



# Democratization

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revolution

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# Venezuela: a fragile State and a fragmented society

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## How did we get here?

From 1950 to 1979, Venezuela was one of the countries with the highest economic growth, an expansion that occurred with relatively low inflation. The Punto Fijo Pact had offered a stable environment politically, and the oil rent made it possible to finance an important group of infrastructures, and these, in turn, boosted greater economic growth. Venezuelans subtly developed what Casanova (2011) described as a Demorrentist vision:

This vision could be qualified as Demonorrentist if we consider its two essential components: trust in democracy and the logic of distribution of oil-based income.

We felt destined to progress, even though our connection to productivity was weak. We were sure that our democracy was the most stable, even though we were not actively engaged in public affairs. We were not concerned about the long term and we dedicated ourselves to enjoying the present. We were rich and democratic. Why worry?<sup>1</sup>

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1 Roberto Casanova, *Bifurcación, neocomunismo o libertad* (Caracas: Gráficas Lauki, 2011), 39.

This perception of being a rich country and that all of us, at some point and in some way, would also be rich with minimal effort, can be perceived as an environment conducive to the emergence of populist leaders who, under the promise present for most of distributing that wealth more equitably, take power and even more so hold on to it for a long time.

The aforementioned growth occurred at such a speed that it was also disorderly, uneven. Despite this, there was the conviction that Venezuela was "...a country without class struggle, without social resentments, without significant discrimination of any kind; a country of few labor conflicts or business confrontations, of relatively easy social mobility"<sup>2</sup>.

That illusion postponed the need to improve the quality of that growth, the need to make it happen through production-productivity and the generation of value. On the other hand, a strong enough institutional framework was not created for dealing with the intrinsic social conflicts in the transit of any country. Thus, the scenario generated tended to conflict and, in turn, the instances to confront it were not created.

The nationalization of oil was a milestone in our national life. After that event, the perverse dynamics that had been dragged on since the past and that have already been described worsened. The clientelistic relationships were strengthened, the proximity of the State raised the probability of greater well-being, the institutions, which were once solid, rapidly weakened, massive indebtedness and many other inappropriate policies were applied to maintain the illusion. The crisis was imminent, which was what the country was left to between the 80s and 90s, years during which

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2 Ramón Piñango, *En este país sitiado por sí mismo* (Caracas, Ediciones IESA:2004).

the country was characterized by high political conflict and great macroeconomic destabilization.

Despite the deep crisis, there was still a generalized idea that we were a rich country, but that the governments were not able to handle the designated task of distributing this wealth appropriately. Hugo Chávez rose to power thanks to that thought and backed by his vindictive promise. He was the saving hero of a resentful and victimized citizenry.

Much has been written about the figure of Hugo Chávez and the central idea of this article is not to delve into it. The main idea is, certainly, to mention the main characteristics of his rule related to the collapse of the State and the fragmentation of society.

Today, the despotic intentions, not only of Hugo Chávez, but of a good part of the political group that accompanied him, are clear. Throughout his rule, there were significant oil revenues, which in the same way led as well to the issuance of external public debt, which went from an amount close to \$20,000 million to more than \$120,000 million<sup>3</sup>. This allowed Venezuelans to recreate their illusion again, to be able to consume more, without an actual increase in our productivity.

Given the boom and, therefore, the reinforcement of the illusion of wealth, Chavismo had enough popularity to, on the one hand, remain in power under the facade of democracy and, on the other hand, with the *auctoritas* that surrounded Hugo Chávez, to take and destroy the institutional vestiges that remained in the country.

Another important aspect to mention is the clientelistic relationship that was created at different levels of society. That of

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3 BCV official data <http://www.bcv.org.ve/estadisticas/deuda-externa>

the caudillo-pueblo, strengthened by increased consumption and enhanced by the caudillo's charisma, was the most visible, but other less obvious clientelist networks were also created among the different power groups within the political world, but also outside it.

A regime as such cannot be established without international support. The voluminous oil income was also enough to export the so-called "model", in addition to obtaining diplomatic support from a not small group of countries.

Oil bonanzas are not eternal, neither is human life. In Venezuela, those endings coincided in time. Hugo Chávez died in 2013, and a few months later there was a sharp drop in oil prices. Nicolás Maduro came to power without the conditions and attributes of his predecessor. This new reality changed the political dynamics completely, and also the life of Venezuelans.

What happened from 2013 until now was dramatic, but not surprising. Social harmony based on well-being not only related to production, but by high oil prices, disappeared. Political and social unrest advanced rapidly, at the same rate as the economic downturn. An unpopular government, despotic in character, resorted to repression to sustain itself in power. That was what the Venezuelan government did, in addition to using the institutional framework to contain any advance of the opposition forces or of society itself.

Without institutionality, and without an "inclusive institutionality"<sup>4</sup> to be more specific, Venezuelan society did not have nor does it have a way to resolve its conflicts spread out in different areas. In addition, the long period of generalized

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<sup>4</sup> The term is the one that Daron Acemoglu and James Robinson have used in their different academic studies.

crisis has worn down both internal leadership, especially its credibility, and society as a whole, which generates fragmentation and disorganization. These, in turn, eliminate the possibilities of changes in the political and social dynamics of the country.

To summarize, the result of this complex phenomenon has been a country that, today, has a third of the economy per capita of 1998, a dysfunctional State that is unable to guarantee basic aspects of life, a tense political conflict, one of the largest exoduses on the planet and a fragmented society lacking credible leadership.

### **What are we?**

We can ask ourselves what we are, what are the most relevant characteristics of our State, of our society.

“Sovereign states are expected to perform certain minimum functions for the security and well-being of their citizens, as well as for the proper functioning of the international system”<sup>5</sup>. States unable to fulfill these functions are classified as fragile, weak and more extremely as a failed state.

Reaching a collapsed or failed state is a process, so it is difficult to identify when it is on the brink of failure or if in fact it has already arrived to that point. But it could be affirmed that it approaches that spot while the State is less capable “to provide basic functions to the majority of its people, to guarantee territorial control, security and protection, to manage public resources, to

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5 Johnathan Di John, *Conceptualising the causes and consequences of failed states: a critical review of the literatura*, (Londres, Crisis States Research Centre, 2008)

provide services, and finally, to protect and support the ways in which the poorest people live”<sup>6</sup>.

Given these characteristics, it is possible to affirm that Venezuela today has a state that is fragile and with a tendency to deteriorate even more. Acemoglu and Robinson (2019)<sup>7</sup> offer some definitions and there is one in particular that can be applied to the Venezuelan case: The Paper Leviathan.

The Venezuelan State is sometimes considered totalitarian, due to its despotic vocation. It could be assumed that the figure of the totalitarian state coincides with the definition of despotic Leviathan. This is characterized by its dominance over society, which makes it weak, but it also has the ability to “prevent confrontations, resolve conflicts, impose laws that favor economic transactions, invest in public infrastructures, and contribute to generate economic activity”<sup>8</sup>. Two important characteristics should be added to this, already mentioned previously: the provision of basic services and territorial control. It is clear that Venezuela lacks these features.

In the Paper Leviathan, the State is weak and fragile, despite its despotic vocation; society is too. The state is not accountable, nor does it perform its proper function, and society is not strong enough to demand it.

Acemoglu and Robinson (2019) also mention that:

“This paper Leviathan has some of the worst characteristics of the absent and despotic Leviathans. To the extent that

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6 List of characteristics of a fragile state managed by the British Department for International Development (DBDI).

7 Daron Acemoglu y James Robinson, *El pasillo estrecho: Estados, sociedades y cómo alcanzar la libertad*. (Barcelona, Deusto: 2019

8 Daron Acemoglu y James Robinson, *El pasillo estrecho...* 146.

they have any power, they are despotic, repressive and arbitrary. Basically, society doesn't control them and they try to keep it always weak, disorganized and bewildered. They give citizens little protection from the state of war and do not attempt to free them from the cage of rules (and can, in fact, use the cage for their own purposes). This is because the paper Leviathan does not care about the welfare of its citizens and certainly not about their freedom. But it is also because it lacks the capacity to do much, perhaps with the exception of enriching the political elites in charge. We have argued that the roots of the paper Leviathan lie in the political elites' fear of social mobilization, which would constrain their ability to benefit from their control of the state and the plundering of society's resources"<sup>9</sup>.

The authors warn about the complexity of a situation of this type, which permeates negatively in the different sectors of society, in the daily life of citizens. It is a political, economic and social prostration. They also assert that getting out of such a situation has a high degree of difficulty.

### **Economy in a paper Leviathan**

The role and size of the State is a topic that attracts much debate and even controversy. However, it can be affirmed that this has an important function in achieving a minimum of order, security and harmony within the country. In addition, their ability to impose and enforce the rules of the game, resolve conflicts, safeguard property, is essential for the proper development of the economy.

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9 Daron Acemoglu y James Robinson, *El pasillo estrecho...* 402.



These functions can be exercised by a despotic state, but not by a weak one. That is why it is more likely to observe a fairly functional economy in a totalitarian state than in one cataloged as a paper Leviathan. It should still be noted that the absence of economic freedoms<sup>10</sup> within a despotic Leviathan, coupled with a submissive and dominated society, makes that relatively better performance capped as it is difficult to achieve high levels of innovation and economic sophistication in such a hostile environment.

The case of Venezuela is a good example of how this weakness of the State affects economic activity. Their inability to create a framework conducive to a market economy, without inclusive institutional framework, with the lack of basic public services, without legal security, with loss of territorial control on the part of the country<sup>11</sup>, with a precarious sense of the importance of private property, and without any control over the work of the executive branch, represents part of the reasons that explain the deep economic contraction that Venezuela has suffered.

Clientelistic networks also play a leading role in this type of Leviathan. The favoring and freedom of action that the government gives to those closest to them makes certain groups obtain a well-being detached from the economic reality of the rest

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10 Freedom of personal choice, voluntary exchange, freedom to enter and exit markets, just to name a few.

11 *Estas son las bandas criminales que consolidan su poder en oriente de Venezuela* - <https://elestimulo.com/estas-son-las-bandas-criminales-que-consolidan-su-poder-en-oriente-de-venezuela/>  
*Fanb demuestra su incapacidad para controlar 70% del territorio, tras conflicto en Apure: San Miguel* - <https://www.noticierodigital.com/2021/05/fanb-demuestra-su-incapacidad-para-controlar-70-del-territorio-tras-conflicto-en-apure-san-miguel/>

of the country. The wealth generated or remaining is little, and this is desired by these clientelistic nodes.

Opportunities are not available to everyone; rather they are scarce, and these are taken advantage of by a small part of the population, whether it is directly related to power or not. Other conditions also come into play, such as, for example, the capital accumulated in the past, the specific sector of activity, and the contact and support networks. The result is a niche economy, prosperous in those few circles, impoverished in many others.

Furthermore, it is not only the state's situation and its current characteristics. In its attempt to consolidate itself in power, to dominate society, a large part of the productive capacity of both the private sector and the companies run by the State was destroyed, some of which were expropriated. The current deteriorating state of the oil industry can be highlighted, which is the main source of foreign exchange in the country.

The national productive apparatus depends on imported raw materials to produce the different goods and services that we offer for internal and external consumption. On average, about 60% of imports are for intermediate consumption, while the rest is divided between final consumption and gross fixed capital formation<sup>12</sup>. Because of this profile, the generation of foreign exchange is necessary for economic growth, required for the importation of these input, which would give a start to the virtuous circle of generating well-being. Similarly, a sensible approach remains open for this generation of foreign exchange to come from more diversified sources, including the export of finished products, but this will have to be implemented progressively.

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12 Estimated average according to BCV figures during the period 1997-2019.  
<http://www.bcv.org.ve/estadisticas/comercio-exterior>

International isolation, a product of the countries' rejection of domestic political action, has had a significant impact. The need to attract financing to import and invest is clear, these capitals must come from abroad and today there are important barriers that prevent both multilateral credit (International Monetary Fund, World Bank, Andean Development Corporation, among others), and that of investors who want to bring capital to the country. In short, it all comes down to trust, in this case, the deep mistrust that national and international actors have about the state, institutional and social reality of Venezuela.

Venezuelan society has many challenges ahead of a complex situation, that of paper Leviathan. As Acemoglu and Robinson (2019) point out<sup>13</sup>, the exit towards a functional state is even more difficult in this type of regime than in a despotic one. The question is where to direct the efforts?

### **A chosen destination**

The aforementioned authors indicate a very general path to follow:

“Finally, countries near the bottom left, including many paper leviathans... face an even greater challenge. These countries cannot enter the corridor by increasing the power of the state or society separately, since there is no corridor nearby. To enter the corridor they must, at the same time, increase the capacity of their State and their society...”

There are many relevant questions and concerns. How to strengthen the State and society? How should the balance

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13 Daron Acemoglu y James Robinson, *El pasillo estrecho: Estados, sociedades y cómo alcanzar la libertad* (Barcelona, Deusto: 2019), 471.

between State and society be? How to ensure that this balance is not broken? What should be the role of the State in the dynamics of the country? What will be the institutional mechanisms so that society can have control over the State? What are the ways and instances of organization of society to stay united and firm?

Much has been said and written about the role of the political world in the work of social articulation. However, other sectors can help in this objective: the Academy, business unions, the Church, unions, students. It is a co-responsibility between the people who are dedicated to Politics, as well as the elites of the country. The strengthening of these actors could be transformed into the strengthening of society, if those strengthened actors have the will and capacity to communicate and coordinate. This is undoubtedly one of the directions to point to.

The content and objective of this communication must be to agree on the answers to many questions that the country has today, some of which were raised. Collective action is vital for any political and social change, but before doing so, clarity is required of the current situation, of the problems that will be faced.

Those who are government and occupy positions within the State, for their part, also have tasks to carry out. They may have neither the incentive nor the will to carry them out, however, they need to be stated. For example, territorial control is one of them, so is the provision of basic services to the population, to name just two relevant points. That is to say, despite the despotic propensity of the current government, the demand of society must be aimed at containing the phenomenon of weakening and fragilization of the State, which, as already mentioned, can hinder, rather than facilitate, the transition to democracy.

It could be said that this chosen destination is one in which a concept of a country is created that abandons domination and control and is directed towards dignity and freedom:

“...the best society is one in which the coercion of others has been reduced to a minimum. In this way, each person can try to develop their capacities and take advantage of the opportunities to create the life that they wish to live for themselves. Individual freedom can and should be the most valuable social product”<sup>14</sup>.

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<sup>14</sup> Roberto Casanova, *Libertad, emprendimiento y solidaridad: 10 lecciones sobre economía social de mercado* (Caracas: Editorial Alfa, 2015), 39.