98.
- "Foreign Investment and the Large Enterprise in Latin America: The Brazilian Case", in J. Petras & M. Zeitlin (eds), J. Petras & M. Zeitlin (eds), Latin America: Reform or Revolution, Fawcett, 1968.
- "The Concept of Social Classes", Science and Society, Vol 34, Summer, 1970, pp. 166-93.
- "The Structure of Dependence" in Readings in U.S. Imperialism, R. T. Fonn & D. C. Hodges (eds), Porter-Sargent, 1971.

-----	<u>Imperialismo y Empresas Multinacionales</u> , Edic. Galerna, 1973.
-----	"The Crisis of Contemporary Capitalism", <u>Latin America perspectives</u> , Spring 1976 Vol III No. 2, pp. 84-99.
DUNO, PEDRO	<u>Los Doce Apóstoles</u> , Vadell Hermanos, Valencia, 1975.
ECLA - UNITED NATIONS	<u>Economic Developments in Venezuela in the 1950's</u> , <u>Economic Bulletin for Latin America</u> , Vol. 5, No. 1, 1960, pp 21-61
-----	"Measurement of Price & Purchasing Power in Latin America", <u>Econ. Bulletin for Latin America</u> , Vol 8, No. 2, 1963.
-----	"Protectionism & Industrialization in Latin America", <u>Economic Bulletin for Latin America</u> , Vol 9, No. 1, 1964.
-----	<u>Income Distribution in Latin America</u> , N.Y. 1970, E/Cn 12/863.
-----	"Income Distribution in Selected Major Cities of Latin America and in their Respective Countries", <u>Econ. Bulletin for Latin America</u> , 1974, Vol. XVIII, pp. 13-45.
ECOSIPRO	<u>"Investigaciones sobre la Política de Compras de bienes de capital en los sectores petroquímico y siderúrgico. Study commissioned by Conicit, Caracas, June 1976.</u> 1969.
ESSER, KLAUS	<u>Oil and Development in Venezuela</u> , German Development Institute, Berlin 1976.
EVANS, PETER	"Industrialization and Imperialism: Growth Berkley Jr. of Sociology, 1975-76, pp. 113-46.
FALCON URBANO, M.A.	<u>Desarrollo y Industrialización de Venezuela</u> , UCV Fac. de Ciencias Econ. y Sociales, Caracas, 1969.
FAJNZYLBER, F. & MARTINEZ, T.	<u>Las Empresas Transnacionales: Expansion al</u>

- Nivel Mundial y Proyección en la Industria Mexicana, Fondo de Cultura Económica México, 1976.
- FALS BORDA, O. "Marginality & Revolution in Latin America: 1809-1969". Studies in Comparative Int. Development, Vol. VI, 1970-71, No. 4, pp. 63-69.
- FERNANDES, F. The Latin American in Residence Lectures, Univ. of Toronto 1969-70. "Patterns of External Domination in L.A.", "The Meaning of Military Dictatorship in Present Day L.A.", "Authoritarian Regimes and the Political Roles of the Intellectual in Latin America".
- FIGUEROA, A. "Income Distribution, Demand Structure and Employment", Jr. of Development Studies, Vol II, Jan. 1975, pp. 20-31
- FREIRE, PAULO The Pedagogy of the Oppressed, N.Y., Herder, 1970.
- FURTADO, C. Development and Underdevelopment, Berkley, Univ. of Calif. Press, 1964.
- Economic Development of Latin America, Cambridge Univ. Press, 1970.
- "The Brazilian Model", Studies in Comparative International Development, Summer 1973, pp. 122-30.
- "The Concept of External Dependence in the Study of Underdevelopment", in C.K. Wilber (ed) The Political Economy of Underdevelopment, N.Y. Random House, 1973, pp. 118-123.
- FLYNN, P. "Class Clientelism & Coerion", Jr. of Commonwealth and Comparative Politics, Vol. 12, July, 1974, pp. 133-156.
- FOXLEY, A. & MUNOZ, O. "Income Redistribution, Economic Growth and Social Structure", Oxford Bulletin of Economics and Statistics, Vol. 36, 1974, pp. 21-44.
- GALBRAITH, J. K. Economics and the Public Purpose, Pelican, 1975.

- GALL, N. "The Challenge of Venezuelan Oil", Foreign Policy: 18 Spring 1975, pp. 44-67.
- GALTUNG, J. "A Structural Theory of Imperialism", Jr. of Peace Research, Fall, 1971, pp. 78-117.
- GIRVAN, N. "MNC's and Dependent Underdevelopment in Mineral Exporting Economies", Social and Economic Studies, Dec. 1970, pp. 490-526.
- GIRVAN, N. "The Development of Dependency Economics in the Caribbean and Latin America", Social and Economic Studies, March, 1973.
- "Economic Nationalists vs Multinational Corporations: Revolutionary or Evolutionary Change?", C. Widstrand (ed), Scandinavian Instit. for Africa Studies, 1975, pp. 26-58.
- GOMEZ, H. "Venezuela's Iron Ore Industry", in Mikesell (ed), Foreign Investment in Petroleum and Mineral Industries, Johns Hopkins, 1971, pp. 312-344.
- GOULET, D. The Cruel Choice - A New Concept in the Study of Development, New York, Atheneum, 1971.
- GUNDER-FRANK, A. Capitalism and Underdevelopment in Latin America, Monthly Review Press, N.Y. 1969.
- "Latin America: Underdevelopment or Revolution". Monthly Review Press, N.Y. 1969 b).
- GRACIARENA, JORGE "Estructura de Poder y Distribución Del Ingreso en América Latina", in A. Foxley (ed), Distribución del Ingreso, Fondo de Cultura Económica, México 1974.
- GRIFFEN, K. Underdevelopment in Spanish America, London, Allen & Unwin, 1969.
- GUMILLA, CENTRO Curso de Formación Socio-Política. No. 12 "Venezuela y el Petróleo" - J.P. Perez Alfonso. No. 5 "Hacia una Economía No-Dependiente" - F. Martinez Galdeano. No. 14 "La Propiedad Privada" - C. Vilda, P. Trigo. No. 8 "Los Medios de Comunicación" ---
- HARRIS, W. G. "The Impact of the Petroleum Export Industry

- on the Pattern of Venezuelan Economic Development", in R. F. Mikesell, 1971, Foreign Investment in the Petroleum and Mineral Industries, Johns Hopkins Press, 1971, pp. 129-156.
- HART, K. "Informal Income Opportunities and Urban Employment in Ghana" in R. Jolly et al (ed), Third World Unemployment, Penguin, 1973.
- HASSAN, M.F. Employment Growth and Employment Problems in Venezuela, N.Y. Praeger, 1975.
- HERRERA, A.O. Ciencia y Política en América Latina, Editores, Siglo XXI, 1971.
- "La Creación de Tecnología como expresión Cultural", Seminario Internacional sobre Aplicación y Adaptación de Tecnología Extranjera en América Latina, ILDIS - CONICVT Santiago de Chile, May 28 - June 1, 1973.
- HOBSBAWN, E. The Age of Revolution 1789-1848, Mentor Books, 1964.
- HOROWITZ, I. L. "The Norm of Illegitimacy: The Political Sociology of Latin America", in Horowitz et al (eds), Latin American Radicalism, Random House, 1969, pp. 3-28.
- HUNT, S. J. "Evaluating Direct Foreign Investment in Latin America", in L. Einaudi, Beyond Cuba: Latin America Takes Charge of its Future, Crone Russak & Co. Inc. N.Y. 1974, for Rand Corporation.
- HYMER, S. "The Law of Uneven Development", in J. Bhagwati (ed), Economics and World Order, N.Y., 1970.
- IBRD The Economic Development of Venezuela, John Hopkins Press, 1961.
- The Employment Situation in Venezuela, World Bank Mission, Aug. 22, 1975. Unpublished document.
- IMF International Financial Statistics, various issues.

- INAVI Mercavi 70, Resumen General, 1971.
- ILLICH, IVAN "Outwitting the Developed Countries", New York Review of Books, 13, Nov. 6, 1969.
- Celebration of Awareness, N.Y., Doubleday, 1970.
- JAIN, S. Size Distribution of Income, IBRD, 1975.
- JAGUARIBE, HELIO Political Development - A General Theory and a Latin American Case Study, Harper & Row, 1973.
- JANKUS, A.P. & MALLOY, N. Venezuela - Land of Opportunity, Pageant Press, N.Y. 1956.
- KELLY, L. "The 1966 Venezuelan Tax Reform", Inter-Amer. Economic Affairs, Vol. 24, Spring, 1970, pp. 77-94.
- KNIGHT, J.B. "Income Distrib. in less Developed Countries", Oxford Bull. of Econ. & Statistics, Vol. 38, August, 1976, pp. 161-178.
- LACLAU, E. "The Specificity of the Paulantzas-Miliband Debate", New Left Review, pp. 87-110.
- LALL, S. "Transfer Pricing by Multinational Manufacturing Firms", Oxford Bulletin of Economics & Statistics, August, 1973.
- LANDAU, R. & MENDOLIA, A. "An American View of Chemical Investment Patterns in an Era of High Energy Costs", Chemistry & Industry, Dec. 6, 1975, pp. 1009-14.
- ~~LEAGUE OF NATIONS~~

Balance of Payments and Foreign Trade Balance - 1910-24.
- International Trade Statistics, Issues, 1930 to 1935.
- LEONI, RAUL "View from Caracas", Foreign Affairs, Vol. 43, July 1965, pp. 639-646.
- LEVINE, D. Conflict & Political Change in Venezuela, Princeton Press, 1973.
- LEVITT, K. Silent Surrender, The Multinational

	<p>Edit. Salvador de la Plaza, Caracas, 1975.</p>
MAZA ZAVALA, D.F.	<p><u>Petroleo-Nacionalización y Socialismo</u>, Edic. Parlamento y Socialismo, Caracas, 1975.</p>
MEJIA ALARCON, P.E.	<p><u>La Industria del Petróleo en Venezuela</u>, Univ. Central de Venezuela, 1972.</p>
MIKDASHI, Z.	<p>"The OPEC Process", <u>Daedalus</u>, Vol. 104, Fall 1975, pp. 203-216.</p>
MIERES, F.	<p>"Los Efectos de la Explotación Petrolera sobre la Agricultura en Venezuela", in H. Malave Mata, <u>Petróleo y Desarrollo Económico en Venezuela</u>, Edic. Pensamiento Vivo, Caracas, 1962.</p>
MIKESELL, R.F. (ed)	<p><u>Foreign Investment in the Petroleum and Mineral Industries</u>, Baltimore, Johns Hopkins Press, 1971.</p>
MILIBAND, R.	<p><u>The State in Capitalist Society</u>, London, Weidenfeld & Nicolson, 1969.</p>
MIN. DE FOMENTO	<p>Censo Industrial II, 1955-56.</p>
-----	<p><u>Cordiplán, CVF, Transferencia Tecnología (con referencia a la transferencia Tecnológica des de las E.E. U.W. hacia Venezuela)</u>, Caracas, December, 1970. Unpublished confidential working paper.</p>
-----	<p><u>Proyección de la Población de Venezuela Tomo I</u>, 1972.</p>
-----	<p><u>Memoria</u>, 1975 and <u>Memoria</u>, 1974.</p>
-----	<p><u>Boletín Mensual</u>, April 1976.</p>
MINISTERIO DE MINAS Y HIDROCARBUROS	<p><u>Memoria</u>. various issues.</p>
MORAN, T.H.	<p><u>The Multinational Corporations and the Politics of Dependence</u>, Princeton, 1974.</p>
MULLER, RODRIGUEZ	<p><u>Las Compañías Anónimas en Venezuela (Consideraciones Introdutorias)</u>, Caracas, Balsa Valores, 1975.</p>

MYRDAL, GUNNAR	<u>Asian Drama</u> , N.Y. 20th Century Fund, 1968.
NACLA	"The Politics of U.S. Arms Sales to Latin America", <u>Latin America & Empire Report</u> , March, 1975.
NEGRON, M.	"On Housing in Venezuela", <u>CERES</u> , 52, Oct. 1976.
NJAIM, H. ET AL	<u>El Sistema Político en Venezuela</u> , Instituto de Estudios Políticos, UCV, Caracas, 1975.
CEPCIES - OAS	<u>Situación, Principal Problems and Prospects for the Economic and Social Development of Venezuela</u> , Jan 29, 1975.
-----	<u>Recent Developments in the Venezuelan Economy</u> , ad hoc group investigation, May 21, 1975.
O'CONNOR, J.	"International Corporations and Underdevelopment", <u>Science and Society</u> , Vol. 34, Spring, 1970, pp. 42-60.
OFICINA CENTRAL DE INFORMACION	<u>Venezuela Ahora</u> , various issues.
OSSAWSKI, S.	"Different Conceptions of Class", in A. Beteille (ed) <u>Social Inequality</u> , Penguin, 1969.
PANITCH, LEO (ED)	<u>The Canadian State, Political Economy and Political Power</u> , Univ. of Toronto Press, 1977.
PATE, JOHN R.	<u>Present and Future Venezuelan Technology Policies: Implementation and Implications for Technology Suppliers and Foreign Investors</u> , Mimeo, Caracas, Nov. 1975.
-----	<u>The Ancom Countries and Their Relationship with U.S. Multinationals</u> . Paper presented at Automotive Market Research Council Conference, Kansas City, Sept. 14-17, 1976.
PAZ, O.	<u>The Labyrinth of Solitude</u> , N.Y. Grove Press, 1977.
PEREIRA, H.	<u>The Concept of Development and the Significance</u>

of Planning in Venezuela, Sonderuck aus
vierteljahres berichte, Fundacion Friedrich
Ebert Stiftuny, Nr. 62, Sept. 1975.

PEREIRA, H. & ZINK, M.

2
"El Empleo en el Sector Informal Urbano
en Venezuela y la Política del Empleo"
Seminario Internacional - El Empleo en
el Sector Informal Urbano en América Latina,
Caracas, 10-13 Mayo, 1976, CLACSO, ILDIS,
Cordiplan.

PEREZ ALFONSO, J.P.

Petróleo y Dependencia, Sinthesis Dos Mil,
1971.

Hundiéndonos en el Excremento del Diábolo,
Editorial Lisbona, 1976(a).

ET AL

El Desastre, Vadell Hermanos, Valencia
1976(b).

PEREZ ESCLARIN, ANTONIO

Jesus de Gramoven, Vadell Hermanos,
Valencia, 1975.

PERNAULT, M.

Díez Años de Desarrollo Económico y Social
de Venezuela, Univ. Andres Bello, Caracas,
1966.

PETRAS, J. & ZEITLIN, M.

Latin America: Reform or Revolution?
Fawcett Publications, 1968.

PETRAS, J.

Politics and Social Structure in Latin
America, N.Y. Monthly Review Press, 1970.

The Nationalization of Venezuelan Oil,
N.Y., Praeger, 1977.

DE LA PLAZA, SALVADOR

La Formación de las Clases Sociales en
Venezuela, Fondo Editorial S. de La Plaza,
1974. A paper first given 29 Sept. to
4 Oct, 1964 at a conference of International
French Language Sociologists, Montreal,
Canada.

"Foreign Exploitation of Oil and National
Development", in Horowitz et al (eds),
Latin American Radicalism, Random House,
1969, pp. 292-311.

El Problema de la Tierra, Vol II, UCV,

Caracas, 1973(a).

Venezuela País Privilegiado?, UCV, Fac.
des Ciencias Económicas y Sociales, Div.
des Publicaciones, Caracas, 1973(b).

La Economía Minería y Petrolera de
Venezuela, UCV, Dep. de Estudios Economicos
y Sociales, 1973(c).

POCATERRA, J.R.

Memorias de un Venezolano de la Decadencia,
Vol. 4 and 5, Edime, Caracas-Madrid, 1966.

POULANTZAS, N.

Political Power and Social Classes, New
Left Books, 1973.

POWELL, J.D.

Political Mobilization of the Venezuelan
Peasant, Cambridge, Harvard Press, 1971.

PREBISCH, RAUL

"A Critique of Peripheral Capitalism",
Cepal Review, Vol. 1, 1976, pp. 9-76.

QUIJANO, A.

"The Marginal Role of the Economy and
the Marinalized Labor Force", Economy
and Society, 1974, pp. 393-427.

QUINTERO, R.

La Cultura del Petróleo, UCV, Caracas,
1967.

Antropología del Petróleo, Edic. Siglo,
XXI, 1972.

El Petróleo y Nuestra Sociedad, Caracas,
UCV, 1975.

RANGEL, DOMINGO ALBERTO

El Proceso Del Capitalilismo Contemporáneo
en Venezuela, UCV, Caracas, 1968.

Capital y Desarrollo Tomo I, Instituto de
Investigaciones Económicas y Sociales,
UCV, Caracas, 1969.

Capital y Desarrollo, Tomo II El Rey Petróleo
Instit. de Investigaciones Econ. y Sociales
UCV, Caracas, 1970.

Capital y Desarrollo Tomo II, "La Oligarquía
del Dinero", Edicimes Fuentes, Caracas, 1972.

Elecciones 1973 - El Gran Negocio, Edicimes,

Vadell Hermanos, 1974.

RANGEL, CARLOS

Del Buen Salvaje al buen Revolucionario,
Monte Avila, Caracas, 1976.

ROBINSON, JOAN

"The Age of Growth", Challenge, May - June,
1976.

RODRIGUEZ GALLAD, I.

El Retróleo en La Historiographia de
Venezuela, UCV, Caracas, 1974.

ROLLINS, C.E.

"Economic Development of Venezuela"
Economic Develop. & Cultural Change,
Vol. 4, 1955-56, pp. 82-93.

"Mineral Development & Economic Growth",
Social Research, Vol. 23, Autumn, 1956,
pp. 253-280.

ROOSEVELT, N.

Venezuela - A Place in the Sun, N.Y.,
Round Table Press, 1940.

SALAZAR CARRILLO, J.

Oil in the Economic Development of Venezuela,
N.Y., Praeger, 1976.

SAMPSON, ANTHONY

The Seven Sisters, N.Y., Viking Press, 1975.

SEN, A.

Employment, Technology and Development,
Oxford Univ. Press, 1975.

SEERS, D.

"Big Companies in Small Countries", Kyklos,
Vol. XVI, 1963, pp. 599-608.

"The Mechanism of an Open Petroleum Economy",
Social and Economic Studies, Vol. 13, No. 2,
1964, pp. 233-42.

SEERS, D. ET AL.

Towards Full-Employment, ILO Mission to
Colombia, Imprimerie Vaudoise SA, Lausanne,
1970.

SESELOVSKY, E.R.

"Los Precios de Transferencia en las
empresas transnacionales", Revista de
Economia Latinoamericana, II, (41),
Jan.-March, 1975.

SIEX

Common and Internal Rules and Treatment
of Foreign Capitals and Transfer of
Technology, 1976.

SILVA-MICHELENA, H. &
SONNTAG, H.R.

Universidad, Dependencia y Revolución,
Siglo Veintiuno, Editores, 1973.

SILVA-MICHELENA, H.

"Proceso y Crisis de la Economía Nacional
1960-73" in Néuva Ciência, Ano 1, No. 1,
UCV, Caracas, 1976, pp. 106-129.

SILVA-MICHELENA, J.A.

The Illusion of Democracy in the Dependent
Nations, Cambridge, MIT Press, 1971.

"Richnesse et Alienation", article in
Le Monde Diplomatique, special supplement
Nov. 22, 1975.

SINGER, H.W.

"The Distribution of Gains from Trade &
Investment Revisited", Jr. of Development
Studies, July 1975, pp. 376-82.

SOMAVIA, JUAN

"The Transnational Power Structure and
International Information", Development
Dialogue, 1976/2.

STAVENHAGEN, R.

"Seven Erroneous Theses about Latin America",
in Horowitz et al (eds), Latin American
Radicalism, Random House, 1969, pp. 102-117.

STEWART, F.

"Technology & Employment in LDC's" in
E.O. Edwards (ed), Employment in Developing
Nations, Columbia Univ. Press, 1974,
pp. 83-132.

"Employment and Income Distribution -
Introduction", Jr. of Development Studies,
special issue, Vol. II, Jan. 1975, pp. 1-10.

SUNKEL, O.

"Transnational Capitalism and National
Disintegration in Latin America", Social
and Economic Studies, Vol. 22, No. 1,
Winter 1973.

"External Economic Relations and the
Process of Development - Suggestions for
an Alternative Analytical Framework",
paper presented at conference on
Latin America - U.S. Economic Interactions,
Univ. of Texas, March, 1973.

SUNKEL, O. &
FUENZALIDA, E.

"Transnationalization, National Disintegration

	and Reintegration in Contemporary Capitalism" Univ. of Sussex, Inst. for Devel. Studies <u>Working Paper No. 18., Brighton, 1974.</u>
TANZER, M.	<u>The Political Economy of International Oil and the Underdeveloped Areas, Boston, Beacon Press, 1969.</u>
-----	<u>Energy Crisis: World Struggle for Power and Wealth, N.Y. Monthly Review Press, 1975.</u>
TAVARES, M.C.	"El desarrollo industrial latino-americano y la presente crisis del transnacionalismo", <u>El Trimestre Económico, 42(168), Oct. - Dec., 1975.</u>
TOCKMAN, VICTOR	"Distribución del Ingreso, Tecnología y Empleo en el Sector Industrial de Venezuela" in A. Foxley (ed) <u>Distribución del Ingreso,</u> <u>Fondo de Cultura Económica, México, 1974.</u>
TUGWELL, F.	"Petroleum Policy in Venezuela: Lessons in the Politics of Dependence Management", <u>Studies in Comparative International Development Development, Vol. 9, Spring 1974, pp. 84-120.</u>
-----	<u>The Politics of Oil In Venezuela, Stanford Univ. Press, 1975.</u>
TURNHAM, D.	"Empirical Evidence of Open Unemployment in Developing Countries", in R. Jolly et al <u>Third World Employment, Penguin, 1973.</u>
UNITED NATIONS	<u>Statistical Year Book for Latin America, 1973.</u>
-----	<u>Statistical Year Book, various issues.</u>
-----	<u>Demographic Yearbook, various issues.</u>
UNITED STATES	<u>Area Handbook for Venezuela, 1971 and 1977 editions, Military Foreign Area Studies, U.S. Government Printing Office.</u>
U.S. DEPT. OF COMMERCE	<u>Bureau of International Commerce, International Marketing Information Service, "Venezuela - 1969".</u>
-----	<u>Survey of Current Business, various issues.</u>

URDANETA, LOURDES

Distribución del Ingreso - Análisis del
Caso Venezolano, BCV, Colección de Estudios,
Económicos, 1977.

USLAR, PIETRI

Del Una a Otra Venezuela, Monte Avila,
Caracas, 1972. Original publication 1949.

Sumario de Economía Venezolana, Fundación
Eugenio Mendoza, 1960.

UTRIA, RUBEN, D.

El Problema de la Vivienda y el Desarrollo
de América Latina, Fondo Editorial Comun.,
Caracas, 1969.

VAITSOS, C.

"Patents Revisited: Their Function in
Developing Countries", Jr. of Development
Studies, Oct. 1972, pp. 72-97.

Inter-Country Income Distribution &
Transnational Enterprises, Oxford, 1974.

"Employment Effects of Foreign Direct
Investment in Developing Countries" in
E.O. Edwards (ed), Employment in
Developing Nations, Columbia Univ. Press,
1974, pp. 331-50.

"Comercialización de Tecnología, Inversión
Extranjera y la Decisión 24 de la Comisión
del Acuerdo de Cartagena", Revista de
Economía Latino-Americana, BCV, Caracas,
1975.

"El Poder, los conocimientos y la política
de desarrollo, relaciones entre las empresas
transnacionales y los países en desarrollo",
El Trimestre Económico, 42(168), Oct. - Dec.,
1975.

VALLENILLA, L.

Auge, Declinación y Porvenir del Petróleo
Venezolano, 1973.

Oil - The Making of an New Economic Order:
Venezuelan Oil and OPEC, N.Y., McGraw-Hill,
1975.

VERNON, R.

"Storm over the Multinationals", Foreign
Affairs, Vol. 55, Jan. 1977, pp. 243-262.

VILLANEUVA, M.

Comportamiento Tecnológico de las Empresas

Mixtas en la Industria Petroquímica, Conicit,
June 1976, unpublished document.

VON LAZAR, A. &
MAGID, B.

"Energy Policy & Social Development: Notes
on Trinidad-Tobago & Venezuela", Energy
Policy, September 1975, pp. 201-210.

WEEKS, J.

"The Political Economy of Labour Transfer",
Science & Society, Vol. 35, Winter 1971,
pp. 463-480.

"Employment Growth & Foreign Domination in
U.D.C.'s, Review of Radical Political
Economics, Winter, 1972, pp. 59-70.

"Does Employment Matter", in R. Jolly et al
Third World Employment, Penguin, 1973.

WILKINSON, R.G.

Poverty & Progress: An Ecological
Perspective on Economic Development,
London, Methuen, 1973.

ZEITLIN, M.

"Corporate Ownership and Control: The
Large Corporation & the Capitalist Class",
American Jr. of Sociology, Vol. 79, No. 5,
March 1974, pp. 1073-1119.

END

1	5	1	2	8	1	1
---	---	---	---	---	---	---

FIN